

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL
SERVICES**

**PERFORMANCE-BASED BUDGETING
AUDIT REPORT
MARCH 2002**

To The Fiscal Committee Of The General Court:

As directed by RSA 14:31-a, I (f), we have conducted an audit of the Department of Environmental Services' performance-based budgeting efforts. We conducted our audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to provide a reasonable basis for our findings and conclusions. Accordingly, we have performed such procedures as we considered necessary in the circumstances.

The purpose of our audit was to provide an assessment of the Department of Environmental Services' achievement towards its performance-based budgeting goals, objectives, and outcomes, as well as provide an assessment of the appropriateness of its performance measures. The audit period encompasses fiscal years 2000-2001.

This report is the result of our evaluation of the information noted above and is intended solely for the information of the Department of Environmental Services and the Fiscal Committee of the General Court. This restriction is not intended to limit the distribution of this report, which upon acceptance by the Fiscal Committee is a matter of public record.

Office Of Legislative Budget Assistant
Office Of Legislative Budget Assistant

March 2002

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
PERFORMANCE-BASED BUDGETING**

TABLE OF CONTENTS

	<u>PAGE</u>
TRANSMITTAL LETTER	i
SUMMARY	1
RECOMMENDATION SUMMARY	3
 1. INTRODUCTORY SECTION	
1.1 Overview.....	7
1.2 Scope, Objectives, And Methodology.....	9
1.3 Department Of Environmental Services.....	10
1.4 Significant Achievements.....	15
 2. OBSERVATIONS AND RECOMMENDATIONS	
2.1 New Hampshire’s Performance-Based Budgeting Pilot Risks Failure.....	17
Observation No. 1: Improvements Needed In New Hampshire’s Performance-Based Budgeting Pilot.....	17
2.2 Department Of Environmental Services’ Reporting Of Performance-Based Budgeting.....	19
Observation No. 2: Reporting Requirements For Performance-Based Budgeting Should Be Met.....	20
Observation No. 3: Department Of Environmental Services Needs To Issue Annual Reports.....	21
2.3 Subsurface Systems Bureau.....	23
Observation No. 4: Subsurface Systems Bureau Should Adequately Control And Maintain Performance Measures Information.....	26
Observation No. 5: Subsurface Systems Bureau Needs More Accurate Efficiency Measures Information.....	28
Observation No. 6: Subsurface Systems Bureau Needs To Respond Timely To All Subdivision And Septic System Applications.....	30
Observation No. 7: Subsurface Systems Bureau Needs To Review Its Outcome Measures.....	32
2.4 Nonpoint Source Program (Section 319 Planning).....	35
Observation No. 8: Nonpoint Source Program Should More Accurately Reflect Funding Streams.....	39
Observation No. 9: Nonpoint Source Program Needs To Review Its Efficiency Measure.....	40
Observation No.10: Nonpoint Source Program Needs To Adopt Additional Outcome Measures.....	42

2.5	Underground Storage Tank Program	46
	Observation No.11: Underground Storage Tank Program Needs To Improve Controls Of Performance Measures Data	49
	Observation No.12: Underground Storage Tank Program Needs To Provide More Accurate Cost Information Related To Its Efficiency Measures	51
3.	CONCLUSION	55

APPENDICES

Overall Response From The Governor’s Office	A
Overall Response From The Department Of Environmental Services	B
Logic Models For Subsurface Systems Bureau, Nonpoint Source Program, And Underground Storage Tank Program	C
Department Of Environmental Services’ FY 00-01 Performance Budget As Submitted To And Approved By The Joint Legislative Fiscal Committee And Governor And Council	D

LIST OF FIGURES

Figure 1: Subsurface Systems Bureau And Nonpoint Source Program Organization Chart.....	12
Figure 2: Underground Storage Tank Program Organization Chart	14

LIST OF TABLES

Table 1: Subsurface Systems Bureau Revenues And Expenditures By State Fiscal Year.....	11
Table 2: Nonpoint Source Program Section 319 Planning Revenue And Expenditures By State Fiscal Year.....	13
Table 3: Underground Storage Tank Program Revenues And Expenditures By State Fiscal Year	15
Table 4: Comparison Of Fiscal Year 2000 And 2001 Dates Submitted And Dates Due For Quarterly Performance-Based Budget Reports	20
Table 5: Comparison Of Fiscal Year 2000 Projected, Audited, And Reported Performance Measures For The Subsurface Systems Bureau	24
Table 6: Comparison Of Fiscal Year 2001 Projected, Audited, And Reported Performance Measures For The Subsurface Systems Bureau	25
Table 7: Comparison Of Fiscal Year 2000 Projected, Audited, And Reported Performance Measures For The Nonpoint Source Program (Section 319 Planning).....	37
Table 8: Comparison Of Fiscal Year 2001 Projected, Audited, And Reported Performance Measures For The Nonpoint Source Program (Section 319 Planning).....	38
Table 9: Comparison Of Fiscal Year 2000 Projected, Audited, And Reported Performance Measures For The Underground Storage Tank Program	48

Table 10: Comparison Of Fiscal Year 2001 Projected, Audited, And Reported
Performance Measures For The Underground Storage Tank Program49

ABBREVIATIONS

DES	Department Of Environmental Services
EPA	Environmental Protection Agency
LBA	Legislative Budget Assistant
MTRS	Measures Tracking And Reporting System
NPS	Nonpoint Source
UST	Underground Storage Tank

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
PERFORMANCE-BASED BUDGETING**

SUMMARY

Purpose And Scope Of Audit

This audit was performed to meet the requirements of RSA 14:31-a, I (f), and conducted in accordance with generally accepted government auditing standards. The purpose was to assess whether the Department of Environmental Services (DES) achieved the goals, objectives, and measures developed for the performance-based budget pilot. A review of the appropriateness of the goals and measures was also completed.

Background

Federal and state governments have used performance measures and performance information in budgeting since the late 1940s. Generally, performance budgeting is defined as a method of linking resources to program performance and expected outcomes, moving away from the concept of line item budgeting. Performance-based budgeting is said to allow for increased accountability, more budgeting flexibility, improved decision-making, and enhanced performance evaluations. However, some of the hurdles facing performance-based budgeting include developing adequate output and outcome measures to determine program performance, and cultivating leadership support from both executive and legislative branches.

Chapter 222, Laws of 1998, authorized New Hampshire agencies to use performance-based budgeting and designated the Office of Legislative Budget Assistant, Audit Division to “conduct performance audits of each performance budgeted agency and program under RSA 9:8-a at least once every 2 years.” Two departments used performance-based budgeting during the 2000-2001 biennium: the DES and the Department of Transportation. The DES has the following three programs involved in the performance-based budget pilot: Subsurface Systems Bureau, Nonpoint Source Program (Section 319 Planning), and Underground Storage Tank Program. The Subsurface Systems Bureau and the Nonpoint Source Program (Section 319 Planning) are located within the Water Division and the Underground Storage Tank Program is part of the Waste Management Division.

Results In Brief

We noted a total of 12 observations with recommendations: one detailing the need for improvements with the current performance-based budget pilot and 11 observations regarding the department’s performance-based budgeting efforts. Of the 11 observations directed to the DES, two relate to the need for submitting timely reports. The remaining nine observations provide comments to each program regarding problems and issues with the current performance measures and data, as well as suggestions for improvement.

New Hampshire's Performance-Based Budget Pilot Risks Failure

As we noted in our April 2001 report on the Department of Transportation's Bureau of Turnpikes, performance-based budgeting in New Hampshire lacks a clear centralized approach. Our review of the DES' performance-based budgeting efforts further supports that conclusion. Performance-based budgeting in New Hampshire continues with no leadership, no formal written plan, and limited training for personnel involved in the pilot. Unless changes are made, the performance-based budget pilot will likely fail. It may be appropriate to discontinue the pilot until Legislative and Executive leadership determine the purpose of the pilot and provide direction towards that purpose.

Achievement Of Goals, Objectives, And Measures Unclear

The three programs involved in the pilot could not provide comprehensive data to verify reported performance information. We also noted various issues with efficiency measures calculations. Not maintaining the performance measures data and inappropriate efficiency measures calculations could adversely affect any assessments made internally by management and externally by decision makers towards the achievement of goals.

Linkage Between Goals, Objectives, And Measures Needs Improvement

While most of the goals, objectives, and measures appear to be appropriate, we found the programs should review some of their measures, particularly outcome measures, to ensure linkage to relevant outputs and to the goals and missions of the programs and the department. New measures are needed for some programs, while other measures should be rewritten to clarify what is being measured.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
PERFORMANCE-BASED BUDGETING**

RECOMMENDATION SUMMARY

Observation Number	Page	Legislative Action Required	Recommendation	Agency Response
1	17	No	The Governor's Budget Office should coordinate a meeting for all involved in the pilot to review the first two years of the pilot. If the pilot is to continue, a plan describing the purpose, objectives, and goals of performance-based budgeting, and training should be developed.	Concur In Part
2	20	No	The department should submit timely quarterly performance reports to the joint Legislative Fiscal Committee and Governor and Council.	Concur In Part
3	21	No	The department should issue department-wide annual reports.	Concur In Part
4	26	No	Subsurface Systems Bureau management should strengthen controls over data by clearly defining performance-based budget measures, documenting how calculations are completed, maintaining procedures for preserving data reliability and validity, and performing quality reviews.	Concur In Part

Observation Number	Page	Legislative Action Required	Recommendation	Agency Response
5	28	No	Subsurface Systems Bureau management should only include bureau costs to ensure accurate reporting of efficiency measures. Bureau management should also clearly define efficiency measures, document how calculations are completed, maintain procedures for preserving data reliability and validity, and perform quality reviews.	Concur
4	6	No	Subsurface Systems Bureau management should develop an automated system to track subdivision and septic applications to ensure statutory timeframes are met and to more accurately track and report outcome measures.	Concur In Part
7	32	No	Subsurface Systems Bureau management should amend some of the existing outcomes and identify an additional outcome measure to accurately reflect the impact program activities are having on the program's mission and goals.	Concur In Part
8	39	No	Nonpoint Source Program management should amend performance measures to more accurately reflect funding streams.	Concur

Observation Number	Page	Legislative Action Required	Recommendation	Agency Response
9	40	No	Nonpoint Source Program management should clearly define and ensure the accuracy of the efficiency measure, perform quality reviews, and develop efficiency measures for several output measures.	Concur
10	42	No	Nonpoint Source Program management should develop additional outcome measures to delineate the efforts program activities are contributing to the program's mission and goal.	Concur In Part
11	49	No	Underground Storage Tank Program management should: improve controls over performance measures data by clearly defining measures, documenting how calculations are completed, maintaining procedures for preserving data reliability and validity, and performing quality reviews.	Concur
12	51	No	Underground Storage Tank Program management should: ensure the accuracy of cost information related to efficiency measures by clearly defining measures, documenting how calculations are completed, maintaining procedures for preserving data reliability and validity, and performing quality reviews.	Concur In Part

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
PERFORMANCE-BASED BUDGETING**

INTRODUCTORY SECTION

The Legislature is interested in determining whether the Department of Environmental Services (DES) achieved its goals, objectives, and outcome measures as submitted in its performance-based budget. Chapter 222, Laws of 1998, authorized agencies to use performance-based budgeting and designated the Audit Division of the Office of Legislative Budget Assistant to “conduct performance audits of each performance budgeted agency and program under RSA 9:8-a at least once every 2 years.”

1.1 Overview

Generally, performance budgeting is defined as a method of linking resources to program performance and expected outcomes, moving away from the concept of line item budgeting. In theory, performance-based budgeting provides decision makers with organized information to assist them with fully assessing governmental performance and the budget process. Federal and state governments have used performance measures in budgeting since the late 1940s. Presently, the federal government and 33 states are using some form of performance measurement to increase government accountability. Many states are using performance measures along with efforts to develop strategic plans. The federal government, through its Government Performance and Results Act (Public Law 103-62), has instituted strategic planning that includes performance indicators.

Proponents of performance-based budgeting suggest its benefits may include: increased accountability to the public, more budgeting flexibility, improved decision-making, and enhanced performance evaluations. Some of the hurdles facing performance-based budgeting include developing adequate output and outcome measures for determining program performance, and cultivating leadership support from both the executive and legislative branches.

Performance Measures

Monitoring performance usually involves several types of performance measures. Performance measures typically include input measures, output measures, and outcome measures. Performance measures may also include efficiency and productivity. Outcome measures are important because they show what contributions a program, agency, or department is making towards achieving desired results.

Developing a performance measurement system requires commitment, time, resources, and training. It requires performance measures be clear, cost effective, relevant, significant, practical, verifiable, linked to funding, result-based, and linked to a mission or goal. Developing these measures should include input from relevant staff at all levels of an agency, as well as customers and policy makers. Good measures, particularly outcome measures, are often difficult for agencies to identify. It takes time to develop measures that accurately reflect agency performance while at the same time providing decision makers with reliable, valid, and easy to understand measures and information. Due to some of the difficulties associated with developing an

agency's performance measures, the federal government and many states are phasing in performance measurement over a period of time.

Another concern with developing performance measures involves the number of measures tracked. Care needs to be taken not to "overload" decision makers with measures providing unneeded details. Performance measures should not be designed to report every activity of an agency or program but rather focus on key processes and activities.

It is important to link performance measures back to an agency's strategic plan, mission statement, or goals. We used logic models to facilitate our analysis of DES' performance measures. Logic models describe programs in a way that facilitates developing relevant measures by portraying intended causal relationships between inputs, activities, outputs, and outcomes. Please refer to Appendix C to see the logic models.

Finally, measuring performance requires sufficiently complete, accurate, and consistent data. If the data do not exist, agencies need to determine if they can collect it at a reasonable cost, or determine if there are sufficient and reliable surrogate data already collected or that can easily be collected.

New Hampshire's Performance-Based Budgeting Efforts

The Legislature enacted Chapter 222:4, Laws of 1998, authorizing agencies to submit a performance-based budget consisting of "one line item for each program objective." In addition, Chapter 159:11, Laws of 1999, authorized commissioners or department heads to transfer appropriated funds among accounts "to accomplish the measurable goals and objectives as approved by the legislative fiscal committee and the governor and council." Chapter 159:11 also required performance-based budgeted agencies or programs to submit quarterly reports to the joint Legislative Fiscal Committee and Governor and Council. The language in Chapter 159:11, Laws of 1999, is now found in Chapter 130:9, Laws of 2001, for the 2002-2003 biennium.

The DES was one of two agencies involved with the performance-based budget pilot during fiscal years 2000 and 2001; the other was the Department of Transportation's Bureau of Turnpikes. Personnel from both departments received some guidance from the Governor's Budget Office and Department of Administrative Services in developing goals and measures for 2000-2001 biennium performance-based budget plans. The guidance included information on the different types of measures, the format for quarterly reports, and limited policies and procedures. The information on performance measures and policies and procedures was submitted to the joint Legislative Fiscal Committee and Governor and Council as part of the performance-based budget pilot proposal. However, DES personnel were not provided formal training in performance-based budgeting development and implementation and have received limited input from the Governor's Budget Office or the Department of Administrative Services since the pilot's implementation.

1.2 Scope, Objectives, And Methodology

In meeting the requirements set forth in RSA 14:31-a, I (f), we conducted a performance audit of the DES performance-based budgeted programs. This performance audit was conducted in accordance with generally accepted government auditing standards and accordingly included such procedures as we considered necessary in the circumstances.

Scope And Objectives

This report is intended to provide an assessment of how well the department has done in meeting its performance goals, objectives, and outcomes identified as part of the performance-based budget pilot, as well as provide an assessment of the appropriateness of the performance measures. To address these issues, our performance audit answers the following questions:

1. *Has the department achieved the goals, objectives, and specific outcome measures identified in its performance-based budget submission?*
2. *Has the department identified appropriate performance measures and standards for its performance-based budgeting efforts?*

Methodology

To obtain background information and develop an overall understanding of performance-based budgeting, we reviewed documents related to performance budgeting and measures obtained from the United States General Accounting Office, the National Conference of State Legislatures, the Urban Institute, and other states. We reviewed documents specific to performance measures and budgeting in environmental agencies obtained from other states and the federal Environmental Protection Agency (EPA). Furthermore, we obtained and reviewed information specific to the DES including: State law and administrative rules, budget documents, organizational charts, and agency-produced reports. Finally, we conducted interviews with Legislators and personnel from the Legislature, Governor's Office, and the department.

We used the following methods to address whether the department's Subsurface Systems Bureau, Nonpoint Source Program (Section 319 Planning), and Underground Storage Tank Program achieved the goals, objectives, and specific outcome measures identified in their performance-based budget submission:

- Verified quarterly report accuracy for fiscal years 2000 and 2001 through a review of performance measures data.
- Reviewed files from the Subsurface Systems Bureau used to populate its databases to determine the reliability of the database information as well as determine if statutorily required timeframes were met 100 percent of the time.
- Compared the projections for fiscal year 2000 and 2001 to the final figures for each of the fiscal years to determine if the goals, objectives, and measures were achieved.
- Compared the actual figures for fiscal year 2001 to the projected figures for fiscal year 2002 to determine if the 2002 measures need to be reevaluated.

To address the issue of appropriately identifying performance measures and standards for the performance-based budget pilot, we used the following methods:

- Reviewed and compared the identified performance-based budget goals to the mission and goals of the DES and appropriate division and making a determination on whether the identified goals are clearly related to the mission and goals of the department and appropriate division (See Appendix C).
- Determined if there are any standards or benchmarking information used by the federal government or other states that might be applicable to the department's performance measures development.
- Interviewed officials to determine if the DES has plans to change or modify any of its goals, objectives, or outcome measures based on its use of performance-based budgeting for fiscal years 2000 and 2001.

1.3 Department Of Environmental Services

The DES is the State agency responsible for implementing, monitoring, and enforcing federal EPA programs. The mission of the department is “to protect, maintain and enhance environmental quality and public health in New Hampshire.” The department strives to achieve this mission through its three divisions: water, waste management, and air resources.

The DES originally had four programs targeted for the pilot, one from the Waste Management Division and three from the Water Division. The program chosen from the Waste Management Division was the Underground Storage Tank Program. The three programs chosen from the Water Division included the Subsurface Systems Bureau, Nonpoint Source Program (Section 319 Planning), and Safe Drinking Water Act Program.

Shortly after submitting the performance-based budget plan for approval from the joint Legislative Fiscal Committee and Governor and Council, the Safe Drinking Water Act Program was withdrawn from the pilot. DES management considered the program too complex for the pilot and thought any measures developed for the program would have created some redundancies in performance measures between the other Water Division programs participating in the pilot.

Subsurface Systems Bureau

The Subsurface Systems Bureau (the bureau) is organizationally located within the Water Division's Resource Management Programs (see Figure 1 on page 12). The bureau consists of 25 personnel (one of which is part-time) responsible for: preventing pollution of all public and private water supplies by reviewing applications for land subdivisions; reviewing individual septic system designs; completing on-site inspections of all septic systems installed; and investigating complaints and engaging in enforcement activities related to subsurface systems.

The bureau is funded 100 percent by the General Fund and had expenditures of approximately \$1.4 million in fiscal year 1998. In fiscal year 1999, expenditures decreased to \$1.3 million but have increased each fiscal year since. Bureau management projects expenditures of

approximately \$1.5 million in fiscal year 2003 (Table 1). The expenditures include costs associated with several personnel not working directly for the bureau.

The bureau collected fees of approximately \$1 million in fiscal year 1998. These fees included septic system and subdivision applications, designer and installer licensing, and fees for other bureaus in the DES. Fee collection increased to \$1.2 million in fiscal year 2001. Projected revenues for fiscal years 2002 and 2003 are approximately \$1.1 million.

Table 1

Subsurface Systems Bureau Revenues And Expenditures By State Fiscal Year						
	1998	1999	2000	2001	2002	2003
Unrestricted Revenues ⁽¹⁾						
Installer Licenses	\$ 75,970	\$ 74,360	\$ 78,240	\$ 80,280	\$ 80,000	\$ 80,000
Subsurface Waste Fees	540,165	638,050	641,845	647,575	688,000	712,000
Subdivision Applications	180,600	217,488	215,025	231,075	232,000	240,000
Designer Exams	2,834	2,600	3,320	2,800	3,200	3,200
Designer License Renewal	34,200	35,120	33,800	33,480	40,000	40,000
Sewer System Plan Fees	50,939	73,559	61,373	63,584	51,000	51,000
Septage Hauler License Fees	86,603	111,797	65,623	103,413	7,000	7,000
Installer Exams	6,600	7,960	8,720	8,880	7,200	7,200
Subtotal	\$ 977,911	\$ 1,160,934	\$ 1,107,946	\$ 1,171,087	\$ 1,108,400	\$ 1,140,400
Restricted Revenues ⁽¹⁾						
Recording Fees ⁽²⁾	\$ 36,050	\$ 42,205	\$ 41,845	\$ -	\$ -	\$ -
Fines and Penalties	5,200	5,633	-	50,000	-	-
Total Revenues	\$ 1,019,161	\$ 1,208,772	\$ 1,149,791	\$ 1,221,087	\$ 1,108,400	\$ 1,140,400
Expenditures ⁽³⁾						
Personnel	\$ 1,104,364	\$ 1,084,640	\$ 1,170,563	\$ 1,198,428	\$ 1,197,609	\$ 1,207,444
Operating	276,889	224,462	260,118	261,161	266,801	268,324
Total Expenditures	\$ 1,381,253	\$ 1,309,102	\$ 1,430,681	\$ 1,459,589	\$ 1,464,410	\$ 1,475,768

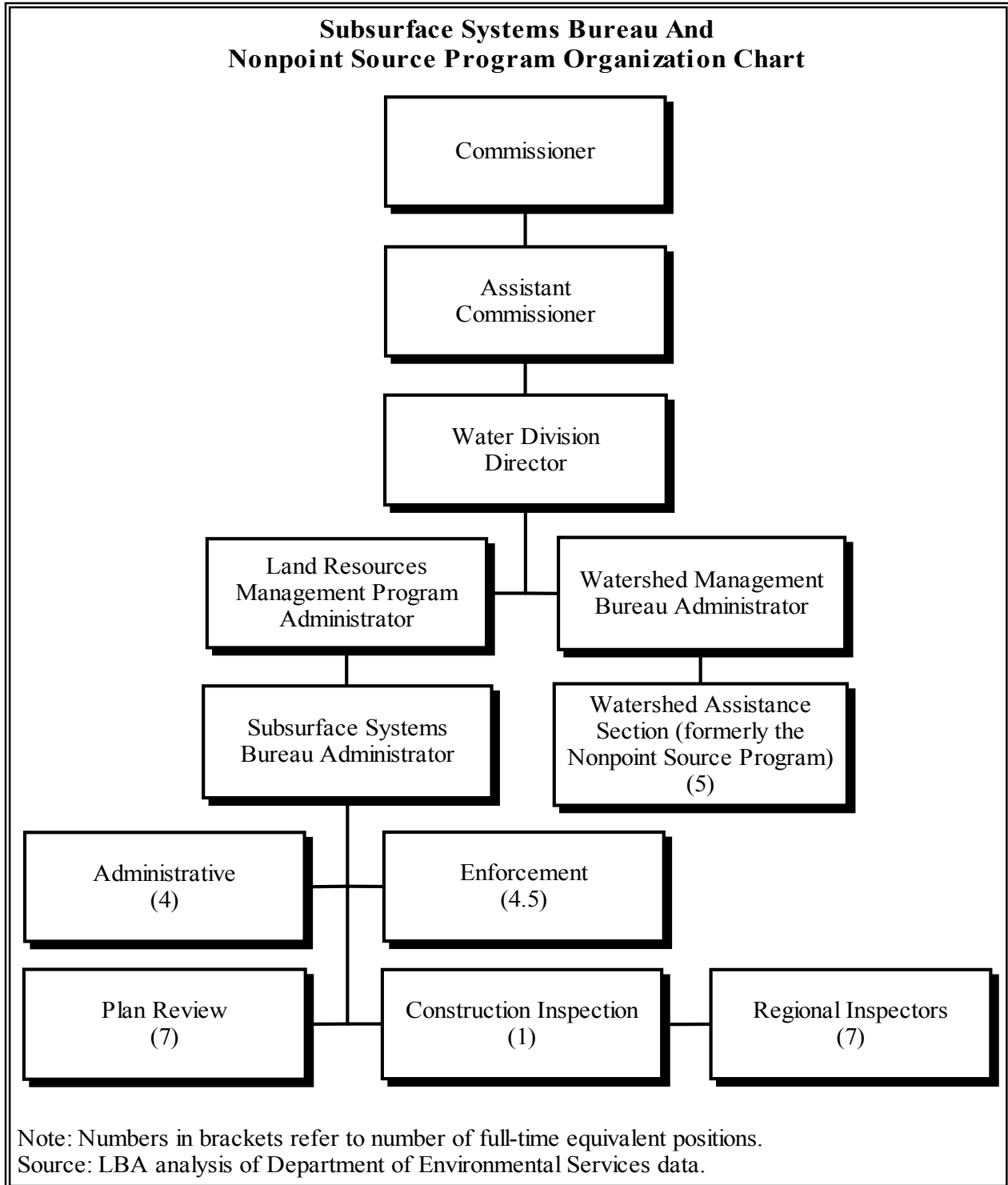
Notes:

(1) FY 98-03 actual and expected revenue from unaudited Subsurface Systems Bureau data.

(2) Chapter 233, Laws of 1996, repealed RSA 485-A:30, II related to collection of recording fees effective July 1, 2000.

(3) FY 98-01 actual expenditures from Statement of Appropriation. FY 02-03 appropriations from operating budget.

Figure 1



Nonpoint Source Program (Section 319 Planning)

With the success in controlling point source pollution, there was a shift to address nonpoint source pollution when Congress amended the Water Quality Act of 1987 to “focus greater

national efforts on nonpoint sources.” Congress also enacted Section 319 of the Clean Water Act (33 USC Sec. 1329) “which established a national program to control nonpoint sources of water pollution.” Nonpoint source pollution “results from land runoff, precipitation, atmospheric deposition, drainage, seepage, or hydrologic modification.”

New Hampshire’s Nonpoint Source (NPS) Program was renamed the Watershed Assistance Section shortly after the start of the performance-based budget pilot but continues to be referred to as the NPS Program for the pilot. The NPS Program is organizationally located within the Water Division’s Watershed Management Bureau (see Figure 1 on page 12).

The NPS Program only identified Section 319 Planning funds (organization code 025-044-2025) received from the Clean Water Act for the performance-based budget pilot. Section 319 Planning funding supports five of the ten NPS Program positions. These five positions provide technical, educational, and outreach activities to local entities addressing nonpoint source pollution. The Section 319 Planning grants awarded to local entities address all aspects of “watershed management including organization building, watershed planning and assessment, and implementation, including installation of [best management practices] and education and outreach programs.”

The NPS Program expended \$714,935 of Section 319 Planning funding in fiscal year 1998. As shown in Table 2, total expenditures fluctuate each year, dropping to \$581,673 in fiscal year 1999 and increasing to \$634,675 by fiscal year 2001. Program management projects that approximately \$1.1 million of Section 319 Planning funding will be expended in each year for fiscal years 2002 and 2003.

The Section 319 Planning grants awarded to local entities continue to decrease each fiscal year. In fiscal year 1998, grants awarded equaled approximately \$322,000. However, the award amounts in fiscal years 1999 through 2001 decreased from \$204,000 to \$130,000. The NPS Program anticipates awarding grants totaling approximately \$500,000 in each year for fiscal years 2002 and 2003.

Table 2

Nonpoint Source Program Section 319 Planning Revenue And Expenditures By State Fiscal Year						
	1998	1999	2000	2001	2002	2003
Revenue⁽¹⁾						
Federal Revenue	\$ 714,936	\$ 582,127	\$ 570,000	\$ 446,905	\$ 1,170,980	\$ 1,156,777
Expenditures⁽¹⁾						
Personnel	\$ 286,430	\$ 300,376	\$ 297,877	\$ 378,603	\$ 546,246	\$ 531,778
Operating	106,296	77,155	103,168	125,947	124,734	124,999
Grants	322,209	204,142	170,323	130,125	500,000	500,000
Total Expenditures	\$ 714,935	\$ 581,673	\$ 571,368	\$ 634,675	\$ 1,170,980	\$ 1,156,777
<i>Notes:</i>						
<i>(1) FY 98-01 actual revenue and expenditures from Statement of Appropriation. FY 02-03 amounts from operating budget.</i>						

Underground Storage Tank Program

Prior to 1984, federal regulations only addressed underground storage tank systems in a few instances. In 1984, Congress amended the Resource Conservation and Recovery Act of 1976 by adding the Hazardous and Solid Waste Amendments. Title IV of the Hazardous and Solid Waste Amendments “added Subtitle I (sections 9001 through 9010) which specifically provided for regulation of [Underground Storage Tank] systems.”

Figure 2



In New Hampshire, the Underground Storage Tank (UST) Program consists of four personnel and is located in the Oil Compliance and Initial Response Section of the Waste Management Division's Oil Remediation and Compliance Bureau. Figure 2 on page 14 shows the organization chart of the UST Program. The purpose of the program is to prevent and minimize land and water contamination caused by handling and storage of petroleum products and hazardous substances. Program personnel conduct: design and plan reviews, inspections for new or modified underground storage tank installations, closure inspections for underground storage tanks, and compliance reviews of underground storage tank sites.

The UST Program is 100 percent federally funded and had expenditures of approximately \$196,000 in fiscal year 1998 (Table 3). The program is projected to have expenditures of approximately \$256,000 by fiscal year 2003. The UST Program receives annual permit fees from owners or operators of permitted facilities and a fee for reviewing the plans and specifications for new underground storage tank facilities. The UST Program collected fees of \$127,560 in fiscal year 1998. The fee amount collected increased to \$168,015 in fiscal year 1999 but decreased to \$102,631 in fiscal year 2000 and increased to \$138,300 in fiscal year 2001. UST Program management projects collecting fees of approximately \$103,000 for fiscal years 2002 and 2003.

Table 3

Underground Storage Tank Program Revenues And Expenditures By State Fiscal Year						
	1998	1999	2000	2001	2002	2003
Unrestricted Revenues⁽¹⁾						
Plan Review Fees	\$ 15,900	\$ 18,400	\$ 7,500	\$ 8,830	\$ 8,000	\$ 8,000
Permit Fees	111,660	149,615	95,131	129,470	95,410	95,410
Subtotal	\$ 127,560	\$ 168,015	\$ 102,631	\$ 138,300	\$ 103,410	\$ 103,410
Restricted Revenue⁽²⁾						
Federal Revenues	\$ 193,473	\$ 203,702	\$ 195,841	\$ 229,352	\$ 254,454	\$ 255,729
Total Revenues	\$ 321,033	\$ 371,717	\$ 298,472	\$ 367,652	\$ 357,864	\$ 359,139
Expenditures⁽³⁾						
Personnel	\$ 165,836	\$ 174,448	\$ 184,595	\$ 165,702	\$ 207,772	\$ 208,430
Operating	30,119	29,044	44,358	30,748	46,682	47,299
Total Expenditures	\$ 195,955	\$ 203,492	\$ 228,953	\$ 196,450	\$ 254,454	\$ 255,729
<i>Notes:</i>						
<i>(1) FY 98-03 actual and expected plan review and permit revenues from unaudited Subsurface Systems Bureau data.</i>						
<i>(2) FY 98-01 federal revenues from Statement of Appropriation. FY 02-03 federal revenues from operating budget.</i>						
<i>(3) FY 98-01 expenditures from Statement of Appropriation. FY 02-03 appropriations from operating budget.</i>						

1.4 Significant Achievements

It is important to recognize that performance auditing by its nature is a critical process designed to identify problems or weaknesses in past and existing practices and procedures. We note here the DES' success in developing the following: a comprehensive environmental work plan identifying goals, deliverables, and measures and a department-wide database to manage the various goals, deliverables, measures, and environmental indicators.

Performance Partnership Agreement

The DES has shown a commitment to use meaningful measures to manage for environmental results through its work with the U.S. Environmental Protection Agency in developing the Performance Partnership Agreement. The Performance Partnership Agreement is a comprehensive environmental work plan outlining goals and measures for both federal and nonfederal programs in New Hampshire. The DES used the Performance Partnership Agreement as the foundation for the Measures Tracking and Reporting System.

Measures Tracking And Reporting System

In the summer of 1999, DES management began discussing the need for a department-wide tool to link daily activities to program achievements. This evolved into the Measures Tracking and Reporting System (MTRS) database. The purpose of the MTRS is to track program progress by linking goals, objectives, and environmental indicators with program activities. At this time the MTRS does not report efficiencies, but the DES plans to incorporate this in the future. The MTRS has been in use since October 2001, with the first quarterly reporting period to cover October through December 2001.

Each DES program is responsible for developing objectives, deliverables, output measures, outcome measures, and environmental indicators. Approximately 150 DES personnel are responsible for tracking and entering program specific information into the MTRS. The MTRS contains approximately 1,800 output measures, outcome measures, and environmental indicators. DES management plans to link existing DES databases to the MTRS in the future.

**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
PERFORMANCE-BASED BUDGETING**

OBSERVATIONS AND RECOMMENDATIONS

This part of the report is intended to provide an assessment of the department's achievement towards its projected measures and provide comments on the appropriateness of the identified measures. The five sections in this part of the report focus on the overall implementation of the pilot, department-wide issues, and the three programs involved with the pilot. Each section provides a review of the goals and measures each program identified for the pilot, a review of the programs' achievement towards their projected measures for fiscal years 2000 and 2001, and comments on the appropriateness of the measures. The observations and recommendations we make in this report provide insight and suggest improvements regarding the use of performance-based budgeting in New Hampshire.

2.1 New Hampshire's Performance-Based Budgeting Pilot Risks Failure

We issued our report on the Department of Transportation's Bureau of Turnpikes performance-based budget in April 2001. During the interim, neither the Governor's Budget Office nor the Legislature have taken significant action to address concerns and issues we raised in the report. As a result, Observation No. 1 is essentially the same observation as found in our previous report. New Hampshire's performance-based budget pilot continues to lack leadership, which has resulted in minimal performance-based budgeting education and training, inconsistencies between the programs involved with the pilot, and no improvement to processes established through the pilot's original implementation. We believe the concerns and issues addressed in this observation are vital to the success of any performance-based budgeting efforts in the State.

Observation No. 1

***Improvements Needed In New Hampshire's
Performance-Based Budgeting Pilot***

The State continues to expend resources and energy on piloting performance-based budgeting without designating a "body" to address concerns and make decisions regarding the pilot or implementing a formal plan containing methods, procedures, or training. Without clear direction, policies, procedures, and guidance it will be difficult to effectively implement and accurately assess the performance-based budget pilot.

Good management controls and practices indicate the need for organization, methods, and procedures to ensure goals are met. Government auditing standards define management controls as including processes for planning, organizing, directing, and controlling program operations, as well as including systems for measuring, reporting, and monitoring program performance.

In September of 1999, the Governor's Budget Office submitted to the joint Legislative Fiscal Committee and the Governor and Council a request to approve the goals and measures for the two agencies designated to pilot performance-based budgeting. Part of the submission included limited procedures focused on how an agency could change or revise goals or measures and the need for the agencies to provide quarterly reports on performance measures and transfers.

The Governor's letter contained in the 2002-2003 Budget Manual briefly discusses performance-based budgeting. Specifically, agencies are asked to "pay special attention to the 'program measures' portion of [their] submission...to ensure that it meaningfully and accurately reflects... performance." This letter also suggests moves will be made to implement "performance-based budgeting across all of state government" and that program measures "will become even more important." The Governor's budget director was not able to provide any additional information regarding when or if other agencies might implement performance-based budgeting.

The introduction of a new idea or concept, such as performance-based budgeting, requires training and education. No formal training was provided to Legislators, the Governor's Office, or executive branch personnel prior to the implementation of performance-based budgeting. Since implementation, the only performance-based budgeting training provided and attended by several personnel from the Department of Environmental Services (DES) and the Department of Transportation was the two-day seminar sponsored by the Office of Legislative Budget Assistant's Audit Division in June 2000.

A report issued by the Urban Institute titled, *Making Results-Based State Government Work*, cites training for Legislators and executive branch managers as one of the frequent problems encountered with the implementation of governing for results initiatives, such as performance-based budgeting. Literature suggests a need for formal training to enable personnel to successfully implement governing for results practices.

Insufficient training in performance-based budgeting, particularly for personnel charged with developing goals and measures, may adversely affect the ability of agencies to develop clear, concise, relevant, and result-based performance measures. Additionally, not having training available to decision makers inhibits their ability to clearly determine if the pilot has been successful and where improvements might be made.

The two departments piloting performance-based budgeting approached the budgeting process differently for the 2002-2003 biennium. Chapter 222:4, Laws of 1998, exempted performance budgeted agencies from the requirements of RSA 9:8-a, I, the program appropriation unit format, and specifically stated "budget of a performance budget agency or program shall be presented as one line item for each program objective." The DES did not attempt to submit a performance-based budget as described in RSA 9:8-a, but rather submitted the traditional line-item budget. However, as noted in the report issued in April 2001, the Department of Transportation completed a performance-based budget as well as a traditional line-item budget. Furthermore, a performance-based budget was not submitted to Legislators during the budget process for 2002-2003. Evaluations of the pilot's success or failure are limited due to the failure to develop and review a performance-based budget during the budget process.

Finally, the DES and the Department of Transportation continue to submit quarterly performance reports to the joint Legislative Fiscal Committee. However, our contact with committee members indicated the quarterly reports are receiving minimal, if any, attention. Lack of coordination of the pilot has allowed for the continued submission of quarterly reports to the joint Legislative Fiscal Committee when they are not used for decision-making purposes.

Recommendation:

An important element to success of the pilot is cooperative action by both the Legislative and Executive branches. For this reason, it may be beneficial for both Executive leadership and Legislative leadership to clearly communicate their goals for implementing performance-based budgeting to ensure all needs will be met when a formal performance-based budgeting plan describing purpose, objectives, and goals is developed.

We recommend the Governor’s Budget Office coordinate a meeting between Executive leadership, Legislative leadership, the agencies involved in the pilot, the Department of Administrative Services, and the Legislative Budget Assistant to review the first two years of the pilot. Through this meeting, a determination should be established as to whether the pilot should continue.

If the pilot is to continue, we recommend training be developed on performance-based budgeting and provided to all involved with the pilot. Training should focus on measures development, implementation policies and procedures, and the purpose for using performance-based budgeting in New Hampshire.

We recommend the development of a formal plan describing the purpose, objectives, and goals of performance-based budgeting, and how to assess the pilot. This plan should provide guidance on how the State plans to continue and expand the use of performance-based budgeting.

The Legislature may wish to review the performance-based budgeting concept and what it hopes to gain by its use. The Legislature may wish to add language to existing laws related to performance-based budgeting to clarify its purpose in New Hampshire.

If it is determined performance-based budgeting will continue and expand in the future, a review and analysis of the current computer system used for developing the budget should be completed to determine if it would be able to adapt to the format used for budget submissions for performance-based budgeted agencies. The budget system study committee established by Chapter 158:39, Laws of 2001, may wish to consider the concept of performance-based budgeting in its discussions.

Auditee Response:

The Governor’s Office partially concurs with the recommendation discussed above as noted in the letter on page A-1 of Appendix A.

2.2 Department Of Environmental Services’ Reporting Of Performance-Based Budgeting

Observation Nos. 2 and 3 address the untimely submission of quarterly performance reports to the joint Legislative Fiscal Committee, not submitting quarterly performance reports to the Governor and Council, and the absence of a department-wide annual report.

Observation No. 2

Reporting Requirements For Performance-Based Budgeting Should Be Met

The DES has failed to meet the quarterly reporting requirements set forth by Chapter 159:11, Laws of 1999 and the performance-

based budgeting procedures submitted to the joint Legislative Fiscal Committee and Governor and Council in September 1999. The department submitted untimely quarterly reports to the joint Legislative Fiscal Committee in fiscal years 2000 and 2001 and has not consistently submitted quarterly reports to the Governor and Council.

Chapter 159:11, Laws of 1999 specifies “[a] report of all such transfers and of any progress in meeting the measurable goals and objectives shall be filed quarterly with the legislative fiscal committee and with the governor and council.” More specifically, according to procedures established for agencies using performance-based budgeting, quarterly reports concerning the progress toward identified goals, objectives, and performance measures set forth by the agency are to be filed with the joint Legislative Fiscal Committee and Governor and Council “at the earliest time possible but no later than November for the 1st quarter, February for the 2nd quarter, May for the 3rd quarter, and August for the 4th quarter.”

As Table 4 illustrates, the DES has not consistently submitted quarterly reports in a timely fashion.

Table 4

Comparison Of Fiscal Year 2000 And 2001 Dates Submitted And Dates Due For Quarterly Performance-Based Budget Reports				
Fiscal Year 2000				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Date Due	November 1999	February 2000	May 2000	August 2000
Date Submitted	March 2000	March 2000	June 2000	August 2000
Fiscal Year 2001				
	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Date Due	November 2000	February 2001	May 2001	August 2001
Date Submitted	February 2001	February 2001	August 2001	December 2001

Source: LBA analysis of Department of Environmental Services data.

The DES has not been submitting the quarterly performance reports to the Governor and Council as required by Chapter 159:11, Laws of 1999, although the cover letters attached to the quarterly reports are addressed both to the Governor and Council and to the joint Legislative Fiscal Committee. Additionally, the Governor’s Budget Office has not regularly received copies of the quarterly performance reports and has had to request them from the DES.

During the implementation of the performance-based budget pilot, there may have been some confusion as to when quarterly reports actually needed to be submitted to the joint Legislative Fiscal Committee and Governor and Council. In September 1999, the joint Legislative Fiscal Committee tabled a letter with attachments, which included performance-based budgeting procedures, submitted by the Governor’s Office. The letter and attachments were approved by the joint Legislative Fiscal Committee in January 2000, and by the Governor and Council in

February 2000. This delay may have caused some uncertainty as to the timeline for when reports should have been submitted.

Success or failure in attaining identified goals and measures cannot be monitored and tracked if quarterly performance reports and transfer reports are not submitted timely or at all.

Recommendation:

The DES should comply with Chapter 159:11, Laws of 1999 and the approved procedures and submit timely quarterly performance reports and transfer reports to the joint Legislative Fiscal Committee and Governor and Council.

Auditee Response:

We concur in part with this observation and the recommendations. We agree with the first part of the observation, that our quarterly reports have not always been submitted according to the schedule established at the beginning of the Performance-based Budget Pilot. As to the second part, while we realize that the quarterly reports have not routinely made it to the Governor and Council agenda, each one has been addressed to both Fiscal Committee and Governor and Council and we have followed the same procedures that we use for all other items being submitted to both bodies.

One of the benefits of a pilot project such as this is being able to test the procedures, learn what works well and what could be improved or modified, and respond accordingly before full implementation. The original schedule for submittal of the quarterly reports assumed that the agencies would be able to pull the information together needed for the reports in less than a month after the close of the quarter, in order to make the Fiscal Committee agenda for the next month (November, February, May and August). While actual experience has shown that our existing data management procedures make it difficult to produce accurate quarterly reports in less than a month, we are establishing internal procedures designed to produce the quarterly reports in a timely manner.

Observation No. 3

***Department Of Environmental Services
Needs To Issue Annual Reports***

The DES has failed to meet the annual reporting requirements set forth in RSA 20:7. The department does not issue a department-wide annual report. However, according to a department official, the department has issued a “New Hampshire Environment Report” for 1996 and 2000, which “highlights environmental conditions, trends, and initiatives” in the State. Additionally, some of the programs within the department do prepare separate annual reports.

The Legislature, through RSA 20:7, requires agency reports be issued annually from selected agencies, including the DES. The annual reports are to “cover periods ending on June 30, and be submitted to the governor and council by October 1.”

The absence of annual reporting may affect the department's ability to communicate the status of the performance-based budget pilot to stakeholders. The purpose of the performance-based budget pilot is to trial the process, review the results, and make an informed decision as to whether this method of budgeting may be appropriate and useful for other programs and departments. At this time, the quarterly reports are the only documents offering information on the department's status related to performance-based budgeting. However, the quarterly reports provide only minimal explanatory information and lack discussion with regards to the positive results and challenges associated with performance-based budgeting. Additionally, quarterly reports are not routinely widely distributed.

Annual departmental reports may be utilized as an effective tool for communicating relevant and appropriate information to decision makers, policy makers, and the public. RSA 20:11 requires the DES to distribute its annual report to a number of different public officials and organizations, including the Governor, each member of the Executive Council, and each agency and institution of the State. Submitting and distributing department-wide annual reports may encourage curiosity, dialogue, and awareness around performance-based budgeting.

Recommendation:

The DES should comply with RSA 20:7 and issue department-wide annual reports. Within the annual reports, the department's efforts with performance-based budgeting should be discussed.

Auditee Response:

We concur in part with this observation and the recommendation. More specifically, we concur with the recommendation for issuing department-wide annual reports, but we have reservations about committing to always including a discussion of performance-based budgeting in the reports.

As noted in the observation, the department has produced environmental reports in 1996 and 2000 that are the type of department-wide annual report called for in RSA 20:7. A number of individual programs (Superfund, for example) also produce annual reports specific to those programs, including certain programs that are required by statute to submit regular reports to the General Court.

Future annual department reports will focus primarily on environmental measures and significant agency activities, along the lines of the 1996 and 2000 reports, and will be written for the general public. While performance-based budgeting is a part of our overall measures work, the pilot project at this time is a very small part and would be one of many initiatives that we would consider for inclusion in future annual reports. We do not think it is appropriate to commit ahead of time to include such a discussion.

2.3 Subsurface Systems Bureau

The Subsurface Systems Bureau (the bureau) identified two goals for the performance-based budget pilot: 1) to protect ground and surface waters of the State by insuring land subdivisions and design and construction of on-site wastewater treatment disposal systems are accomplished in accordance with established rules and regulations, and 2) to review and take action on applications to accomplish the foregoing within the timeframes established by statute.

The bureau identified output measures to address its goals:

1. *Septic system applications processed.*
2. *Subdivision applications processed.*
3. *Construction inspections conducted.*
4. *Enforcement program activities (includes complaints, letters of deficiency, administrative orders, administrative fines, and referrals to Department of Justice).*
5. *New designers licensed.*
6. *Renewing designers licensed.*
7. *New installers licensed.*
8. *Renewing installers licensed.*

The bureau also identified the following efficiency measures:

1. *Cost per septic system application processed.*
2. *Cost per subdivision application processed.*
3. *Cost per construction inspection conducted.*
4. *Cost per enforcement activity.*
5. *Cost per licensed designer (includes both new and renewed).*
6. *Cost per licensed installer (includes both new and renewed).*

The bureau measured the success of its program through the following outcome measures:

1. *Septic system applications processed within the 15 working days statutory time limit.*
2. *Subdivision applications processed within the 30 calendar days statutory time limit.*
3. *Construction inspections conducted within statutory time limits (seven working days from written notice).*
4. *Enforcement activities resulting in the elimination of immediate public health and environmental threats.*
5. *Enforcement activities fully resolved and the remainder in the active process of being finalized.*

Table 5

Comparison Of Fiscal Year 2000 Projected, Audited, And Reported Performance Measures For The Subsurface Systems Bureau			
Performance Measures	Fiscal Year 2000 Projections	LBA Audited	Subsurface Systems Bureau Reported
Program Outputs			
Septic system applications processed	8,000	8,302	8,343
Subdivision applications processed	2,700	2,843	2,896
Construction inspections conducted	8,000	<i>Unable to Verify</i>	8,384
Enforcement program activities	900	<i>Unable to Verify</i>	912
New designers licensed	20	23	13
Renewed designers licensed	880	848	844
New installers licensed	120	90	99
Renewed installers licensed	1,880	1,974	1,960
Program Efficiencies			
Cost per septic system application processed	\$41	\$39	\$38
Cost per subdivision application processed	\$69	\$62	\$63
Cost per construction inspection conducted	\$71	<i>Unable to Verify</i>	\$64
Cost per enforcement activity	\$285	<i>Unable to Verify</i>	\$285
Cost per licensed designer (includes both new and renewed)	\$64	\$67	\$67
Cost per licensed installer (includes both new and renewed)	\$37	\$35	\$35
Program Outcomes			
Septic system applications processed within the 15 working days statutory time limit	100%	100%	100%
Subdivision applications processed within the 30 calendar days statutory time limit	100%	96%	100%
Construction inspections conducted within statutory time limits (7 working days from written notice)	100%	<i>Unable to Verify</i>	100%
Enforcement activities resulting in the elimination of immediate public health and environmental threats	100%	<i>Unable to Verify</i>	100%
Enforcement activities fully resolved and the remainder in the active process of being finalized	93%	<i>Unable to Verify</i>	93%
Source: LBA analysis of Subsurface Systems Bureau data.			

Table 6

Comparison Of Fiscal Year 2001 Projected, Audited, And Reported Performance Measures For The Subsurface Systems Bureau			
Performance Measures	Fiscal Year 2001 Projections	LBA Audited	Subsurface Systems Bureau Reported
Program Outputs			
Septic system applications processed	8,186	8,610	8,587
Subdivision applications processed	2,907	3,105	3,081
Construction inspections conducted	8,701	Unable to Verify	8,558
Enforcement program activities	813	Unable to Verify	495
New designers licensed	18	20	12
Renewed designers licensed	844	836	836
New installers licensed	130	86	90
Renewed installers licensed	1,973	2,020	2,017
Program Efficiencies			
Cost per septic system application processed	\$41	\$38	\$40
Cost per subdivision application processed	\$69	\$58	\$54
Cost per construction inspection conducted	\$71	Unable to Verify	\$69
Cost per enforcement activity	\$285	Unable to Verify	\$577
Cost per licensed designer (includes both new and renewed)	\$64	\$70	\$69
Cost per licensed installer (includes both new and renewed)	\$37	\$35	\$35
Program Outcomes			
Septic system applications processed within the 15 working days statutory time limit	100%	98%	100%
Subdivision applications processed within the 30 calendar days statutory time limit	100%	95%	100%
Construction inspections conducted within statutory time limits (7 working days from written notice)	100%	Unable to Verify	100%
Enforcement activities resulting in the elimination of immediate public health and environmental threats	100%	Unable to Verify	100%
Enforcement activities fully resolved and the remainder in the active process of being finalized	93%	Unable to Verify	92%
Source: LBA analysis of Subsurface Systems Bureau data.			

As shown in Tables 5 and 6, not all information related to the performance measures could be verified, as the bureau did not adequately maintain performance measures information which is addressed in Observation No. 4. We were able to verify 12 of the 19 measures for fiscal years 2000 and 2001. For the 12 measures verified for fiscal year 2000, we found the bureau either met or exceeded its projections for four output measures and one outcome measure, and was under projection for one efficiency measure. For the 12 measures verified for fiscal year 2001, we found the bureau either met or exceeded its projections for four output measures, and was under projection for one efficiency measure. While programs measure success by meeting or exceeding output or outcome projections, for efficiency measures success means meeting or coming in under projection.

Subsurface Systems Bureau Observations And Recommendations

The following four observations and recommendations provide bureau management with suggestions for improving performance measures information maintenance, as well as identifying the need to develop new measures or improve current measures, particularly outcome measures. These improvements should provide a more reliable and accurate accounting of the bureau's performance-based budgeting efforts and allow for better goal assessment.

Observation No. 4

Subsurface Systems Bureau Should Adequately Control And Maintain Performance Measures Information

The bureau has not adequately maintained or controlled information related to its performance measures. Bureau management was unable to provide documentation to support all the information contained in quarterly performance reports. For some measures, such as the outcome measures, no data were used to support the performance information; rather bureau management provided their best estimate. Additionally, bureau management has used several different methods for calculating the same efficiency measures, but has no written documentation showing the changes.

Bureau management relies on its staff to provide information related to the *number of construction inspections completed* and the *number of enforcement program activities*. However, no standardized documentation exists to support any of the information reported by the staff.

For the outcome measures *enforcement activities resulting in the elimination of immediate public health and environmental threats* and *enforcement activities fully resolved and the remainder in the active process of being finalized*, all the quarterly reports submitted include a footnote stating: "The percentage of resolved cases is estimated, as we have not developed precise data on these activities." The bureau has made no effort to develop a method to gather data and accurately report on these measures.

We found problems with reliability and validity of reported information for the remaining three outcome measures. The bureau reported meeting its statutory obligation to complete subdivision design review applications within 30 calendar days, septic system design review applications within 15 working days, and construction inspections within seven days 100 percent of the time. However, the bureau does not maintain data to support this claim. In fact, bureau management stated they do not have a means to easily determine the actual percentage for the outcome measures related to subdivision design review applications, septic system design review applications, and construction inspections, thus the percentages may not be exactly 100 percent as stated in the quarterly reports. Please refer to Observation 6 for specifics regarding the bureau not responding to all subdivision and septic system design applications within the statutorily established timeframes.

Due to the bureau's business practices related to construction inspections, we were unable to determine if construction inspections were completed within seven days of a written request. RSA 485-A:29 states, "All inspections by the department shall be accomplished within 7 business days after receipt of written notification from the builder that the system is ready for inspection." However, the bureau does not require a written request prior to completing a

construction inspection, often responding to telephone requests for inspections. Our septic system file review contained 62 files having evidence of a construction inspection. None of the files contained a written request for an inspection.

Finally, bureau management has not saved the data and calculations supporting the efficiency measures. Bureau management indicated they used several undocumented methods to determine the efficiency measures. Efficiency measures were calculated using a formula that included budget information, staff ratios, and output measures information for the first quarter of each fiscal year. For subsequent quarters, efficiency measures were adjusted proportionately based upon changes in output measures. Since the third quarter of fiscal year 2001, bureau management has been using an electronic spreadsheet to complete efficiency measure calculations.

Performance measurements literature suggests measures are useful only if supported by valid and reliable data. Literature further suggests the methods for collecting and maintaining data should be clearly documented and controlled.

According to *Government Auditing Standards* issued by the Comptroller General of the United States, “Controls over the validity and reliability of data include policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports. These controls help assure management that it is getting valid and reliable information about whether programs are operating properly.”

Lack of controls over the data jeopardizes the reliability and validity of the data, thus decreasing the usefulness of the information contained in the quarterly reports. Without sufficiently complete, accurate, and consistent performance measures information, a true assessment cannot be made on the success or failure of measures and goals. Additionally, the inability of the program to accurately account for its measures as contained in the quarterly reports raises issues of accountability with stakeholders.

Furthermore, the lack of reliable controls over the data for some measures may have an impact on other measures. For example, the method for determining the *cost per construction inspection conducted* is dependent on the *number of construction inspections conducted*. If the bureau is not maintaining accurate information on the number of construction inspections, then the cost associated with this activity will not be accurate.

Recommendation:

Bureau management should strengthen the controls over data to increase the reliability of the information reported internally to management, as well as externally to the joint Legislative Fiscal Committee and Governor and Council. Efforts should be made to clearly define the measures, document how calculations are completed, and how to maintain and preserve data reliability and validity. Bureau management should perform a quality review, including a review of calculations, of the quarterly reports to ascertain if the information is reliable and accurate.

Bureau management should make efforts to develop methods to accurately obtain data for and report on measures or consider not using some measures. For example, the bureau should not continue reporting the outcome measure *construction inspections conducted 7 working days from a written notice* when the majority of the construction inspections completed by the bureau are a result of telephone requests, not written requests. As a replacement measure, the bureau could track when an inspection is actually requested and when it is completed to determine the average number of days to complete a construction inspection. Tracking this information would also provide information on the output measure *number of construction inspections completed*.

Auditee Response:

We concur in part with this observation and the recommendations. Specifically, we concur that there are deficiencies in the reporting procedures and methods used to gather the data related to the Bureau's performance measures, and we are actively working on changes to address these deficiencies. We do not concur with the recommendation for discontinuing one of the outcome measures.

The department has recently developed a Measures Tracking and Reporting System (MTRS) database designed to, among other things, maintain and provide quarterly reports on outputs, outcomes and environmental indicators for all department programs. We are in the process of modifying the database to accommodate efficiency measures and to produce the quarterly performance-based budget reports as one of the standard reports. Once these changes have been made we will be able to use the MTRS to maintain and report the measures used by each of the three programs for the pilot project, and this should go a long way towards addressing the concerns over the Bureau's data controls presented in this observation.

We do not concur with the recommendation that the Bureau should discontinue reporting on the outcome measure "construction inspections conducted seven working days from a written notice." This recommendation was made because, in practice, most notices of a request for a construction inspection are received by telephone and not in writing. This change over time in the way that requests are received has simplified and sped up the process without compromising the objectives of doing the construction inspections. The department will consider revising the language of the outcome measure to more accurately reflect actual practice.

Observation No. 5

Subsurface Systems Bureau Needs More Accurate Efficiency Measures Information

The bureau's efficiency measures as calculated do not accurately portray the costs of the bureau's output measures. There are several reasons for the inaccuracy of the efficiency measures. First, bureau management did not accurately account for all full-time equivalent positions, using 24 versus 24.5, when determining the staff ratios for each function of the bureau. Bureau management stated they adjusted the full-time equivalent staff ratios to reflect the .5 position in the calculations beginning the fourth quarter of fiscal year 2001.

Additionally, no consideration was made to exclude those personnel paid through the Subsurface Systems organization code but who perform work for other parts of the Department of Environmental Services. In a Task Code Report run for the fourth quarter of fiscal year 2001, five department personnel were identified as being paid through the Subsurface Systems Bureau organization code but not working directly for the bureau.

Bureau management calculated efficiency measures with an amount provided by the accounting section of the DES at the beginning of each fiscal year. However, this amount is routinely adjusted within the first two months of a fiscal year, therefore is not accurate.

According to bureau managers, several different methods were used to calculate the same efficiency measures. Efficiency measures were calculated using a formula that included budget information, staff ratios, and output measures for the first quarter of each fiscal year. For subsequent quarters, efficiency measures were adjusted proportionately based upon changes in output measures. After discussions with the LBA audit division, bureau management has been using an electronic spreadsheet to consistently perform efficiency measure calculations since the third quarter of fiscal year 2001.

Performance measures literature suggests measures are useful only if supported by valid and reliable data. Literature further suggests the methods for collecting and maintaining data should be clearly documented and controlled.

According to *Government Auditing Standards* issued by the Comptroller General of the United States, "Controls over the validity and reliability of data include policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports. These controls help assure management that it is getting valid and reliable information about whether programs are operating properly."

Documentation supporting the methods to calculate the efficiency measures and adjustments made each quarter were not saved for all quarters. Bureau management was only able to provide documentation for the third and fourth quarters of fiscal year 2001 and the original performance budget worksheet developed for the plan submitted to the joint Legislative Fiscal Committee and Governor and Council.

Without sufficiently complete, accurate, and consistent performance measures information, a true assessment cannot be made on the success or failure of measures and goals. Additionally, the program's inability to accurately account for its efficiency measures, as contained in the quarterly reports, raises issues of accountability with stakeholders.

Recommendation:

Bureau management should clearly define its efficiency measures, document how calculations are completed for the measures, and how the information should be maintained to preserve its reliability and validity. Bureau management should perform a quality review, including a review of calculations, of the quarterly reports to ascertain if the information is reliable and accurate.

Bureau management should include only personnel costs associated with the bureau when calculating its efficiency measures. This may be accomplished through the use of Task Code Reports. Currently, bureau personnel are instructed to complete a timesheet that requires the use of an organization code, sub-organization code, and task codes. Bureau management should identify the appropriate codes and provide training to personnel on how to use the codes correctly when completing timesheets. Requiring better documentation of tasks on personnel timesheets will increase the reliability of the Task Code Reports, thus providing reliable and valid efficiency measures information.

The personnel information obtained from the Task Code Reports and the inclusion of additional expenditure information each quarter, such as rent or supplies, will provide a more accurate reporting of output measures costs. Rent, supplies, and other expenditures could be obtained for each quarter and applied based upon the bureau's personnel ratio system if the costs cannot be attributed to a specific task performed by the bureau.

Auditee Response:

We concur with this observation and the recommendations. While we believe that the approach to calculating the efficiency measures used by the Subsurface Systems Bureau is acceptable and is arguably more efficient than the time allocation system approach used by the other two programs, we recognize that the time allocation system approach is more accurate and will be shifting to this method for Subsurface.

In addition, as explained in the response to Observation No. 4, we will be using the department's Measures Tracking and Reporting System database in the future to maintain and report the measures for performance-based budgeting, and this will improve the reliability of the data and provide better documentation.

Even though we will be dropping this Program's approach to calculating efficiency measures, we do believe that using alternative methods has yielded benefits as part of a pilot project. We have been able to make a direct comparison between the different methods and consider the greater accuracy against the increased staff time associated with the time allocation system approach.

Observation No. 6

Subsurface Systems Bureau Needs To Respond Timely To All Subdivision And Septic System Applications

RSA 485-A:31 requires the DES to provide written notice of approval or disapproval of plans and specifications for land subdivisions and septic systems. If no written notice is sent to the applicant within the statutory timeframe, submitted plans are deemed approved. For land subdivisions, the disapprovals must be mailed within 30 calendar days and septic systems must be mailed within 15 working days of receipt of the required fees, plans, and specifications.

The bureau reports meeting its statutory obligation to complete subdivision design review applications within 30 calendar days and septic system design review applications within 15 working days. Our file review found otherwise. The bureau failed to provide a written response

within 30 calendar days in six out of 86 subdivision files reviewed. Two of the files had no written response from the bureau but were approved on day 34 and on day 44. The remaining four cases were denied from two to ten days after the 30 calendar day timeframe. The bureau also failed to provide a written response within 15 working days for one out of 100 septic system files reviewed. This one septic system file was denied on the sixteenth day. However, as defined by RSA 485-A:31 the four subdivision files and one septic system file should have been approved, not denied.

The bureau has no method to clearly track when applications for subdivisions and septic systems are received and when the applications need response. It is the responsibility of the personnel completing the design reviews to complete the process within the statutory timeframes. Bureau management has no means to determine if personnel are meeting the timeframes. By not having a tracking mechanism, the bureau risks statutorily approving plans and specifications that otherwise might not be approved.

Recommendation:

Bureau management should develop an automated system to track when applications are received and when a response is needed to ensure the timeframes established in RSA 485-A:31 are met. This system should also provide management with a means for reporting on its outcome measures related to meeting the statutory timeframes.

Bureau management may also consider completing periodic quality reviews of its files to ensure proper documentation is contained in the files and that its databases are reflective of the information contained in the files.

Auditee Response:

We concur in part with this observation and the recommendations. Specifically, we concur with the recommendation for periodic quality reviews of the files and improved tracking of the various steps in the review process, but we do not concur with the observation that the Subsurface Systems Bureau is not responding in a timely fashion to all subdivision and septic system applications.

We recognize that the results being reported for percent of applications processed within the statutory deadline do not appear to be consistent with the results of the file review by the auditors. However, the reason for this apparent inconsistency is a lack of documentation in the files as opposed to a violation of the statutory deadline or inaccurate reporting. For example, if an application is received that turns out not to include certain required information, then in some cases a phone call is made to the applicant requesting that information and explaining that final action on the application will not be taken until the missing information is submitted. By the time the missing information is received and final action is taken on the application, it can be more than 15/30 days from the original receipt of the application, but is never more than 15/30 days from when the application was complete. This was not apparent to the auditors because there was no record of the request for additional information in the files.

Given the volume of regulatory activity in this program the staff is understandably focused on carrying out their review responsibilities within the statutorily established deadlines, and proper documentation of actions and procedures has in some cases suffered. The audit has served to identify this problem, and Bureau management is already making changes to improve the tracking and documentation procedures. The Bureau maintains a comprehensive database that provides for tracking of all subdivision and septic system applications, and as mentioned in other responses the department's Measures Tracking and Reporting System database is being modified to serve as the maintenance and reporting tool for the performance-based budget pilot project measures. More effective use of these tools, in combination with increased management oversight of data quality, should adequately address the problems identified.

Observation No. 7

Subsurface Systems Bureau Needs To Review Its Outcome Measures

The bureau's current outcome measures do not accurately show the impact its activities are having on its mission and goals. The bureau's mission "is to prevent pollution of all public or private water supplies, whether under ground or surface sources." The bureau identified the following goals:

Protect ground and surface waters of the State by insuring that the subdivision of land and the design and construction of on-site wastewater treatment disposal systems are accomplished in accordance with established rules and regulations. Furthermore, to review and take action on applications to accomplish the foregoing within the timeframes established by statute.

Literature suggests performance measures be clear, cost effective, relevant, significant, practical, verifiable, linked to funding, result-based, and linked to a mission and goal. Developing these measures should include input from relevant staff at all levels of an agency, as well as customers and policy makers.

Good measures, particularly outcome measures, are often difficult for agencies to identify. It takes time to develop measures that accurately reflect the performance of an agency while at the same time provide decision makers with reliable, valid, and easy to understand measures and information.

More specifically, performance outcome measures should describe what the program intends to change, where performance output measures describe what a program produces. Output measures are intended to link program resources to observable changes, or outcomes, thus providing the necessary information for redistributing resources and increasing program effectiveness. To appreciate the cause and effect linkages within a program, it is essential to discern how much each output contributes to outcomes and how each outcome impacts the program's mission and goal.

Currently, outcome measures for design review and construction inspections do not adequately describe their impact on the program's mission and goals. For example, the outcome measure *septic applications processed within the 15 working days statutory time limit* does not inform decision makers about ground and surface water protection in the State. Instead, this measure indicates

whether the bureau completes reviews within statutory timeframes. However, even if the bureau was not completing assigned functions within the statutory timeframes, ensuring septic applications are in compliance before they are approved may still protect ground and surface waters.

This is not to say the current outcomes measured for design review and construction inspections are not good measures. They illustrate the ability of the program to meet its statutory obligations and are easy to measure. However, it is still important to identify and measure outcomes describing the greater impact of the bureau, which link back to the bureau's mission and goals.

Outcome measures for enforcement activities, while also appropriate, do not clearly link to the bureau's mission and goals. The outcome measure *enforcement activities resulting in the elimination of immediate public health and environmental threats* clearly states the impact of the outputs, but does not specify water as the affected environmental commodity. The second measure *enforcement activities fully resolved and the remainder in the active process of being finalized* lacks an indication of what is being impacted by resolving enforcement activities. For both of these outcomes, a brief additional statement about the impact on the State's ground and surface waters would provide decision makers with a clear understanding of the bureau's impact.

Finally, we found the licensing activities lack outcome measures. Lack of outcome measures implies the bureau's effort to license designers and installers has no impact on the protection of ground and surface waters. To illustrate the value of issuing and renewing licenses for designers and installers, the bureau should include an outcome measure describing the impact of licensing activities.

The deficiencies within the current regime of outcome measures may be attributed to the absence of performance-based budget training and measures development offered to personnel implementing the pilot. Additionally, the performance-based budget plan prepared by the Governor's Budget Office provided guidance on developing performance measures for programs, but it lacks a comprehensive discussion on the importance of selecting performance measures demonstrating cause and effect linkages for decision-making. The instruction simply states programs are to select a number of output measures that "support the achievement of outcomes."

Based on the measures currently reported, it would be difficult, if not impossible to ascertain the impact the bureau's activities are having on the mission and goals. Therefore, decision makers will not have the information necessary to make evidence-based decisions.

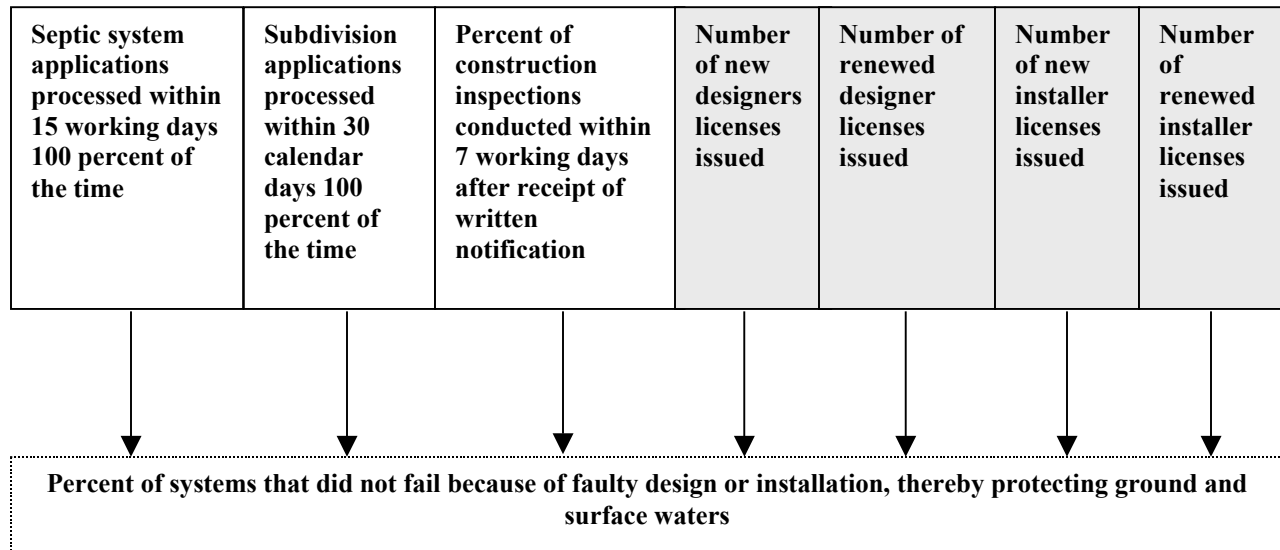
Recommendation:

The bureau should continue with its current outcome measures. However, the bureau should amend some of the existing outcomes and identify an additional outcome measure to accurately reflect the impact bureau activities are having on the bureau's mission and goals (See Appendix C). The bureau should follow established performance-based budgeting procedures to revise or change measures and ensure reliable, valid, and complete data exists to support measures.

An additional outcome for the measures associated with design review, construction inspections, and licensing could be the *percent of systems that did not fail because of faulty design or installation, thereby protecting ground and surface waters*. As the bureau should already be collecting and maintaining information on approvals and faulty systems, these data would only need to be compared in order to report on the suggested measure.

The outcome measures *septic system applications processed within the 15 working days statutory time limit* and *subdivision applications processed within the 30 calendar days statutory time limit* should be rewritten to reflect the bureau’s efforts to meet the statutory time requirement 100 percent of the time. The outcome measure *septic system applications processed within the 15 working days statutory time limit* could be rewritten as *septic system applications processed within 15 working days 100 percent of the time*. The outcome measure *subdivision applications processed within the 30 calendar days statutory time limit* could be rewritten as *subdivision applications processed within 30 calendar days 100 percent of the time*.

The relationship between the three outcome measures and four output measures (shown in the shaded boxes) are illustrated as follows (the suggested measure is distinguished by a broken line):



For the outcome measures associated with enforcement activities, additional language may be added to clarify the link to the program’s mission and goals. The measure *enforcement activities resulting in the elimination of immediate public health and environmental threats*, may be changed to read *percent of enforcement resulting in the elimination of immediate public health by arresting pollution of ground and surface waters*. The measure *enforcement activities fully resolved and the remainder in the active process of being finalized*, may be changed to read *percentage of enforcement activities resolved and the remainder in active process of being finalized leading to the protection of ground and surface waters*.

Auditee Response:

We concur in part with this observation while noting the difficulties associated with carrying out the recommendations (refer to the Assistant Commissioner's cover letter for additional discussion of the difficulties with outcome measures [Appendix B]). More specifically, we concur with the recommendation for additional outcome measures, but we have reservations about some of the actual measures you are recommending.

We philosophically agree with your recommendations for revising some of the existing outcome measures and adding a new one; however, in reality we are having difficulty in finding the best way to measure outcomes related to the Bureau's activities that are both practical and meaningful to measure and report. The Program has been participating in the department's ongoing measurement improvement efforts and will continue to do so, with particular attention to the outcome measures. We welcome your suggestions for additional outcome measures and will include them in our deliberations.

The recommended changes to the outcomes pertaining to the processing of septic system and subdivision applications may more directly reflect the desire to meet the statutory deadlines 100 percent of the time, but in practice the reporting of these revised measures would not produce information that is any different than the existing outcomes. The same is true for the recommended changes to the enforcement-related outcome measures. The revisions more directly state the Bureau's objectives of protecting ground and surface waters, but the resulting reporting would produce the same information as the existing measures. We like the recommended outcome measure for "percent of systems that did not fail..." and will look to adopt it.

2.4 Nonpoint Source Program (Section 319 Planning)

The Nonpoint Source (NPS) Program's performance-based budget pilot goal is "to identify and abate water quality problems generated by polluted runoff such that water quality standards are attained."

Originally, the performance-based budget pilot included measures related to the Shellfish Program. During the first quarter of the pilot, the Shellfish Program was separated from the NPS Program into its own section. Due to this organizational change, the three output measures related to the Shellfish Program are not tracked as part of the pilot. However, the outcome measure related to open shellfish beds continues to be tracked because NPS personnel believe it is a good indicator of their efforts to address nonpoint source pollution.

The output measures currently tracked for the performance-based budget pilot included:

- 1. Conduct nonpoint source identification surveys in the coastal watershed.*
- 2. Provide assistance to local entities to mitigate pollution sources identified by NPS identification surveys.*
- 3. Make grants available to watershed organizations for watershed management, planning, and implementation.*

4. *Conduct public education and outreach:*
 - a. *publish Greenworks newspaper column,*
 - b. *distribute Nonpoint Source Newsletter, and*
 - c. *sponsor a conference on a current NPS topic.*
5. *Administer Regional Planning Agency contract.*

The NPS Program identified “*limit administrative time spent on proposal review and contract development*” as its only efficiency measure.

The outcome measures tracked included:

1. *Nonpoint source mitigation projects completed.*
2. *Percent of assessed stream miles which fully support aquatic life use (per biennial 305 (b) report).*
3. *Percentage of acres of classified shellfish beds approved for harvest.*

As shown in Tables 7 and 8, not all information related to the performance measures could be verified. For fiscal year 2000, we were able to verify six out of 11 measures. For fiscal year 2001, we were able to verify six out of ten measures. For fiscal year 2001, the outcome measure *percent of assessed stream miles which fully support aquatic life use (per biennial 305(b) report)* was not applicable because the data is collected and reported on a biennial basis. Of the six measures verified for fiscal year 2000, the NPS Program met the projections for three of its output measures. The fiscal year 2001 measures verified indicated the NPS Program met the projections for the five output measures and under projection for its efficiency measure. While programs measure success by meeting or exceeding output or outcome projections, for efficiency measures success means meeting or coming in under projection.

NPS Program management indicated they have struggled with how to accurately report the work associated with the output measures *conduct nonpoint source identification surveys in the coastal watershed* and *provide assistance to local entities to mitigate pollution sources identified by nonpoint source identification work*. Due to difficulties related to how to report on those outputs, accurate data were not maintained to support the information reported in the quarterly performance reports. Program management also reported reliable data were not maintained for the outcome measure *nonpoint source mitigation projects completed* due to confusion over the definition of a completed project. Program management indicated in the fiscal year 2001 third quarter report that they have refined the definitions for the two output measures to more accurately account for the activities.

Table 7

Comparison Of Fiscal Year 2000 Projected, Audited, And Reported Performance Measures For The Nonpoint Source Program (Section 319 Planning)			
Performance Measures	Fiscal Year 2000 Projections	LBA Audited	Nonpoint Source Program Reported
Program Outputs			
Conduct nonpoint source identification surveys in the coastal watershed ¹	40	<i>Unable to Verify</i>	34
Provide assistance to local entities to mitigate pollution sources identified by nonpoint source identification survey ¹	10	<i>Unable to Verify</i>	25
Make grants available to watershed organizations for watershed management, planning, and implementation	16	14	14
Conduct public education and outreach – Publish Greenworks newspaper column	12	9	10
Conduct public education and outreach – Distribute <i>Nonpoint Source Newsletter</i>	2	2	2
Conduct public education and outreach – Sponsor a conference on a current NPS topic	1	1	2
Administer Regional Planning Agency contracts	9	9	9
Program Efficiency			
Limit administrative time spent on proposal review and contract development	10%	<i>Unable to Verify</i>	18%
Program Outcomes			
Nonpoint source mitigation projects completed	10	<i>Unable to Verify</i>	14
Percent of assessed stream miles which fully support aquatic life use (per biennial 305(b) report) ²	95.2%	94.3%	94.3%
Percentage of acres of classified shellfish beds approved for harvest	55%	<i>Unable to Verify</i>	36.6%
<p>¹ As identified in the quarterly performance reports, the Nonpoint Source Program continually refined how these measures should be reported to more accurately reflect the work completed.</p> <p>² As identified in the quarterly performance reports, the data are analyzed in two-year cycles for biennial reports submitted in April. A program official advised the data are collected during the two summers prior to reporting.</p>			
Source: LBA analysis of Nonpoint Source Program data.			

Table 8

Comparison Of Fiscal Year 2001 Projected, Audited, And Reported Performance Measures For The Nonpoint Source Program (Section 319 Planning)			
Performance Measures	Fiscal Year 2001 Projections	LBA Audited	Nonpoint Source Program Reported
Program Outputs			
Conduct nonpoint source identification surveys in the coastal watershed ¹	29	<i>Unable to Verify</i>	34
Provide assistance to local entities to mitigate pollution sources identified by nonpoint source identification survey ¹	17	<i>Unable to Verify</i>	14
Make grants available to watershed organizations for watershed management, planning, and implementation	19	19	19
Conduct public education and outreach – Publish Greenworks newspaper column	12	12	12
Conduct public education and outreach – Distribute <i>Nonpoint Source Newsletter</i>	1	1	1
Conduct public education and outreach – Sponsor a conference on a current NPS topic	1	1	1
Administer Regional Planning Agency contracts	9	9	9
Program Efficiency			
Limit administrative time spent on proposal review and contract development	30%	28%	28%
Program Outcomes			
Nonpoint source mitigation projects completed	12	<i>Unable to Verify</i>	9
Percent of assessed stream miles which fully support aquatic life use (per biennial 305(b) report) ²	N/A	N/A	N/A
Percentage of acres of classified shellfish beds approved for harvest	39.2%	<i>Unable to Verify</i>	36.3%
¹ As identified in the quarterly performance reports, the Nonpoint Source Program continually refined how these measures should be reported to more accurately reflect the work completed. ² As identified in the quarterly performance reports, the data are analyzed in two-year cycles for biennial reports submitted in April. A program official advised the data are collected during the two summers prior to reporting.			
Source: LBA analysis of Nonpoint Source Program data.			

Nonpoint Source Program (Section 319 Planning) Observations And Recommendations

The following observations and recommendations provide NPS Program management with suggestions for improving performance measures information maintenance, as well as identifying the need to develop new or improve current measures, particularly outcome measures. These improvements should provide a more reliable and accurate accounting of the NPS Program’s performance-based budgeting efforts and allow for better goal assessment.

Observation No. 8

Nonpoint Source Program Should More Accurately Reflect Funding Streams

RSA 9:8-a defines a performance-budget agency and program as “an agency, PAU, or program specified in the budget for the subsequent biennium on the basis of the identified goals, objectives, and verifiable outcome measures.” Based on this standard, the NPS Program, Section 319 Planning, was designated a performance-based budget pilot program.

The performance-based budget plan, as approved by the joint Legislative Fiscal Committee and the Governor and Council, identifies the funding source for the NPS Program as Section 319 Planning of the Clean Water Act, organization code 025-044-2025. The performance-based budget plan explains how the program uses the funding source to provide grants and technical assistance to local entities for nonpoint source projects, in addition to education and outreach activities.

We found activities reported in the quarterly performance reports included funding from sources other than the Section 319 Planning grant. Specifically, approximately \$225,000 in general funds (org. code 010-044-1002) provide funding for the output measure *administer regional planning agency contracts*. Additionally, personnel funded through the Section 319 Planning grant assist in administering other grants related to nonpoint source pollution, including the Section 604b grant (org. code 025-044-2020) and the Section 319 Restoration grant (org. code 025-044-2035).

According to a program official, issues of practicality and possible oversight explain why funding sources and measures have not been delineated as reported. First, measures were developed for the pilot, focusing on activities easily measured, and not on all the associated funding sources, which is how funding streams working towards the same outcomes as Section 319 Planning were included. Second, personnel funded through the Section 319 Planning grant frequently assist with administering regional planning contracts, which do not include funding for this activity, and charge their time to Section 319 Planning.

Commingling measures from different funding sources may provide inaccurate information on the success or failure of a particular funding stream. For example, the efficiency measure *limit administrative time spent on proposal review and contract development* includes all work on contracts, not only those funded through the Section 319 Planning grant. In effect, the program is under reporting this efficiency measure. Not having reliable information in the reports may in turn impact the ability to make appropriate management decisions related to the program.

Recommendation:

The NPS Program should take steps to ensure only performance measures funded through the Section 319 Planning grant, organization code 025-044-2025, are tracked and reported as part of the pilot. If program management believes the measures related to the Section 319 Planning grant limit the view of what the program is doing, then a decision should be made to include other measures and funding to better reflect the efforts of the program. Including measures from more than one funding source may require a revision to RSA 9:8-a. In either case, performance-based budget reports require accurate information about funding associated with the measures to enhance the reliability of the information reported

internally to management, as well as, externally to the joint Legislative Fiscal Committee and Governor and Council for informed decision-making.

Auditee Response:

We concur with this observation and the recommendations. It is correct that the contract administration activities supported by the 025-044-2025 Nonpoint Source Program funding, and covered by the measures in the quarterly reports, include work done to administer or coordinate contract projects that are funded outside of the 2025 organizational code. This applies to one of the output measures and to the efficiency measure. While our current approach of using Nonpoint Source Program staff to administer other related contracts will continue as an efficient use of staff resources, we recognize the benefits of fine tuning our performance measures so that we can track and report time spent administering contracts for each separate program.

Observation No. 9

Nonpoint Source Program Needs To Review Its Efficiency Measure

The NPS Program does not accurately report the efficiency measure *limit administrative time spent on proposal review and contract development* in the quarterly performance-based budget reports. NPS Program management was not able to provide efficiency measures documentation and calculations for the first two quarters in fiscal year 2000, as the reported measures included a margin of guesswork. In subsequent quarters we found the efficiency measure included work on grant contracts not funded through the Section 319 Planning grant.

Additionally, the NPS Program only reports on one efficiency measure even though a variety of activities are funded through the Section 319 Planning grant including: public education and outreach; making grants available to watershed organizations for watershed management, planning and implementation; providing assistance to local entities to mitigate pollution; and conducting nonpoint source identification surveys in the coastal watershed.

In the performance-based budget plan submitted to the joint Legislative Fiscal Committee and Governor and Council, efficiency measures are described as relating “agency efforts to agency outputs.” Reporting on the efficiency of only one output does not offer stakeholders a comprehensive overview of the efforts expended on the program’s outputs.

Performance measures literature suggests measures are useful only if supported by valid and reliable data. Literature further suggests the methods for collecting and maintaining data should be clearly documented and controlled.

According to *Government Auditing Standards* issued by the Comptroller General of the United States, “Controls over the validity and reliability of data include policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports. These controls help assure management that it is getting valid and reliable information about whether programs are operating properly.”

Program management indicated they do not have a consistent method for tracking time spent

administering proposal review and contract development, which resulted in program personnel using task codes on timesheets differently and an inaccurate reporting of the efficiency measure.

The program is over reporting its efficiency measure by including time spent on grant contracts unrelated to the Section 319 Planning grant. Not having reliable information in the reports may in turn impact the ability to make appropriate management decisions related to the program.

The absence of performance-based budget training and measures development for personnel charged with implementing the pilot may have contributed to the concerns with the current efficiency measure and the lack of a comprehensive regime of efficiency measures.

Additionally, decision makers would be well served by more information about the costs expended between the various activities within the NPS Program. For example, by reporting the efficiencies of several outputs, decision makers may compare the costs of the outputs, with the benefits derived and make evidence-based decisions accordingly.

Recommendation:

NPS Program management should clearly define its efficiency measure, document how calculations are completed for the measure, and how the information should be maintained to preserve its reliability and validity. Program management should perform a quality review, including a review of calculations, of the quarterly reports to ascertain if the information is reliable and accurate.

The NPS Program management should make better use of the Task Code Reports to ensure only activities related to the Section 319 Planning grant are included in the efficiency calculations. Program management should provide training to its personnel explaining the importance for accurately identifying tasks when completing time sheets, thus increasing the reliability of the Task Code Reports. This will provide management and policy makers with better information related to the costs of performing the various identified functions of the program.

Further, the NPS Program should measure the efficiency of several output measures to provide decision makers more information about resources expended between the activities funded by the NPS Program. The program should follow established performance-based budgeting procedures to revise or change measures and ensure reliable, valid, and complete data exists to support measures.

An example of an additional efficiency measure to track the cost of an output may be *the average cost to conduct nonpoint source identification surveys in the coastal watershed*. The data for this measure could be obtained from the Task Code Reports, after staff members receive guidance on completing time sheets accurately.

Auditee Response:

We concur with this observation and the recommendations. We acknowledge the need for better documentation of how the efficiency measure is calculated and for tighter quality controls on the collection and maintenance of the data for the activities being measured for efficiency. The Nonpoint Source Program is actively looking at ways to improve the use of the department's time allocation system for generating accurate data on time spent on the relevant activities.

We will consider the recommendation for additional efficiency measures and appreciate your specific suggestion for one on the cost of conducting nonpoint source identification surveys.

Observation No. 10

Nonpoint Source Program Needs To Adopt Additional Outcome Measures

The NPS Program's current outcome measures do not accurately show the impact its individual activities are having on the program's mission and goal. The current regime of outcome measures are appropriate in the way they describe the program's overall impact on the mission and goal, however, additional outcome measures are needed to delineate the impact of the program's different activities.

The NPS Program's mission is "to ensure that New Hampshire's lakes and ponds, rivers and streams, coastal waters, groundwater and wetlands are clean and support healthy ecosystems, provide habitats for a diversity of plant and animal life and support appropriate uses." The NPS Program's goal is "to identify and abate water quality problems generated by polluted runoff such that water quality standards are attained."

Literature suggests performance measures be clear, cost effective, relevant, significant, practical, verifiable, linked to funding, result-based, and linked to a mission and goal. Developing these measures should include input from relevant staff at all levels of an agency, as well as customers and policy makers.

Good measures, particularly outcome measures, are often difficult for agencies to identify. It takes time to develop measures that accurately reflect the performance of an agency while at the same time provide decision makers with reliable, valid, and easy to understand measures and information.

More specifically, outcome measures should describe what the program intends to change, where output measures describe what a program produces. Output measures are intended to link program resources to observable changes, or outcomes, thus providing the necessary information for redistributing resources and increasing program effectiveness. To appreciate the cause and effect linkages within a program, it is essential to discern how much each output contributes to outcomes and how each outcome impacts the program's mission and goal.

Five current output measures contribute to the outcome *percent of assessed stream miles which fully support aquatic life use (per biennial 305(b) report)*. These include:

1. *Administer Regional Planning Agency contracts.*
2. *Make grants made available to watershed organizations for watershed management, planning, and implementation.*
3. *Publish Greenworks newspaper columns.*
4. *Distribute Nonpoint Source Newsletter.*
5. *Sponsor a conference on current NPS topic.*

This regime of measures provides inadequate information to decision makers because the impact each output is having on the outcome is not delineated. For example, it is possible significant improvements in the outcome *percent of assessed stream miles which fully support aquatic life use (per biennial 305(b) report)* may be the result of the efforts of only one output.

Although the outcome measure *nonpoint source mitigation projects completed* does not link back to the mission and goal, it is an appropriate measure because it provides decision makers with key information about how much influence the associated output measure is having on the longer-term outcomes. Essentially this outcome measure links the output measure *provide assistance to local entities to mitigate pollution sources identified by NPS identification work* and the outcomes *percent of assessed stream miles, which fully support aquatic life use (per biennial 305(b) report)*, and *percentage of acres of classified shellfish beds approved for harvest*.

The deficiencies identified within the current regime of outcome measures may be attributed to the absence of performance-based budget training and measures development offered to individuals charged with implementing the pilot. Additionally, the performance-based budget plan prepared by the Governor's Budget Office provided guidance on developing performance measures for programs, but it lacks a comprehensive discussion on the importance of selecting performance measures demonstrating cause and effect linkages for decision-making. The instruction simply states programs are to select a number of output measures that "support the achievement of outcomes."

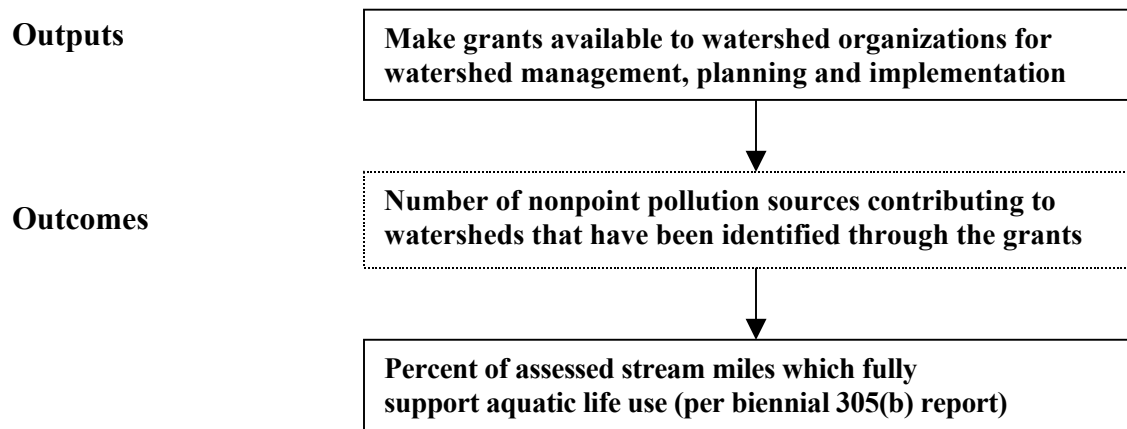
Based on the measures currently reported, it would be difficult, if not impossible, to attribute the attainment of the program's goal to different aspects of the program. Therefore, decision makers will not have the information necessary to make an evidence-based decision.

Recommendation:

The NPS Program should develop additional outcome measures to delineate the efforts contributed by the outputs *grants made available to watershed organizations for watershed management, planning and implementation, publish Greenworks newspaper columns, distribute Nonpoint Source Newsletter, and sponsor a conference on current NPS topic* to the outcome *percent of assessed stream miles which fully support aquatic life use (per biennial 305(b) report)* to support evidence-based decision-making (See Appendix C). The program should follow established performance-based budgeting procedures to revise or change measures and ensure reliable, valid, and complete data exists to support measures.

Watershed Grant Outcome Issues

For the output measure *make grants available to watershed organizations for watershed management, planning and implementation*, the program may want to choose measures, which generally describe the immediate result of the work performed by the grants made available. An example, of an additional outcome measure may be *number of nonpoint pollution sources contributing to watersheds that have been identified through the grants*. The relationship between the measures is illustrated as follows (the suggested measure is distinguished by a broken line):



The data for this new outcome measure may be gathered by grant recipients and reported back to the NPS Program. Currently, grant recipients are required to submit a final project report to the department. While the length of the contracts vary, recipients should be required to submit data to the department at least once a year.

Education and Outreach Outcome Issues

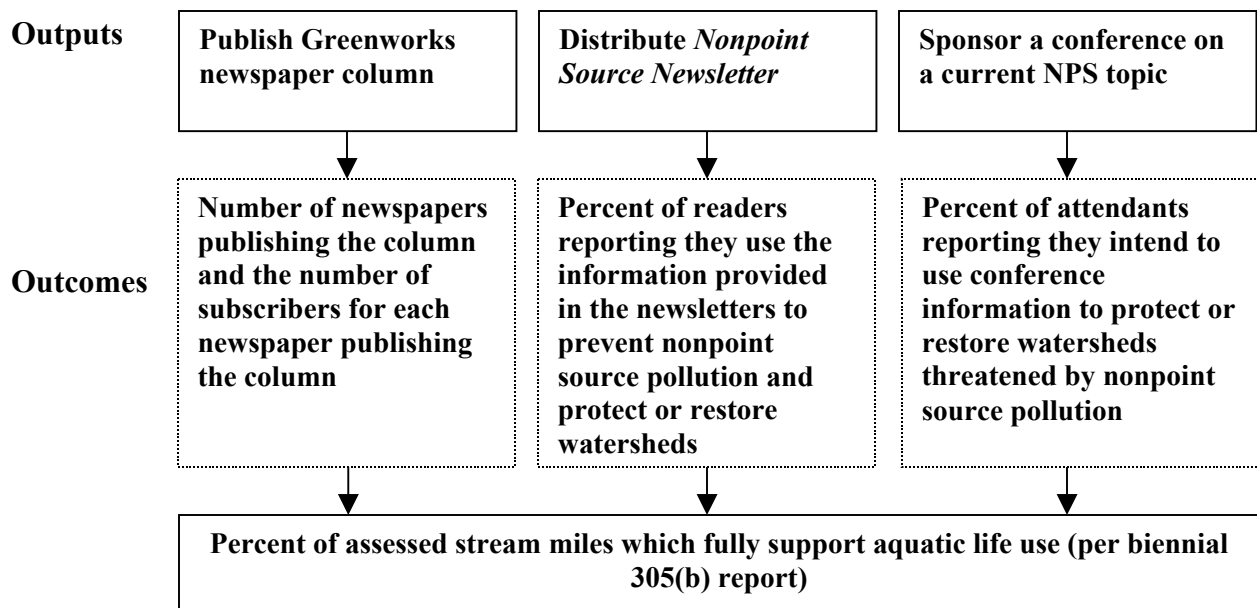
The NPS Program should develop additional outcome measures related to the following outputs *publish Greenworks newspaper column, distribute Nonpoint Source Newsletter, and sponsor a conference on a current nonpoint source topic* to better illustrate the linking construct between output measures and the related outcome measure *percent of assessed stream miles which fully support aquatic life (per biennial 305(b) report)*. In this way, each output may have an intermediate outcome describing how it contributes to the achievement of the current outcome.

For the output measure *publish Greenworks newsletter column* the program may consider using data collected by newspapers to report on an intermediate outcome. For example, a measure reporting the *number of newspapers publishing the column and the number of subscribers for each newspaper publishing the column* would be an appropriate intermediate outcome and requires minimal data collection effort for the program.

An example of a measure linking the output *distribute Nonpoint Source Newsletter* to the related outcome could be *percent of readers using the information provided in the newsletter columns to prevent nonpoint source pollution and protect or restore watersheds*. Feedback from readers of the nonpoint source newsletter may provide the data required to report on the suggested measure. The newsletter could encourage readers to respond to an Internet site. This method of data collection is efficient for the program and simple for respondents.

A suggested intermediate outcome for the output measure *sponsor a conference on a current nonpoint source topic* is *the percent of attendants using conference information to prevent nonpoint source pollution and protect or restore watersheds threatened by nonpoint source pollution*. Feedback from the individuals attending conferences on current nonpoint source topics may be used to collect data for the suggested measure. At the end of the conferences, or at a time shortly after, attendants may be invited to complete an evaluation sheet with questions such as “the information presented today will be used to prevent, protect, or restore watersheds threatened by nonpoint source pollution (Yes/No).”

The relationship between the suggested measures is illustrated as follows (the three suggested measures are identified by the broken line):



Auditee Response:

We concur in part with this observation while noting the difficulties associated with carrying out the recommendations (refer to the Assistant Commissioner’s cover letter for additional discussion of the difficulties with outcome measures [Appendix B]). Specifically, we concur with the recommendation for additional outcome measures, but we have reservations about some of the actual measures you are recommending. You observe that it is often difficult for agencies to develop meaningful outcome measures, and this is particularly true when trying to establish measures for outcomes related to education and outreach activities such as those of the Nonpoint Source Program being discussed in this observation.

We recognize that the linkage between our program outputs and the outcome “percent of assessed stream miles which fully support aquatic life use” is indirect and would be improved by developing some intermediate outcomes. The Program has been participating in the department’s ongoing measurement improvement efforts and will continue to do so, with particular attention to the outcome measures. We welcome your suggestions for additional outcome measures and will include them in our deliberations.

However, we need to make sure that such outcomes are readily measured and that the information they produce warrants the effort involved in gathering, tracking and reporting the outcome. In the case of the recommended outcome measure related to the watershed grant output measure, it can be measured but it may not necessarily tell much about the benefits of the grants to watershed organizations. It may be more appropriate to develop an outcome measure based on the number of grant projects achieving their stated water quality objectives. In the case of the recommended outcome measures related to the education and outreach output measures, we like the outcome measure that tracks the number of papers that actually publish our columns and will look to adopt it. For the other two education/outreach measures we have concerns regarding both the measurability and the value. They rely on readers/conference attendees to voluntarily respond to very broad and subjective survey questions. Our experience with attempting to gather this type of information suggests that it is very difficult to get statistically significant responses and that it is even more difficult to verify the accuracy of the responses. This does not mean that we question the value of education/outreach outcome measures, and we will use your recommendations in our efforts to develop better outcome measures for the Nonpoint Source Program.

2.5 Underground Storage Tank Program

The Underground Storage Tank (UST) Program goal identified in the performance-based budgeting document for fiscal years 2000-2001 was to “prevent and minimize the contamination of the land and waters of the state due to the storage and handling of oil and hazardous substances by permitting such facilities and monitoring compliance with the standards for design, installation, operation, and maintenance.”

The UST Program included the following output measures as part of the pilot:

1. *Number of permits processed.*
2. *Number of design plans processed.*
3. *Number of construction inspections.*
4. *Number of compliance records reviewed.*
5. *Number of compliance inspections.*
6. *Number of tank closure reports reviewed.*
7. *Number of enforcement actions.*
8. *Number of seminars/outreach activities.*

The UST Program reported on the following efficiency measures:

1. *Permits turnaround time.*
2. *Cost per permit plan review.*
3. *Design plan review turnaround time.*
4. *Cost per design plan review.*
5. *Construction inspection turnaround time.*
6. *Cost per construction inspection.*
7. *Cost per compliance record review.*
8. *Cost per compliance inspection.*
9. *Closure report review turnaround time.*
10. *Cost per closure report review.*
11. *Cost per enforcement activity.*
12. *Cost per seminars/outreach activity.*

The UST Program also identified outcome measures to show the results of their efforts in meeting the identified goal. The outcome measures included:

1. *Spills from regulated tanks.*
2. *Facilities in compliance with registration and permit requirements.*
3. *Facilities in substantial compliance with operation and maintenance requirements.*
4. *Facilities in compliance with closure requirements.*

As shown in Tables 9 and 10, not all information related to the performance measures could be verified, as the UST Program did not adequately maintain performance measures information. For fiscal year 2000, only nine of 24 performance measures could be verified. For fiscal year 2001, 21 out of 24 performance measures could be verified. Observation No. 11 addresses the concern of data being unavailable for validating the performance measures. Of the nine verified measures for fiscal year 2000, two efficiency measures were under projection and one outcome measure exceeded the projection. Of the 21 verified measures for fiscal year 2001, three output measures and two outcome measures exceeded projections and three efficiency measures were under projection. While programs measure success by meeting or exceeding output or outcome projections, for efficiency measures success means meeting or coming in under projection.

Underground Storage Tank Program Observations And Recommendations

The following observations and recommendations provide UST Program management with suggestions for improving and maintaining accurate and reliable performance measures information. These improvements should provide a more reliable and accurate accounting of the UST Program's performance-based budgeting efforts and allow for better goal assessment.

Table 9

Comparison Of Fiscal Year 2000 Projected, Audited, And Reported Performance Measures For The Underground Storage Tank Program			
Performance Measures	Fiscal Year 2000 Projections	LBA Audited	Underground Storage Tank Program Reported
Program Outputs			
Number of permits processed	150	<i>Unable to Verify</i>	156
Number of design plans processed	200	<i>Unable to Verify</i>	162
Number of construction inspections	150	<i>Unable to Verify</i>	93
Number of compliance records reviewed	490	<i>Unable to Verify</i>	409
Number of compliance inspections	120	<i>Unable to Verify</i>	140
Number of tank closure reports reviewed	300	<i>Unable to Verify</i>	290
Number of enforcement actions	65	<i>Unable to Verify</i>	39
Number of seminars/outreach activities	10	<i>Unable to Verify</i>	17
Program Efficiencies			
Permits turnaround time	15 days	<i>Unable to Verify</i>	15 days
Cost per permit plan review	\$35	\$76	\$76
Design plan review turnaround time	16 days	<i>Unable to Verify</i>	12.3 days
Cost per design plan review	\$140	\$382	\$248
Construction inspections turnaround time	5 days	<i>Unable to Verify</i>	4.8 days
Cost per construction inspection	\$140	\$290	\$103
Cost per compliance record review	\$70	\$196	\$156
Cost per compliance inspection	\$290	\$128	\$100
Closure report review turnaround time	30 days	<i>Unable to Verify</i>	35 days
Cost per closure report review	\$40	\$100	\$70
Cost per enforcement activity	\$1,500	\$1,134	\$1,056
Cost per seminar/outreach activity	\$1,700	\$2,114	\$2,069
Program Outcomes			
Spills from regulated tanks	67	75	51
Facilities in compliance with registration and permit requirements	1,977 out of 2,082 (95%)	<i>Unable to Verify</i>	1,410 out of 1,982 (71%)
Facilities in substantial compliance with operation and maintenance requirements	1,665 out of 2,082 (80%)	<i>Unable to Verify</i>	1,772 out of 1,982 (89%)
Facilities in compliance with closure requirements	4,825 out of 5,362 (90%)	<i>Unable to Verify</i>	5,038 out of 5,456 (92%)
Source: LBA analysis of Underground Storage Tank Program data.			

Table 10

Comparison Of Fiscal Year 2001 Projected, Audited, And Reported Performance Measures For The Underground Storage Tank Program			
Performance Measures	Fiscal Year 2001 Projections	LBA Audited	Underground Storage Tank Program Reported
Program Outputs			
Number of permits processed	500	723	591
Number of design plans processed	200	215	215
Number of construction inspections	65	70	61
Number of compliance records reviewed	550	444	438
Number of compliance inspections	150	101	100
Number of tank closure reports reviewed	150	135	147
Number of enforcement actions	20	16	13
Number of seminars/outreach activities	10	Unable to Verify	9
Program Efficiencies			
Permits turnaround time	15 days	Unable to Verify	15 days
Cost per permits plan review	\$80	\$17	\$26
Design plan review turnaround time	16 days	30 days	29 days
Cost per design plan review	\$250	\$149	\$165
Construction inspections turnaround time	5 days	Unable to Verify	5 days
Cost per construction inspection	\$140	\$189	\$216
Cost per compliance record review	\$150	\$146	\$144
Cost per compliance inspection	\$100	\$157	\$119
Closure report review turnaround time	30 days	37 days	28 days
Cost per closure report review	\$70	\$94	\$87
Cost per enforcement activity	\$1,500	\$3,038	\$4,649
Cost per seminar/outreach activity	\$2,000	\$4,465	\$3,156
Program Outcomes			
Spills from regulated tanks	60	40	34
Facilities in compliance with registration and permit requirements	1,590 out of 1,986 (80%)	1,602 out of 1,975 (81%)	1,601 out of 1,985 (81%)
Facilities in substantial compliance with operation and maintenance requirements	1,825 out of 1,986 (92%)	1,836 out of 1,975 (93%)	1,854 out of 1,985 (93%)
Facilities in compliance with closure requirements	5,200 out of 5,477 (95%)	5,137 out of 5,540 (93%)	5,137 out of 5,541 (93%)
Source: LBA analysis of Underground Storage Tank Program data.			

Observation No. 11

Underground Storage Tank Program Needs To Improve Controls Of Performance Measures Data

The UST Program’s management has failed to maintain documentation in a paper or electronic format to verify the data reported in the quarterly performance reports.

Specifically, documentation was unavailable to validate any of the program’s output measures, four of the efficiency measures related to turnaround time, and three of the outcome measures reported in fiscal year 2000. For fiscal year 2001, documentation was unavailable to validate one output measure and two efficiency measures related to turnaround time.

Furthermore, for the efficiency measures related to cost, program management was only able to provide documentation and calculations for the second quarter fiscal year 2000 and the third quarter fiscal year 2001. In reviewing the documentation and calculations for the two quarters, we found errors in some of the formulas. Program management attempted to recreate the data used in the efficiency measures calculations for fiscal years 2000 and 2001, but could not duplicate the numbers in the quarterly performance reports.

Performance measurement literature suggests measures are useful only if supported by valid and reliable data. Literature further suggests the methods for collecting and maintaining data should be clearly documented and controlled.

According to *Government Auditing Standards* issued by the Comptroller General of the United States, “Controls over the validity and reliability of data include policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports. These controls help assure management that it is getting valid and reliable information about whether programs are operating properly.”

Program managers indicated they need to be more vigilant in maintaining the information supporting the quarterly performance reports. Much of the information used to support output measures, efficiency measures, and outcome measures comes from databases. Program management stated the databases are updated when reports are submitted from the “field,” which is not always timely. This results in continuously changing databases, making it difficult to run the same database query on two different days and obtain the same result.

For the cost efficiency measures, management did not save copies of the database information or the calculations performed in the software used. This resulted in an inability to validate the cost efficiency measures information contained in the quarterly performance reports.

Finally, no reliable documentation is maintained for the seminars/outreach output measure. Program management obtains a verbal report from UST personnel on their involvement in seminars/outreach activities.

Lack of controls over the data jeopardizes the reliability and validity of the data, thus decreasing the usefulness of the information reported by the program. Without sufficiently complete, accurate, and consistent performance measures information, a true assessment cannot be made on the success or failure of measures and goals. Additionally, the inability of the program to accurately account for its measures as contained in the quarterly reports raises issues of accountability with stakeholders.

Recommendation:

UST Program management should strengthen the controls over data to increase the reliability of the information reported internally to management, as well as externally to the joint Legislative Fiscal Committee and Governor and Council. Efforts should be taken to clearly define the measures, document how calculations are completed for the measures, and how the information should be maintained to preserve its reliability and validity. Program management should perform a quality review, including a review of calculations,

of the quarterly reports to ascertain if the information is reliable and accurate.

Auditee Response:

We concur with this observation and the recommendations. In the future, we will maintain both paper and electronic copies of the results of database queries.

The Underground Storage Tank (UST) Program relies almost entirely on a database to collect information for performance based budget reporting. The information in the database is dynamic because the database is updated when the facility owner submits the information to the department. Some of the data is not always submitted to the department on time, resulting in a continuously changing database and making it difficult to run the same database query on two different days and obtain the same results. For example, a facility owner may have conducted corrosion protection testing on time but did not report the results to the department until long after the quarterly performance-based budget report had been completed. Therefore, a query on operational compliance, which includes the late data, will yield different results than the quarterly performance budget report. The database query is a snapshot in time. We will save all future queries to document results at the time of the query. We have recently revised our database to streamline the performance-based budget reporting and have added additional data fields to be able to document the performance-based budget statistics.

Observation No. 12

Underground Storage Tank Program Needs To Provide More Accurate Cost Information Related To Its Efficiency Measures

The UST Program's efficiency measures, as currently calculated, do not accurately portray all of the program's costs. The UST Program calculates its efficiency measures related to costs using a task code report detailing the

number of personnel hours, salary amounts, and benefit amounts expended on a particular task. Program management has identified the task codes that reflect the efficiency measures and classifies the remaining tasks as "overhead," allocating them evenly between the efficiency measures based on the number of output units. However, this method for calculating the efficiency costs does not include program expenditures such as equipment, rent, or travel. Furthermore, program management stated "not all time and costs are adequately tracked." For example, some tasks are inaccurately tracked due to combining them with other tasks.

Program management was only able to provide efficiency measures documentation and calculations for the second quarter fiscal year 2000 and the third quarter fiscal year 2001. Management stated documentation to support the other quarters had not been saved. In reviewing the documentation and calculations, we detected errors. Because documentation was not maintained for all the previous quarters, we were unable to determine if the same errors or other errors existed in the other quarterly performance reports.

Performance measure literature suggests measures are useful only if supported by valid and reliable data. Literature further suggests the methods for collecting and maintaining data should be clearly documented and controlled.

According to *Government Auditing Standards* issued by the Comptroller General of the United States, “Controls over the validity and reliability of data include policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports. These controls help assure management that it is getting valid and reliable information about whether programs are operating properly.”

As mentioned, management indicated they did not maintain the information used in calculating the efficiency measures. The errors found in the formulas may be attributed to lack of quality review by management of the quarterly performance reports and calculations used to obtain the information contained in the reports.

Without sufficiently complete, accurate, and consistent performance measures information, a true assessment cannot be made of the UST Program’s success or failure based on the reported measures. Additionally, the program’s inability to accurately account for its efficiency measures, as contained in the quarterly reports, raises issues of accountability with stakeholders.

Recommendation:

UST Program management should clearly define its measures, document how calculations are completed for the measures, and how the information should be maintained to preserve its reliability and validity. In defining measures, program management should include all relevant costs, including rent, equipment, supplies, etc., when calculating efficiency measures related to costs. Program management should perform a quality review, including a review of calculations, of the quarterly reports to ascertain if the information is reliable and accurate.

Finally, program management should provide training to its personnel explaining the importance for accurately identifying tasks when completing time sheets, thus increasing the reliability of the Task Code Reports. This will provide management and policy makers with better information related to the costs of performing the various identified functions of the program.

Auditee Response:

We concur in part with this observation and the recommendations. Specifically, we concur with the overall need for providing more accurate cost information but are not convinced that the integrity of the Underground Storage Tank Program’s efficiency measures would be substantially increased by making the recommended changes. Also, we concur with the recommendation for training on the importance of accurately identifying tasks when completing time sheets.

Although the efficiency measures, as currently calculated, do not include equipment, rent or travel costs, these costs represent a very small percentage of the Program’s total expenditures. There are limited federal funds to support this program and the expenditures are almost entirely made up of personnel expenditures. We will revise our efficiencies calculations to include these costs but do not expect to see a meaningful difference in the revised measure.

The Program has already corrected the error in the Excel spreadsheet that doubled the overhead costs in some of the tasks. They will review the definition of each task and make sure that there is no overlap between tasks. The section supervisor will provide periodic training to staff on completing time sheets and increase the amount of quality control review of time sheets.

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**STATE OF NEW HAMPSHIRE
DEPARTMENT OF ENVIRONMENTAL SERVICES
PERFORMANCE-BASED BUDGETING**

CONCLUSION

Introduction of performance-based budgeting in New Hampshire is an effort to increase the accountability of State government and provide information to assist with budgeting decisions. Although new to the State, New Hampshire is not alone in its efforts to implement performance-based budgeting as an accountability and budgeting tool. However, more work is required before the State is able to effectively and efficiently use performance-based budgeting in this way.

In our April 2001 report on the Department of Transportation's Bureau of Turnpikes performance-based budget, we recommended changes to improve New Hampshire's performance-based budget pilot. No significant changes have occurred in the pilot between the time we issued that report and the issuing of this report. New Hampshire's performance-based budget pilot continues to function with no formal leadership, no formal plan, and no training.

We recognize the DES' efforts to implement performance-based budgeting as part of their larger effort to manage for environmental results. If training and clearer guidance had been provided some issues noted in this report and in the Department of Transportation's Bureau of Turnpikes performance-based budget report may not have existed. However, the DES programs engaged in the pilot need to be more proactive in ensuring their performance measures provide accurate and useful information for DES management, the Legislature, and the Governor and Council.

Legislative and Executive leadership may want to consider what goals are to be achieved using performance-based budgeting and work toward implementing a system that meets the needs of both branches. Additionally, Executive and Legislative leadership need to work together to allow the pilot to be fully tested, from implementation and measures development to the submission of performance-based budgets to the Legislature. If no changes are made to the performance-based budget pilot, decision makers will not have the information required to determine if performance-based budgeting should be implemented throughout New Hampshire government.

Serious consideration should be given to stopping the pilot if no changes are made.

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APPENDIX A

OVERALL RESPONSE FROM THE GOVERNOR'S OFFICE



JEANNE SHAHEEN
GOVERNOR

STATE OF NEW HAMPSHIRE

OFFICE OF THE GOVERNOR

31 December 2001

Catherine Provencher
Director of Audits
Office of the Legislative Budget Assistant
State House, Room 102
107 North Main Street
Concord, NH 03301

RE: Response to Observation No. N-1 of Audit on Performance Based Budgeting for the Department of Environmental Services

Subject: Improvements Needed in New Hampshire's Performance Based Budgeting Pilot

Dear Catherine:

In April of 2001, the Office of LBA Audit Division issued a report on the Bureau of Turnpikes Performance Based Budgeting. At that time, the Governor's office responded in a letter dated March 15, 2001, which is included in the April report, reference A-1. In that letter we state, "Whether to move ahead with expanded use of performance based budgeting beyond the pilot phase is a significant policy decision that requires legislative participation. Expanding the use of performance based budgeting across state agencies will require development of a comprehensive implementation plan, guidelines, policies and procedures, computer systems upgrading and employee training. The Governor's office is pleased to work with the legislature and share insights gained from the pilot projects." We still believe all of the above to be true today.

This office would welcome the opportunity to work with the legislature to determine how to best use performance measures. We believe the information obtained from appropriate performance measures would be very useful in the decision making process of all concerned.

Sincerely,

A handwritten signature in cursive script that reads "Linda M. Hodgdon".

Linda M. Hodgdon
Budget Director

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APPENDIX B

OVERALL RESPONSE FROM THE DEPARTMENT OF ENVIRONMENTAL SERVICES



State of New Hampshire
DEPARTMENT OF ENVIRONMENTAL SERVICES

6 Hazen Drive, P.O. Box 95, Concord, NH 03302-0095
(603) 271-3503 FAX (603) 271-2867



January 14, 2002

Cathy Provencher, Director of Audits
Legislative Budget Assistant
107 North Main Street, Room 102
Concord, NH 03301-4906

RE: Responses to Performance-based Budget Pilot Audit Observations

Dear Ms. Provencher:

Thank you for the opportunity to review and respond to the draft observations and recommendations from your agency's performance audit of our participation in the Performance-based Budget Pilot Project. This letter, and the separate individual responses to each observation, transmits our department's responses to the draft observations and recommendations prepared by your agency.

Our department's participation in the Performance-based Budget Pilot Project is part of our continuing effort to develop and use meaningful environmental measures for tracking environmental conditions and trends and for program management. Examples of this continuing effort include:

- Development of outputs, outcomes and environmental indicators for all the department's programs as part of our Performance Partnership Agreement with the Environmental Protection Agency;
- Leadership of a national Environmental Results Measurement System Workgroup and a regional New England Goals and Indicators Partnership, both comprised of measures practitioners from other environmental agencies and both with the objective of information sharing to advance the cause of environmental measurement;
- Development of the Measures Tracking and Reporting System (MTRS), a department-wide database that links goals and objectives, programs and activities, and measures into a management system; and
- Preparation and statewide distribution of measures-based state of the environment reports in 1996 and 2000 to report to the public on environmental conditions and trends and agency performance.

The Performance-based Budget Pilot Project is another step in this ongoing work. It gives us an opportunity to engage in measures work at the state level, to focus on a limited set of programs (the three included in the Pilot) and to explore the links between environmental measurement and budgeting.

Two recurring themes in your observations relate to the following: (1) developing outcomes that are more direct measures of achieving a program's desired changes in behaviors or environmental conditions; and (2) greater precision, controls and documentation applied to managing the data behind the performance measures and reporting the results. These observations highlight issues we have been wrestling with throughout our work on measures, and we welcome your additional input and recommendations. At the same time, our experience with measures has given us an indication of the level of effort that would be required to fully implement all of your recommendations, and in some cases we are not convinced that the level of effort required is an appropriate allocation of staff resources given the total set of responsibilities.

Your Observation No. 10 highlights this issue. In that observation you recommend four additional outcome measures related directly to the existing output measures for the Nonpoint Source Program. Three of them are designed to better measure the results of the program's outreach efforts, and the fourth is intended to better measure the direct environmental benefits of providing grants to local watershed organizations. The outreach-related outcome measures depend on recipients of newsletters and attendees at workshops voluntarily filling out surveys or evaluations regarding any actions taken resulting from the newsletters/workshops. This would be very useful information to obtain, but we would have to go to extreme lengths to verify the reported information and quantify the environmental benefits. The outcome measure relating to the environmental benefits of watershed grants would provide some valuable information but could be misleading by looking solely at the number of pollution sources addressed by the funded projects and not at the actual water quality impacts.

As we say specifically in our response to Observation No. 10, we concur in part with the recommendations (and in fact plan to adopt at least one of the recommended outcome measures) because we know we need to better measure whether we are achieving the desired outcomes. However, we need to feel confident that the additional information gathered will be worth the additional effort before we ask staff – and in this case citizens as well - to invest the time and energy required.

Our concerns are similar in looking at your recommendations for greater precision, controls and documentation applied to managing the data behind the performance measures and reporting the results. We realize that there is certainly room for improvement in the methods for collecting, managing, analyzing, reporting and assuring the accuracy of the data supporting the performance measures. Again, we welcome your input and appreciate the fresh perspective the auditors bring to evaluating our measures and how we report them. We are simply saying that there is a very real cost associated with the recommended improvements in measurement, and we need to be convinced that the return on investment – in terms of better information on environmental conditions/trends and program performance – justifies the cost.


We appreciate the professionalism of the auditors throughout the process and in particular during their temporary stay in our building. We continue to see the Performance-based

Response to Performance-based Budget Pilot Audit
2/15/2002

Page 3 of 3

Budget Pilot Project as a worthwhile effort that offers benefits to our department and to the state as a whole on performance measures. We look forward to broadening the focus to include more on relating our measures to the budget process. We also will continue to use what we are learning from the Pilot Project to improve our measures and our measurement systems.

Sincerely,


George Dana Bisbee
Assistant Commissioner

Attachments

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APPENDIX C

LOGIC MODELS FOR SUBSURFACE SYSTEMS BUREAU, NONPOINT SOURCE PROGRAM, AND UNDERGROUND STORAGE TANK PROGRAM

When measuring the performance of a program, literature suggests one of the more difficult questions to answer is what contribution the program in question makes to the outcomes. In fact, in most cases there are many factors influencing outcomes in addition to the impact of the program's efforts. Literature advises determining the absolute extent to which a government program contributes to a particular outcome is not usually possible. Instead, the aim of performance measurement is to acquire insight and develop some assurance the program is actually having an impact. A key tool for determining attribution is a logic model, which illustrates intended relationships. Logic models do not consider issues of efficiency.

Logic models are presented as flowcharts describing programs in a way that facilitates developing relevant measures by portraying intended causal relationships between inputs, activities, outputs, and outcomes. The flowchart illustrates how a program intends to solve identified problems. Individual program inputs, activities, outputs, and outcomes are arranged in rows and relationships between them are arranged vertically on the page according to the sequential flow of program logic. The arrows linking the program elements signify the intended flow of the program.

The program's mission and goals are included at the top of the page as reference points to show the rationale of the program. Inputs provide the reader with the resources used to perform activities. Activities describe what the program does to produce outputs. Outcomes are what the program hopes to change and should be linked to the goal and mission.

The logic models presented below were developed by the LBA audit team and presented to DES personnel for validity purposes. Developing logic models for the Subsurface Systems Bureau, Nonpoint Source (NPS) Program, and Underground Storage Tank (UST) Program facilitated our analysis of the current performance measures. We found the three programs' regime of measures had different strengths and weaknesses.

Generally, it was found the Subsurface Systems Bureau's outcomes were not tied to the program's mission and goals, and some outputs had no outcomes to describe their intended impact (see Observation No. 7 on page 32). However, the Subsurface Systems Bureau has identified some intermediate outcomes which are useful in demonstrating attribution. While the NPS Program has adequately linked outcomes to the program's mission and goal, the logic model illustrates the need for additional intermediate outcomes to delineate the impact of the program's different activities (see Observation No. 10 on page 42). Finally, the UST Program's logic model illustrates how the current regime of measures clearly addresses the issue of attribution by including intermediate outcomes, which delineate the contribution of different program activities, and a longer-term outcome measure describing the overall impact of the program. Additionally, the longer-term outcome was clearly linked to the program's mission and goals.

Subsurface Systems Bureau Logic Model

Mission: To prevent pollution of all public or private water supplies, whether underground or surface sources.

Goal: Protect ground and surface waters of the State by insuring that the subdivision of land and the design and construction of on-site wastewater treatment disposal systems are accomplished in accordance with established rules and regulations. Furthermore, to review and take action on applications to accomplish the foregoing within the timeframes established by statute.

24.5 staff, \$1,430,681 (FY 00) and \$1,459,589 (FY 01)

Inputs

Activities

Outputs

Outcomes

Design Review Program

Process septic applications

Process subdivision applications

Number of septic applications processed

Number of subdivision applications processed

Percent of septic system applications processed within the 15 working days statutory time limit

Percent of subdivision applications processed within the 30 calendar days statutory time limit

Construction Inspection Program

Conduct construction inspections

Number of construction inspections

Percent of septic system inspections conducted within the statutory time limit (7 working days from written notice)

Compliance Program Activities

Investigate complaints and resolve through enforcement

Number of enforcement program activities

Percent of enforcement activities resolved and the remainder in the active process of being finalized

Percent of enforcement resulting in the elimination of immediate public health and environmental threats

Licensing Program

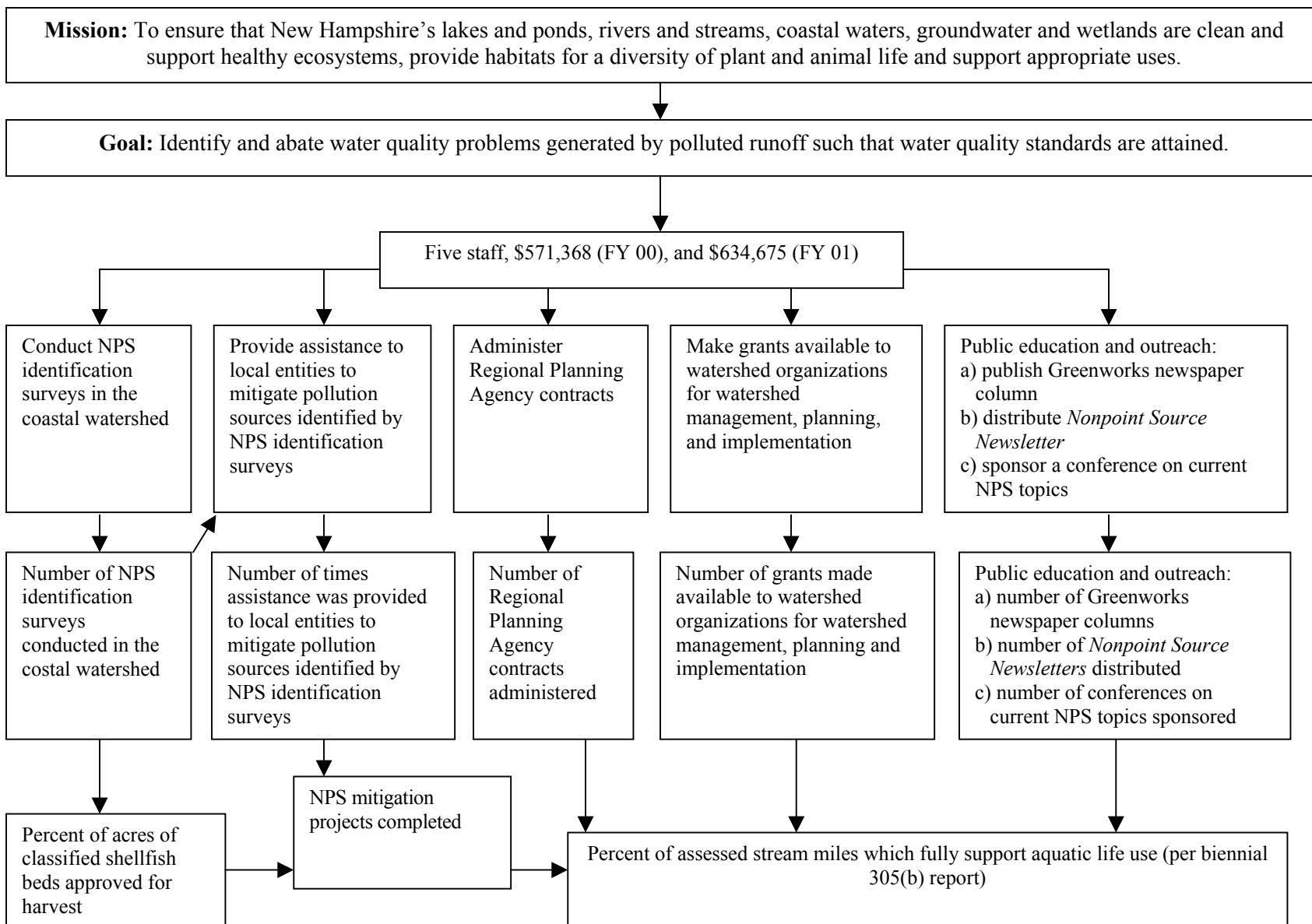
License new designers and renew designer's licenses

License new installers and renew installer's licenses

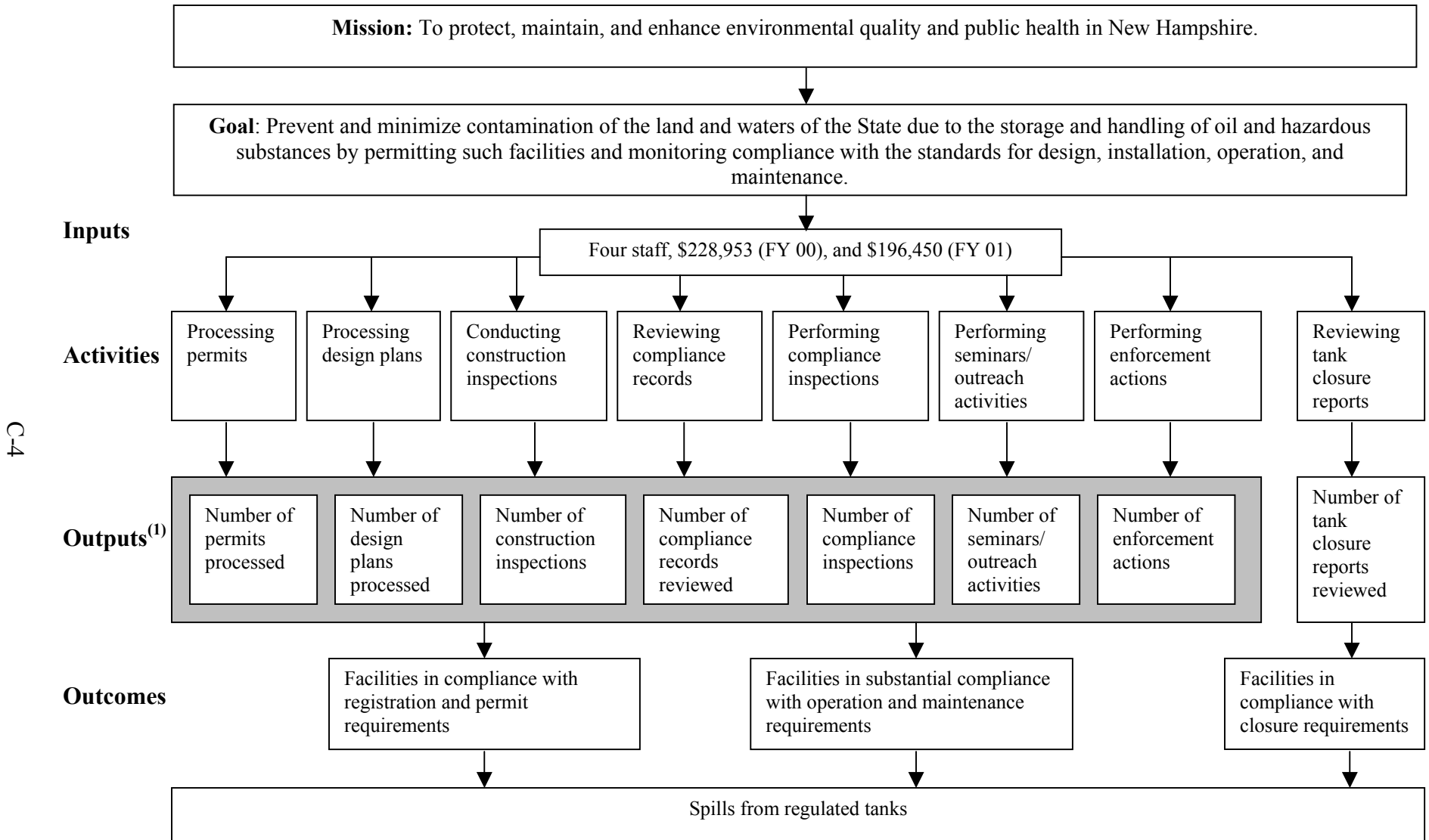
Number of new and renewed designer licenses issued

Number of new and renewed installer licenses issued

Nonpoint Source Program Logic Model



Underground Storage Tank Program Logic Model



C-4

(1) Outputs in shaded area contribute to the outcomes *facilities in compliance with registration and permit requirements* and *facilities in substantial compliance with operation and maintenance requirements*.

APPENDIX D

DEPARTMENT OF ENVIRONMENTAL SERVICES' FY 00-01 PERFORMANCE BUDGET AS SUBMITTED TO AND APPROVED BY THE JOINT LEGISLATIVE FISCAL COMMITTEE AND GOVERNOR AND COUNCIL

**Performance Based Budgeting
Department of Environmental Services
Water Division, Watershed Bureau
Nonpoint Source Program**

- 1. PAU/Program:** 03-04-02-06-02, Department of Environmental Services, Water Division, Surface Water Quality Programs (Section 319 Planning)
- 2. Description:** The Nonpoint Source Program is a nonregulatory program offering technical and financial assistance to identify and abate water quality problems generated by polluted runoff. Nonpoint pollution source investigations are done in priority watersheds to identify and abate sources impacting water resources. The priority resource issue for investigations is shellfish beds. Field work continues in the coastal watersheds to identify dry weather pollution sources in urban areas. Nonpoint source outreach activities include conferences, newsletters, and newspaper columns. Grant funding is available through the Nonpoint Source Program to assist units of government and non-profit organizations in developing and implement watershed management plans and education programs. Technical support is provided to prospective grant applicants and to grant recipients. The program is staffed by 5 FTEs. In December 1999, the section will take on the responsibility of administering the shellfish sanitation program, which will require two additional FTEs.
- 3. Goals:** The goal of the Nonpoint Source Program is to identify and abate water quality problems generated by polluted runoff such that water quality standards are attained.
- 4. Statutory Basis:** RSA 485-A, Water Pollution and Waste Disposal.

5. Program Outputs: Program outputs are focused on implementation of site-specific projects to mitigate nonpoint source pollution and improve water quality. Shellfish program activities to open shellfish beds for recreational harvest are highest priority,

OUTPUTS	NUMBER OF OUTPUTS			
	State Fiscal Year			
	1998	1999	2000	2001
1. Conduct full sanitary surveys in accordance with National Shellfish Sanitation Program guidelines		2	2	2
2. Collect routine shellfish monitoring samples in accordance with National Shellfish Sanitation Program guidelines		1559	1559	1559
3. Conduct nonpoint source identification surveys in the coastal watershed.	40	40	40	40
4. Provide assistance to local entities to mitigate pollution sources identified by NPS identification work.	10	10	10	10
5. Make restoration grants available in Category I watersheds as identified in the <i>Unified Watershed Assessment</i>		10	10	10
6. Make grants available to watershed organizations for watershed management, planning, and implementation	16	16	16	16
7. Conduct Public Education and Outreach				
A. Publish Greenworks newspaper column	12	12	12	12
B. Distribute <i>Nonpoint Source Newsletter</i>	3	3	3	3
C. Sponsor a conference on a current NPS topic	1	1	1	1
8. Administer Regional Planning Agency contracts	9	9	9	9

6. Program Efficiencies:

An important aspect of the grants programs is that NPS program staff participate in project development and implementation, in partnership with grant recipients. We seek to minimize administrative time in contract development and maximize project support time.

EFFICIENCY MEASURES	State Fiscal Year			
	1998	1999	2000	2001
Limit administrative time spent on proposal review and contract development	12%	10%	8%	8%

7. Program Outcomes:

This program provides funding and technical assistance for the following outcomes:

- 1) Nonpoint source mitigation projects to restore water quality in water bodies not meeting water quality standards, or to preserve water quality in threatened watersheds.
- 2) Pollution source mitigation and water quality monitoring to open shellfish beds for recreational harvesting.
- 3) Support to local watershed stewardship organizations for increased awareness of land use/water quality connection.

OUTCOME	NUMBER OF OUTCOMES			
	State Fiscal Year			
	1998	1999	2000	2001
1. Nonpoint source mitigation projects completed.	6	8	10	12
2. % of assessed Stream miles which fully support aquatic life use (per biennial 305(b) report).		94.7		95.2
3. Percentage of acres of classified shellfish beds approved for harvest.	50	50	55	60

8. Expenditures and Funding Sources

	BUDGET AMOUNT			
	State Fiscal Year			
	1998	1999	2000	2001
CATEGORY				
Personnel	\$277,119	\$426,858	\$430,931	\$418,915
Operating	\$76,219	\$72,001	\$154,977	\$157,105
Grants	\$747,613	\$372,519	\$300,000	\$300,000
Total	\$1,100,951	\$871,378	\$885,908	\$876,020
FUNDING SOURCE				
General	0%	0%	0%	0%
Federal	100%	100%	100%	100%
Other	0%	0%	0%	0%

Federal	100%	100%	100%	100%
Other	0%	0%	0%	0%

08/25/99

**Dept of Environmental Services
Division of Water
Surface Water Quality Programs
Section 319 Planning
PAU 03-04-02-06-02
Organization Code 025-044-2025**

Class	Class Description	FY 00	FY01
10	Personal Services - Permanent Classified	\$312,538	\$303,293
20	Current Expenses	\$20,002	\$20,002
22	Rent & Lease Other Than State	\$20,000	\$20,000
24	Computer Maint.	\$6,300	\$6,300
28	Transfers to General Services(Rent)	\$29,155	\$30,282
30	Equipment	\$20,000	\$20,000
40	Indirect Costs	\$13,824	\$14,315
41	Audit Fund Set Aside	\$883	\$872
42	Additional Fringe Benefits	\$13,029	\$13,024
49	Transfers to Other State Agencies	\$34,813	\$35,434
50	Personal Services- Temporary	\$7,875	\$7,875
60	Benefits	\$97,489	\$94,623
70	In State Travel	\$5,000	\$5,000
80	Out of State Travel	\$5,000	\$5,000
90	Contracts	<u>\$300,000</u>	<u>\$300,000</u>
Total		\$885,908	\$876,020

*** Source of funds 100% Federal

via h/annual budgtadj

Performance Based Budgeting
Department of Environmental Services
Subsurface Systems Bureau
Water Division

1. Program/PAU

PAU 03-04-02-05-00 Department of Environmental Services, Water Division,
Subsurface Systems Bureau

2. Description

The PAU (Subsurface Systems Bureau) is responsible for reviewing applications for the subdivision of land and the design of individual septic systems, permit applications that affect approximately 80-85% of all development that occurs within the State of New Hampshire. This program is currently carried out with a staff of 24 people. During FY 1999, the number of individual septic system and subdivision permits processed was 8,426 and 2,961 respectively. The Bureau has its main office in Concord and five(5) regional offices located in Bartlett, Grantham, Gilford, Milford, and Portsmouth with a total of 8 Regional Inspectors.

The Bureau is responsible for the on-site inspection of all septic systems installed in order to ensure strict compliance with the approved plans. In FY 1999 year we conducted approximately 8,284 inspections. The Bureau is also charged with conducting investigations into written complaints received by the Department of Environmental Services relative to situations which are or may be causing degradation of the State's waters. In FY 1999 we received and processed 925 enforcement actions.

The Bureau is responsible for implementing and administering the program for licensing both designers and installers of septic systems within the State of New Hampshire. No individual may submit an application nor install a septic system without first obtaining a license from this Bureau. For FY 1999, we currently have 2,734 active licensees.

3. Goals

The goals of this PAU are to protect ground and surface waters of the state by insuring that the subdivision of land and the design and construction of on-site wastewater treatment disposal systems are accomplished in accordance with established rules and regulations. Furthermore, the goal is to review and take action on applications to accomplish the foregoing within the time frames established by statute.

4. Statutory Basis

This PAU was established under RSA 485-A and Administrative Rules Env-Ws-1000.

5. Program Outputs

The following chart shows the actual and projected number of septic system, subdivision, and license applications processed. The number of septic system inspections and enforcement actions conducted are also included.

Program Activity	PROGRAM OUTPUTS			
	State Fiscal Year			
	FY98	FY99	FY00	FY01
Design Review				
Septic System Applications Processed	7,267	8,426	8,000	8,000
Subdivision Applications Processed	2,200	2,961	2,700	2,800
Construction Inspections Conducted	7,237	8,284	7,849	7,949
Enforcement Program Activities	850	925	900	900
Complaints, LOD ¹ , AO ² , AF ³ , DOJ referrals ⁴				
Licensing				
Designers				
New	23	18	20	20
Renewed	840	849	880	880
Total:	863	867	900	900
Installers				
New	90	101	120	130
Renewed	1,741	1,866	1,880	1,870
Total:	1,831	1,967	2,000	2,000

- 1 Letter of Deficiency
- 2 Administrative Order
- 3 Administrative Fine
- 4 Referral to Department of Justice

6. Program Efficiencies

Program Efficiencies for the Subsurface Systems Bureau's programs are shown below. The efficiencies derived in the foregoing chart were calculated by taking the total costs for each program and dividing by either the number of permits, inspections, enforcement activities, or designer and installer applications processed. There is an average turn around time of 8 working days for septic system applications and 18 calendar days for subdivision applications. The statute mandates 15 working days for septic system applications and 30 calendar days for subdivisions.

Program Activity	PROGRAM EFFICIENCY MEASURES			
	State Fiscal Year			
	FY98	FY99	FY00	FY01
Design Review				
Cost Per Septic System Application Processed (\$/Application)	\$41	\$37	\$41	\$40
Cost Per Subdivision Application Processed (\$/Application)	\$78	\$60	\$69	\$65
Construction Inspections Conducted				
Cost Per Construction Inspection Conducted (\$/Inspection)	\$71	\$64	\$71	\$68
Enforcement Activity				
Cost Per Enforcement Activity (\$/Activity)	\$277	\$262	\$285	\$278
Licensing				
Cost Per Licensed Designer (includes both new and renewed)	\$64	\$66	\$67	\$65
Cost Per Licensed Installer (includes both new and renewed)	\$38	\$36	\$38	\$37

7. Program Outcomes

The primary outcome of this program is the protection of public health and the environment by the proper design and installation, and operation of individual wastewater disposal systems. The timely (statutorily mandated) thorough review of subdivision and individual wastewater disposal system applications, the timely (statutorily mandated) inspection of wastewater disposal systems installed, and the timely review and processing of designer and installer license applications.

The purpose of enforcement by the Subsurface System Bureau is to prevent or eliminate the unhealthful or illegal discharge of sewage, and to ensure that land is not overdeveloped. The goal of our efforts is to resolve complaints before formal enforcement action is needed. The desired outcome of all enforcement action is to bring the violator into quick compliance and to protect surface and ground water.

Program Activity	PROGRAM OUTCOMES			
	State Fiscal Year			
	FY 98	FY 99	FY00	FY01
Design Review Septic system (15 working days) and subdivision applications (30 calendar days) within statutory time limits	100 %	100 %	100 %	100 %
Construction Inspections Septic system inspections conducted within statutory time limits (7 working days from written notice)	100 %	100 %	100 %	100 %
Enforcement Activities Enforcement activities resulting in the elimination of immediate public health and environmental threats	100 %	100 %	100 %	100 %
Enforcement activities fully resolved and the remainder in the active process of being finalized	93 %	92 %	93 %	93 %

8. Expenditures and Funding Source

The personnel and operating budget expenditures are as shown in the chart below. All fees collected to support the PAU are deposited into the general fund. All funding is from the general fund. In FY 1999, revenues to the general fund from these fees totaled \$ 949,056, substantially below actual budgeted costs. This PAU has no grant income or expenditures.

	BUDGET AMOUNT			
	State Fiscal Year			
	1998	1999	2000	2001
CATEGORY				
Personnel	\$1,104,373	\$1,133,750	\$1,189,360	\$1,150,247
Operating	\$226,702	\$233,496	\$260,541	\$262,458
Grants	None	None	None	None
Total	\$1,331,075	\$1,367,246	\$1,449,901	\$1,412,705
FUNDING SOURCE				
General	100%	100%	100%	100%
Federal	0%	0%	0%	0%
Other	0%	0%	0%	0%

08/25/99

**Dept of Environmental Services
Division of Water
Subsurface Systems
PAU 03-04-02-05
Organization Code 010-044-1200**

<u>Class</u>	<u>Class Description</u>	<u>FY00</u>	<u>FY01</u>
10	Personal Services - Permanent Classified	\$842,335	\$814,147
20	Current Expenses	\$111,686	\$111,686
22	Rent & Lease Other Than State	\$24,406	\$24,406
23	Heat,Electricity & Water	\$795	\$795
24	Computer Maint.	\$11,340	\$11,340
28	Transfers to General Services(Rent)	\$42,761	\$44,414
30	Equipment	\$27,000	\$27,000
46	Consultants	\$2,000	\$2,000
49	Transfers to Other State Agencies	\$8,057	\$8,321
50	Personal Services- Temporary	\$23,085	\$23,085
59	Part Time Benefitted	\$45,076	\$43,407
60	Benefits	\$276,864	\$267,608
70	In State Travel	\$34,496	\$34,496
Total		\$1,449,901	\$1,412,705

*** Source of funds 100% Federal

via h/annual budgtadj

**Performance Based Budgeting
Department of Environmental Services
Waste Management Division
Oil Remediation and Compliance Bureau
Underground Storage Tank Program**

1. PAU/Program

PAU 03-04-04-04-02 Department of Environmental Services, Waste Management Division, Oil Remediation Programs (Underground Storage Tank Program)

2. Description

The Underground Storage Tank (UST) Program has the responsibility for conducting compliance and permitting activities for regulated USTs.

The program reviews engineering designs and plans and performs installation inspection for new or modified UST systems. Engineering plans and specifications are reviewed for compliance with the UST rules and on-site inspections of installed systems are conducted prior to backfilling to ensure installations are in accordance with approved plans.

On-site UST system closure inspections are performed on those tanks that were known or suspected to be leaking. The UST program staff also reviews tank closure reports to determine if further investigation efforts are needed, or if tank systems can be considered properly closed.

The UST program staff performs field compliance inspections and in-house records reviews of UST facilities. The on-site inspections and record reviews result in compliance review letters sent to facility owners so that they maintain compliance.

3. Goals

Prevent and minimize contamination of the land and waters of the state due to the storage and handling of oil and hazardous substances by permitting such facilities and monitoring compliance with the standards for design, installation, operation and maintenance.

4. Statutory Basis

This PAU was established under RSA 146-C Underground Storage Facilities, and Env-Wm-1401 Underground Storage Facilities.

5. Program Outputs

The following underground storage tank program activities are conducted by three Bureau technical staff and one support person. In Fiscal Year 2000 and 2001, the focus of the program will shift from facility equipment upgrade to compliance monitoring. Equipment upgrade involves design plan review, construction inspections and closure report review. While the activity associated with equipment upgrade is decreasing, the compliance activity will increase. Compliance activities will monitor facilities to ensure that state-of-the-art equipment (which is designed to prevent discharges to the environment) is properly maintained and operated.

PROGRAM ACTIVITY	PROGRAM OUTPUTS			
	State Fiscal Year			
	FY98 ¹	FY99	FY00	FY01
1. Number of permits processed	283	345	400	400
2. Number of design plans processed	432	273	200	150
3. Number of construction inspections	146	204	150	90
4. Number of compliance records reviewed	340	332	490	550
5. Number of compliance inspections	60	39	120	150
6. Number of tank closure reports reviewed	435	644	300	150
7. Number of enforcement actions	23	55	65	70
8. Number of seminars/outreach activities	6	10	10	10

Notes: ¹ 1998 was a peak year for new equipment installation because of federal and state regulatory deadlines.

6. Program Efficiencies

Efficiencies of the underground storage tank program can best be represented by the ability to perform the work in a timely fashion and not hold up business operations. The number of permits, design plans, tank installations and tank closures vary from year to year and are dependent on such variables as permit expiration dates, new construction, etc. In Fiscal Year 2000 and 2001, the focus of the program will shift to compliance monitoring, whereas in the previous two years the focus had been on equipment upgrade. All but 3% of the facilities have upgraded equipment to meet current standards. The remaining 3% of non-compliant tanks are under enforcement action. Therefore, the focus will shift to increasing compliance inspections to ensure that newly installed state-of-the-art equipment is operated and maintained properly.

PROGRAM ACTIVITY	PROGRAM EFFICIENCY MEASURES			
	State Fiscal Year			
	FY98	FY99	FY00	FY01
1. Permits Turnaround Time Cost Per Plan Review	No Data ¹ \$36	No Data ¹ \$35	15 days \$35	15 days \$34
2. Design Plan Review Turnaround Time Cost Per Plan Review	16.6 days \$142	16.1 days \$142	16 days \$140	16 days \$140
3. Construction Inspection Turnaround Time Cost Per Construction Inspection	3 days \$142	3 days \$142	5 days \$140	5 days \$140
4. Compliance Records Review Cost Per Compliance Record Review	\$70	\$70	\$70	\$69
5. Compliance Inspections Cost Per Compliance Inspection	\$283	\$290	\$290	\$280
6. Closure Report Review Turnaround Time Cost Per Closure Report Review	No Data ¹ \$40	No Data ¹ \$41	30 days \$40	30 days \$39
7. Enforcement Activities Cost Per Enforcement Activity	\$1,553	\$1,553	\$1,500	\$1,500
8. Seminars/Outreach Activities Cost Per Activity	\$1,682	\$1,726	\$1,700	\$1,700

Notes: ¹These data are not currently collected.

²FY98 and FY99 costs are estimates based on full time equivalent staff assigned to that activity.

7. Program Outcomes

PROGRAM ACTIVITY	PROGRAM OUTCOMES			
	State Fiscal Year			
	FY98	FY99	FY00	FY01
1. Reduction in spills from regulated tanks as compared to previous year	20%	4%	10%	10%
2. Facilities in compliance with registration and permit requirements	Data not currently collected	Data not currently collected	1977 (95%)	2039 (98%)
3. Facilities in substantial compliance with operation and maintenance requirements	Data not currently collected	Data not currently collected	1665 (80%)	1873 (90%)
4. Facilities in compliance with closure requirements	Data not currently collected	Data not currently collected	1873 (90%)	2039 (98%)

8. Expenditures and Funding Sources

The personnel and operating budget expenditures are presented in the table below.

CATEGORY	BUDGET AMOUNT			
	State Fiscal Year			
	FY98	FY99	FY00	FY01
Personnel	\$165,843	\$187,776	\$198,430	\$190,100
Operating	\$30,419	\$55,631	\$59,616	\$61,040
Grants	None	None	None	None
Total	\$196,262	\$243,407	\$258,406	\$251,140
FUNDING SOURCE				
General	0%	0%	0%	0%
Federal	100%	100%	100%	100%
Other	0%	0%	0%	0%

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08/25/99

**Dept of Environmental Services
 Division of Waste Management
 Oil Remediation Programs
 Federal UST Program
 PAU 03-04-04-04-02
 Organization Code 025-044-2070**

Class	Class Description	FY00	FY01
10	Personal Services - Permanent Classified	\$138,456	\$134,299
18	Overtime	\$1,500	\$1,500
20	Current Expenses	\$15,001	\$15,750
22	Rent & Lease Other Than State	\$5,000	\$5,000
24	Computer Maint.	\$1,680	\$1,680
28	Transfers to General Services(Rent)	\$7,775	\$8,075
30	Equipment	\$5,000	\$5,000
40	Indirect Costs	\$6,909	\$6,722
41	Audit Fund Set Aside	\$254	\$251
42	Additional Fringe Benefits	\$6,167	\$5,986
49	Transfers to Other State Agencies	\$6,497	\$6,787
50	Personal Services- Temporary	\$5,500	\$5,775
60	Benefits	\$43,807	\$42,540
70	In State Travel	\$2,500	\$2,625
80	Out of State Travel	\$3,000	\$3,150
92	Training	<u>\$6,000</u>	<u>\$6,000</u>
Total		\$255,046	\$251,140

*** Source of funds 100% Federal

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