



STATE OF NORTH CAROLINA

PERFORMANCE AUDIT

**DEPARTMENT OF ENVIRONMENT AND NATURAL
RESOURCES**

EXPRESS PERMIT PROCESSING

JANUARY 2012

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

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January 24, 2012

The Honorable Beverly E. Perdue, Governor
Members of the North Carolina General Assembly
Mr. Dee Freeman, Secretary, Department of Environment and Natural Resources

Ladies and Gentlemen:

We are pleased to submit this performance audit titled *Express Permit Processing*. The purpose of the audit was to determine if the State is effectively processing applications for permits offering an express process option.

Secretary Freeman reviewed a draft copy of this report. His written comments are included in the appendix.

The State Auditor initiated this audit to improve the timeliness of the standard and express processes for permits offering an express process option.

We wish to express our appreciation to the staff of the Department of Environment and Natural Resources for the courtesy, cooperation, and assistance provided us during the audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

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SUMMARY

PURPOSE

In addition to the **standard** permitting process available for all permit applications processed by the Department of Environment and Natural Resources (DENR), an **express** process is offered for six types of environmental permits.¹

The purpose of the **express** process is to provide applicants with timelier permit application reviews for an additional fee. Permit processing delays extend project development times, resulting in lost project revenues, higher permit processing costs, and increased project development costs. Delays in permit processing result in lost project revenues when it causes projects to take longer to complete. Also, delays in the permit process result in higher permit processing costs for both DENR and the applicant because of the increased resources needed to develop and respond to additional information requests. In addition, costs associated with idle project funds increase when projects are delayed.

This audit evaluated the timeliness of **standard** and **express** processes used to evaluate applications for permits offering an **express** process option by addressing the following objectives:

- 1) For each of the six permit types with an **express** option, are the **express** and **standard** permits processed timely?
- 2) For each of the six permit types with an **express** option, has the timeliness of the **standard** permit process been adversely affected by the **express** option?
- 3) Is the **express** permit process as a whole funded solely from associated fees?
- 4) Are permit application milestones monitored, with associated status readily available?

This audit makes recommendations so the General Assembly and DENR can take appropriate corrective action.

RESULTS

Due to incomplete and inaccurate data, we can not provide reasonable assurance about the timeliness of permits processed under the express or standard options. DENR does not have adequate procedures in place to ensure that the permit processing data maintained electronically in its management information systems is complete and accurate. A review of the permit files for each of the six permit types with an **express** option found that randomly selected computer records had missing or inaccurate data that directly affected the accurate calculation of permit processing times (Details on pages 7, 10, 14, 17, and 20). Some records had multiple errors. Based on the number of errors in the records, permit processing times

¹ As identified and described in the DENR Permit Handbook, a permit refers to any permit, certification, license or approval that requires an action by the state in order to construct, modify, operate or initiate a project in North Carolina. The six permit types offering an express option include: 401 Water Quality Certifications, State Stormwater Permits, Non-Discharge Permits, Alternative Sewer Extension Permits, Erosion and Sedimentation Control Plans, and Coastal Area Management Act (CAMA) Major Permits.

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derived solely from the management information system should not be relied upon to determine compliance with processing times established by state laws and regulations.

Even though DENR's data is not reliable, it does indicate that in FY 2010 four of the six permit types processed under the **standard** option did not meet established processing target times at least 80% of the time when all of the processing time was included in the calculation. For permits processed under the **express** option, four of the six permit types did not meet the target processing time at least 80% of the time when all of the processing time was included in the calculation.

However, target processing times appear to be much better when utilizing DENR's methodology to calculate the processing times. Processing times appear better because DENR does not include all of the time from receipt of application to permit determination in its calculation of processing time. In FY 2010, only one of the six permit types processed under the **standard** option did not meet established processing target times at least 80% of the time when using DENR's methodology. For permits processed under the **express** option, only two of the six permit types did not meet the target processing time at least 80% of the time when using DENR's methodology.

DENR does not include all of the time from receipt of application to permit determination in its calculation of processing time because of its interpretation of North Carolina General Statutes. *North Carolina General Statute 143B-279.12(d)* only requires DENR to "track the time required to process each complete environmental permit application." DENR does not consider an application "complete" if DENR needs to request additional information from the applicant. Consequently, DENR resets the processing beginning date when additional information is received from the applicant for four of the six permit types with an **express** option.² For Coastal Area Management Act, (CAMA) permits, DENR places applications in a "hold" status during the period between request and receipt of additional information from the applicant. DENR does not include the "hold" time in the permit processing time calculation.

However, resetting the processing beginning date and not counting the permit "hold" time understates the actual number of days elapsed during processing. Because DENR uses this methodology to report performance, the General Assembly does not have a true picture of the time elapsed from the point that DENR receives the application to the point that DENR issues the permit.

DENR's permitting data also indicates that the average **standard** processing time has increased significantly for two of the five reviewed permit types.³ Since implementation of the **express** process, average **standard** processing time for Alternative Sewer Extension and Coastal Area Management Act permits have increased by 62% and 73% respectively.

² The four permit types, which reset the processing begin date when additional information is received are: Alternative Sewer Extension, Wetland 401 Water Quality, State Stormwater, and Non-Discharge Wastewater Treatment Permits.

³ The actual number of days to process permit applications prior to FY 09 could not be determined for Erosion and Sedimentation Control Plan permits because all necessary data was not available.

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Three conditions could explain the increased processing time. First, DENR assigns permits associated with large and technically complex projects to the **standard** process to help ensure that permits processed under the **express** option meet performance targets. This results in longer average processing times for the **standard** process. Second, DENR often assigns its most qualified staff to process permits through the **express** option to ensure that **express** permit applications meet target processing times. Consequently, the less qualified staff assigned to the **standard** permits is often required to process the most difficult permit applications which results in longer processing times. Third, the processing time associated with incomplete and inaccurate permit application data increases overall processing times,

The **express** permit process appears to be self-funded; however, reported costs do not reflect actual costs. In total, **express** permit fees have exceeded **express** permit processing costs from 2005 through 2010. However, DENR's reported costs do not reflect the actual costs to process permits through the **express** option. Designated **express** option staff sometimes works on **standard** permits, but the associated costs are not allocated to the **standard** permit process. Conversely, **standard** process staff sometimes works on **express** option permits, but the associated costs are not allocated to the **express** permit process. DENR does not make the proper cost allocations because it does not have an employee timekeeping system to monitor time spent performing permit applications and other tasks. Consequently, DENR cannot determine actual staff time spent processing specific permit applications.

Only limited information for two of the six **express** permit types is readily available on the DENR website to associated project owners. Therefore, project owners cannot readily monitor all of the permits processed for a project as a whole. Many projects require multiple permits, and often the permits are not processed concurrently. Because the time to process all of the necessary permits for a project often exceeds the time required to process any of the associated individual permits, project owners need to be able to monitor the permit status for the total project. But DENR cannot monitor the time to process permit applications by project because it does not maintain information on permit processing by project among each of the various environmental permit types that may be associated with a specific project. As a result, project owners lack the information they need to manage their projects, and DENR lacks information necessary to determine the overall effectiveness of its permitting process.

RECOMMENDATIONS

DENR should develop written procedures to ensure information used to compute permit application processing times is complete and accurate. Specifically, these written procedures should require management to verify all required documentation is included in the associated permit application file and that key data elements have been accurately entered into the applicable database.

To improve the timeliness of the permit determination process, DENR should take steps to ensure permit applications are accurate when initially submitted and consider incorporating some additional **express** process improvements into the **standard** permit application process.

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To allow the General Assembly to better assess the performance of DENR's permitting processes, DENR should establish a uniform methodology to calculate permit application processing times. In addition, the General Assembly should consider requiring DENR to also report the total time to process permits.

To ensure **express** permitting costs are accurately recorded, DENR should monitor and record the actual amount of time staff spend processing permits through both the **express** option and **standard** permitting process for each permit type.

DENR should provide public access to key permit milestone information for all outstanding permit applications. At a minimum, key permit milestone information should include application receipt date, complete application determination date, additional information request and receipt dates, and permit determination date. This information should be regularly updated to reflect the most current status for each permit application under review.

DENR should begin monitoring the total time to process permit applications by project. By monitoring the total time to process permit applications by project, DENR can determine the effectiveness of all its efforts to improve the timeliness of the permit determination process.

ISSUES FOR FURTHER CONSIDERATION

DENR should consider establishing separate target processing times for permit applications associated with large and complex projects processed under the **express** option. Implementation of reasonable target processing times for large and complex projects would allow these projects to be processed through the **express** option within specified time requirements. It would also help to increase participation in the **express** option, and allow more experienced **express** program staff to process applications associated with large and complex projects.

AGENCY'S RESPONSE

The Agency's response is included in the appendix.

INTRODUCTION

BACKGROUND

The objective of the Department of Environment and Natural Resources (DENR) environmental permitting functions is to protect the environment by developing and enforcing rules that are clear and consistent, and result in business and government, together, preserving the environment and its resources, while growing our economy as well as maintaining the high quality of life for the state's citizens that attracts new companies and retains existing industry.⁴

To accomplish this objective, DENR is responsible for processing applications for over 130 different types of permits.⁵ DENR also works with other government entities to process applications for many of these permit types. For example, DENR has delegated authority to local health departments to process subsurface wastewater disposal systems (septic tank systems).

In addition to the **standard** permitting process available for all permit applications processed by DENR, an **express** process is offered for certain permit types. The purpose of the **express** process is to provide applicants with a timelier permit application review process. To accomplish this objective, the **express** process emphasizes greater involvement of property owners, developers and engineers to ensure good communication and high quality applications. Higher fees are charged to ensure that the program meets the statutory requirement that associated expenses be solely funded from applicant fee receipts.

DENR currently offers an **express** processing option for six types of environmental permits, to include:

- 401 Water Quality Certifications
- State Stormwater Permits
- Non-Discharge Permits
- Alternative Sewer Extension Permits
- Erosion, Sedimentation Control Plans
- Coastal Area Management Act (CAMA) Major Permits

⁴ DENR 2009-13 Strategic Plan

⁵As identified and described in the DENR Permit Handbook, a permit refers to any permit, certification, license or approval that requires an action by the state in order to construct, modify, operate or initiate a project in North Carolina.

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OBJECTIVES, SCOPE, AND METHODOLOGY

This audit evaluated the timeliness of **standard** and **express** processes used to process applications for permits offering an **express** process option by addressing the following objectives:

- 1) For each of the six permit types with an **express** option, are the **express** and **standard** permits processed timely?
- 2) For each of the six permit types with an **express** option, has the timeliness of the **standard** permit process been adversely affected by the **express** option?
- 3) Is the **express** permit process as a whole funded solely from associated fees?
- 4) Are permit application milestones monitored with associated status readily available?

The State Auditor initiated this audit to improve the timeliness of the **standard** and **express** processes for permits offering an **express** process option.

The audit scope included an evaluation of **standard** and **express** processes used by DENR to issue permits offering an **express** process option during the period July 1, 2002, through June 30, 2010. Applicable permits included those associated with new projects or major modifications. Permit renewals and minor permits were excluded from the review, as these permits are primarily administrative in nature and have little economic impact on project development costs. We conducted the fieldwork from October 2010 to October 2011.

To achieve our audit objectives, we reviewed state laws and interviewed DENR personnel. We obtained an understanding of the information systems used to process permit applications offering an **express** option. We reviewed a representative sample of permit processing documentation to assess the validity of the data used to determine compliance with target permit application processing times. We reviewed files and data from information systems to analyze the effectiveness of the processes used to issue determinations for each of the six permit types offering an **express** option. We also conducted a workload analysis to assess the validity of reported costs to process permits through the **express** option in FY 2010.

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

We conducted this performance audit according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides a reasonable basis for findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this audit under the authority vested in the State Auditor of North Carolina by *North Carolina General Statute 147.64*.

FINDINGS AND RECOMMENDATIONS

1. ALTERNATIVE SEWER EXTENSION PERMITS

Alternative Sewer Extension permit processing data in the Department of Environment and Natural Resources (DENR) management information system is incomplete and inaccurate. Even though the data is not reliable, it does indicate that DENR meets its target of processing the **standard** permits within 90 days approximately 13% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 90 day target 100% of the time. DENR meets its target of processing the **express** option permits within 30 days only 15% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 30 day target 62% of the time. The data also indicates that the **standard** permit processing time has increased by 62% since the **express** option permitting process was implemented.

Incomplete and Inaccurate Permit Processing Data

DENR does not have adequate procedures in place to ensure that the permit processing data maintained electronically in the management information system is complete and accurate. DENR issued approximately 52 Alternative Sewer Extension permits during fiscal year 2010.⁶ A review of the permit files found that 22 out of 30 (73%) randomly selected management information system files had missing or inaccurate data that directly affected the calculation of accurate permit processing times. Some system files had multiple errors. Errors included the following:

- Missing date stamp on supporting documentation indicating receipt of permit application;
- Missing additional information request documents received from applicant;
- Missing date stamp on additional information request documents received from applicant;
- Received date on the permit application was different from the received date in the management information system; and
- Date on the additional-information-request receipt was different from the receipt date in the management information system
- Date on the permit decision letter was different from the permit determination date in the management information system.

The Government Accountability Office states that agency procedures should provide reasonable assurance that management information is “complete, accurate, and consistent to support performance and decision making.”⁷

A 73% error rate in the management information system’s permit processing files indicates that the system data is not reliable and permit processing times derived from the system may not be accurate. Based on the number of errors in the system files and the

⁶ 39 standard process permits and 13 express option permits.

⁷ GAO, Government Auditing Standards, 2007

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fact that the processing beginning dates are reset when additional information is received, permit processing times derived solely from the management information system should not be relied upon to determine compliance with processing times established by state laws and regulations.

Indication That Performance Objectives for Timely Processing Are Not Met

As noted above, processing times derived solely from the DENR management information system should not be used to determine compliance with performance objectives. Additionally, auditors did not perform alternative audit procedures to determine a statistically accurate processing time because necessary information was missing. Consequently, Alternative Sewer Extension permit processing times from the DENR management information system are provided below for informational purposes only. No reliance should be placed on the processing times indicated.

Even though DENR's data is not reliable, it does indicate that DENR misses its target processing time in many instances when all processing time is included in the calculation. Data from the DENR management information system indicates that Alternative Sewer Extension **standard** process permits are issued in 216 days on average. DENR's target for issuing the **standard** process permits is 90 days. DENR issued 39 **standard** process permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 5 (12.82%) of the **standard** process permits were issued in 90 days or less;
- 12 (30.77%) of the **standard** process permits were issued from 91 to 180 days;
- 17 (43.59%) of the **standard** process permits were issued from 181 to 270 days;
- 1 (2.56%) of the **standard** process permits were issued from 271 to 360 days; and
- 4 (10.26%) of the **standard** process permits were issued from 361 to 892 days.

Data from the DENR management information system indicates that Alternative Sewer Extension **express** option permits are issued in 79 days on average. DENR's target for issuing the **express** option permits is 30 days. DENR issued 13 **express** option permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 2 (15.38%) of the **express** option permits were issued in 30 days or less;
- 6 (46.15%) of the **express** option permits were issued from 31 to 60 days;
- 3 (23.08%) of the **express** option permits were issued from 61 to 90 days; and
- 2 (15.38%) of the **express** option permits were issued after 90 days.

However, DENR does not include all of the processing days in its reported calculation of processing time. DENR does not consider an application "complete" if DENR needs to request additional information from the applicant. *North Carolina General Statute 143B-279.12(d)* only requires DENR to "track the time required to process each complete environmental permit application." The DENR division responsible for the Alternative Sewer Extension permits, the Division of Water Quality resets the processing beginning

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date when additional information is received from the applicant. However, resetting the processing beginning date understates the actual number of days elapsed during processing.

When utilizing this methodology, compliance with target processing times appears to be much better. Data from the DENR management information system indicates that on average in FY 2010, Alternative Sewer Extension **standard** process permits were issued in 27 days, and had a 100% compliance rate with the target processing time. Alternative Sewer Extension **express** process permits were issued in 31 days, and had a 62% compliance rate with the target processing time.

Average Processing Time for the Standard Permitting Process Has Increased

Table 1 below shows that the average time to process Alternative Sewer Extension permits through the **standard** permitting process has increased from 133 to 216 days (62%) since implementation of the **express** permitting process in FY 2008.

Table 1

	FY 07	FY 08	FY 09	FY 10
AVG. PROCESSING DAYS	133	147	173	216

Source: Auditor calculations

The **express** permitting process is not supposed to adversely affect the **standard** permitting process because state law establishes separate resources for the **express** permitting process. *North Carolina General Statute 143B-279.14* states,

“The Express Review Fund shall be used for the costs of implementing the **express** review program under G.S. 143B-279.13 and the costs of administering the program, including the salaries and support of the program's staff.”

Although no statistical analysis was performed to prove the **express** permitting process caused the **standard** permitting process time to increase, most of increase in overall processing time appears to be associated with incomplete and inaccurate applications.

Recommendations: DENR should develop written procedures to ensure information used to compute permit application processing times is complete and accurate. Specifically, written procedures should require management to verify that all required documentation is included in the associated permit application file and that key data elements have been accurately entered into the applicable database.

To improve the timeliness of the permitting process, DENR should take steps to ensure permit applications are complete and accurate when initially submitted.

To allow the General Assembly to better assess the performance of DENR’s permitting processes, DENR should establish a uniform methodology to calculate permit application

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processing times. In addition, the General Assembly should consider requiring DENR to also report the total time to process permits.

DENR should establish separate target processing times for permit applications associated with large and complex projects. Implementation of reasonable target processing times for large and complex projects would allow these projects to be processed through the **express** option within specified time requirements. It would also help to increase participation in the **express** option, and allow more experienced **express** program staff to process applications associated with large and complex projects.

2. COASTAL AREA MANAGEMENT ACT PERMITS

Coastal Area Management Act (CAMA) permit processing data in the Department of Environment and Natural Resources (DENR) management information system is incomplete and inaccurate. Even though the data is not reliable, it does indicate that DENR meets its target of processing the **standard** permits within 150 days approximately 74% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 150 day target 100% of the time. DENR only meets its target of processing the **express** option permits within 30 days 36% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 30 day target 52% of the time. The data also indicates that the **standard** permit processing time has increased by 73% since the **express** option permitting process was implemented.

Incomplete and Inaccurate Permit Processing Data

DENR does not have adequate procedures in place to ensure that the permit processing data maintained electronically in the management information system is complete and accurate. DENR issued approximately 159 CAMA permits during fiscal year 2010.⁸ A review of the permit files found that 14 out of 30 (47%) randomly selected management information system files had missing or inaccurate data that directly affected the calculation of accurate permit processing times. One system file had multiple errors. Errors included the following:

- Missing application on-hold letters ;
- Received date on the permit application was different from the received date in the information system;
- Missing application off-hold letters; and
- Missing application exceptional case letters.

⁸ 138 standard process permits and 21 express option permits.

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The Government Accountability Office states that agency procedures should provide reasonable assurance that management information is “complete, accurate, and consistent to support performance and decision making.”⁹

A 47% error rate in the management information system’s permit processing files indicates that the system data is not reliable and permit processing times derived from the system may not be accurate. Based on the number of errors in the system files and the fact that the permit “hold” time is not included, the permit processing times derived solely from the management information system should not be relied upon to determine compliance with processing times established by state laws and regulations.

Indication That Performance Objectives for Timely Processing Are Generally Met

As noted above, processing times derived solely from the DENR management information system should not be used to determine compliance with performance objectives. Additionally, auditors did not perform alternative audit procedures to determine a statistically accurate processing time because necessary information was missing. Consequently, CAMA permit processing times from the DENR management information system are provided below for informational purposes only. No reliance should be placed on the processing times indicated.

Even though DENR’s data is not reliable, it does indicate that DENR misses its target processing time in many instances when all processing time is included in the calculation. Data from the DENR management information system indicates that CAMA **standard** process permits are issued in 154 days on average. DENR’s target for issuing the **standard** process permits is 150 days. DENR issued 138 **standard** process permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 102 (73.91%) of the **standard** process permits were issued in 150 days or less;
- 25 (18.12%) of the **standard** process permits were issued from 151 to 300 days;
- 6 (4.35%) of the **standard** process permits were issued from 301 to 450 days; and
- 5 (3.62%) of the **standard** process permits were issued from 451 to 672 days.

Data from the DENR management information system indicates that CAMA **express** option permits are issued in 63 days on average. DENR’s target for issuing the **express** option permits is 30 days. DENR issued 21 **express** option permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 8 (38.10%) of the **express** option permits were issued in 30 days or less
- 11 (52.38%) of the **express** option permits were issued from 31 to 60 days
- 1 (4.76%) of the **express** option permits were issued from 61 to 90 days
- 1 (4.76 %) of the **express** option permits were issued after 90 days

⁹ GAO, Government Auditing Standards, 2007

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However, DENR does not include all of the processing days in its calculation of processing time. DENR does not consider an application “complete” if DENR needs to request additional information from the applicant. *North Carolina General Statute 143B-279.12(d)* only requires DENR to “track the time required to process each complete environmental permit application.” The DENR division responsible for the CAMA permits, the Division of Coastal Management places applications in a “hold” status during the period between request and receipt of additional information from the applicant. DENR does not include the “hold” time in the permit processing time calculation, which understates the actual number of days elapsed during processing.

When utilizing this methodology, compliance with target processing times appears to be much better. Data from the DENR management information system indicates that on average in FY 2010, CAMA **standard** process permits were issued in 107 days, and had a 100% compliance rate with target processing time. CAMA **express** process permits were issued in 34 days, and had a 52% compliance rate with the target processing time.

Average Processing Time for the Standard Permitting Process Has Increased

Table 2 below shows that the average time to process CAMA permits through the **standard** process has increased from 89 to 154 days (73%) since implementation of the **express** permitting process in FY 2005.¹⁰

Table 2

	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
AVG. PROCESSING DAYS	89	101	105	116	143	150	151	154

Source: Auditor calculations

The **express** permitting process is not supposed to adversely affect the **standard** permitting process because state law establishes separate resources for the **express** permitting process. *North Carolina General Statute 143B-279.14* states,

“The Express Review Fund shall be used for the costs of implementing the **express** review program under G.S. 143B-279.13 and the costs of administering the program, including the salaries and support of the program's staff.”

Although no statistical analysis was performed to prove the **express** permitting process caused the **standard** permitting process time to increase, there are two conditions that could explain the increased processing time.

First, permits associated with large and technically complex projects are assigned by DENR to the **standard** process to help ensure that permits processed under the **express**

¹⁰ The express option was implemented for Coastal Area Management Act permits in only the Wilmington and Raleigh Regional Offices in FY 04. Full implementation of the express process was completed in FY 05.

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option meet performance targets. This results in longer average processing times for the **standard** process.

Second, DENR often assigns its most qualified staff to process permits through the **express** option to ensure that **express** permit applications meet target processing times. Consequently, the less qualified staff assigned to the **standard** permits is often required to process the most difficult permit applications which results in longer processing times.

Other factors have also contributed to the increase in processing time since implementation of the **express** process. These factors include an office relocation in 2004, which resulted in the hiring and training of a completely new permit processing staff. Also, adoption of the Coastal Habitat Protection Plan in 2004 has resulted in an increased number of objections or recommended changes from external entities responsible for protection of marine habitats.¹¹

Recommendations: DENR should develop written procedures to ensure information used to compute permit application processing times is complete and accurate. Specifically, written procedures should require management to verify that all required documentation is included in the associated permit application file and that key data elements have been accurately entered into the applicable database.

To improve the timeliness of the permitting process, DENR should take steps to ensure permit applications are complete and accurate when initially submitted.

To allow the General Assembly to better assess the performance of DENR's permitting processes, DENR should establish a uniform methodology to calculate permit application processing times. In addition, the General Assembly should consider requiring DENR to also report the total time to process permits.

DENR should establish separate target processing times for permit applications associated with large and complex projects. Implementation of reasonable target processing times for large and complex projects would allow these projects to be processed through the **express** option within specified time requirements. It would also help to increase participation in the **express** option, and allow more experienced **express** program staff to process applications associated with large and complex projects.

¹¹ As part of the [Fisheries Reform Act of 1997](#), the North Carolina General Assembly required the Coastal Resources, Marine Fisheries and Environmental Management commissions to approve plans to help protect and restore resources critical to North Carolina's commercial and recreational fisheries. In 2004, the [Coastal Habitat Protection Plan](#) (CHPP) was officially adopted by these three commissions. The commissions that comment on CAMA Major Permit applications have interpreted the CHPP as giving them authorization to increase the measures to protect the habitat types identified in the CHPP. These increased protection measures have resulted in a corresponding increase in the number of objections or recommended changes to projects requiring a CAMA Major Permit. The resulting additional coordination and problem resolution efforts have caused average processing times to increase.

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3. WETLANDS 401 WATER QUALITY PERMITS

Wetlands 401 Water Quality permit processing data in the Department of Environment and Natural Resources (DENR) management information system is incomplete and inaccurate. Even though the data is not reliable, it does indicate that DENR meets its target of processing the **standard** permits within 60 days approximately 82% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 60 day target 91% of the time. DENR meets its target of processing the **express** option permits within 30 days 89% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 30 day target 98% of the time. The data also indicates that the **standard** permit processing time has not significantly changed since the **express** option permitting process was implemented.

Incomplete and Inaccurate Permit Processing Data

DENR does not have adequate procedures in place to ensure that the permit processing data maintained electronically in the management information system is complete and accurate. DENR issued approximately 1,305 Wetlands 401 Water Quality permits during fiscal year 2010.¹² A review of the permit files found that nine out of 30 (30%) randomly selected management information system files had missing or inaccurate data that directly affected the calculation of accurate permit processing times. Some system files had multiple errors. Errors included the following:

- Missing date stamp on supporting documentation indicating receipt of permit application;
- Date on the additional-information-request receipt was different from the receipt date in the management information system;
- Missing additional information request documents received from applicant; and
- Date on the permit decision letter was different from the permit determination date in the management information system.

The Government Accountability Office states that agency procedures should provide reasonable assurance that management information is “complete, accurate, and consistent to support performance and decision making.”¹³

A 30% error rate in the management information system’s permit processing files indicates that the system data is not reliable and permit processing times derived from the system may not be accurate. Based on the number of errors in the system files and the fact that the processing beginning dates are reset when additional information is received, permit processing times derived solely from the management information system should not be relied upon to determine compliance with processing times established by state laws and regulations.

¹² 1,220 standard process permits and 85 express option permits.

¹³ GAO, Government Auditing Standards, 2007

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Indication That Performance Objectives for Timely Processing Are Generally Met

As noted above, processing times derived solely from the DENR management information system should not be used to determine compliance with performance objectives. Additionally, auditors did not perform alternative audit procedures to determine a statistically accurate processing time because necessary information was missing. Consequently, Wetlands 401 Water Quality permit processing times from the DENR management information system are provided below for informational purposes only. No reliance should be placed on the processing times indicated.

Even though DENR's data is not reliable, it does indicate that DENR generally meets its target processing time when all processing time is included in the calculation. Data from the DENR management information system indicates that Wetlands 401 Water Quality **standard** process permits are issued in 42 days on average. DENR's target for issuing the **standard** process permits is 60 days. DENR issued 1,220 **standard** process permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 1,001 (82.05%) of the **standard** process permits were issued in 60 days or less;
- 123 (10.08%) of the **standard** process permits were issued from 61 to 120 days;
- 46 (3.77%) of the **standard** process permits were issued from 121 to 180 days;
- 41 (3.36%) of the **standard** process permits were issued from 181 to 360 days; and
- 9 (0.74%) of the **standard** process permits were issued from 361 to 801 days.

Data from the DENR management information system indicates that Wetlands 401 Water Quality **express** option permits are issued in 20 days on average. DENR's target for issuing the **express** option permits is 30 days. DENR issued 85 **express** option permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 76 (89.41%) of the **express** option permits were issued in 30 days or less
- 4 (4.71%) of the **express** option permits were issued from 31 to 60 days
- 2 (2.35%) of the **express** option permits were issued from 61 to 90 days
- 3 (3.53%) of the **express** option permits were issued after 90 days

However, DENR does not include all of the processing days in its calculation of processing time. DENR does not consider an application "complete" if DENR needs to request additional information from the applicant. *North Carolina General Statute 143B-279.12(d)* only requires DENR to "track the time required to process each complete environmental permit application." The DENR division responsible for the Wetlands 401 Water Quality permits, the Division of Water Quality resets the processing beginning date when additional information is received from the applicant. Resetting the processing beginning date understates the actual number of days elapsed during processing.

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When utilizing this methodology, compliance with target processing times appears to be much better. Data from the DENR management information system indicates that on average in FY 2010, Wetland 401 Water Quality **standard** process permits were issued in 29 days, and had a 91% compliance rate with the target processing time. Wetland 401 Water Quality **express** process permits were issued in 5 days, and had a 98% compliance rate with the target processing time.

Average Processing Time for the Standard Permitting Process Has Not Increased

Table 3 below shows that the average time to process Wetlands 401 Water Quality permits through the **standard** process has not significantly changed implementation of the **express** permitting process in FY 2005.¹⁴

Table 3

	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
AVG. PROCESSING DAYS	46	50	39	37	43	45	48	42

Source: Auditor calculations

The **express** permitting process is not supposed to adversely affect the **standard** permitting process because state law establishes separate resources for the **express** permitting process. *North Carolina General Statute 143B-279.14* states,

“The Express Review Fund shall be used for the costs of implementing the **express** review program under G.S. 143B-279.13 and the costs of administering the program, including the salaries and support of the program's staff.”

Recommendations: DENR should develop written procedures to ensure information used to compute permit application processing times is complete and accurate. Specifically, written procedures should require management to verify that all required documentation is included in the associated permit application file and that key data elements have been accurately entered into the applicable database.

To improve the timeliness of the permitting process, DENR should take steps to ensure permit applications are complete and accurate when initially submitted.

To allow the General Assembly to better assess the performance of DENR’s permitting processes, DENR should establish a uniform methodology to calculate permit application processing times. In addition, the General Assembly should consider requiring DENR to also report the total time to process permits.

DENR should establish separate target processing times for permit applications associated with large and complex projects. Implementation of reasonable target processing times for large and complex projects would allow these projects to be processed through the

¹⁴ The express option was implemented for Wetlands 401 Water Quality permits in only the Wilmington and Raleigh Regional Offices in FY 04. Full implementation of the express process was completed in FY 05.

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express option within specified time requirements. It would also help to increase participation in the **express** option, and allow more experienced **express** program staff to process applications associated with large and complex projects.

4. STATE STORM WATER PERMITS

State Storm Water permit processing data in the Department of Environment and Natural Resources (DENR) management information system is incomplete and inaccurate. Even though the data is not reliable, it does indicate that DENR meets its target of processing the **standard** permits within 90 days approximately 79% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 90 day target 97% of the time. DENR only meets its target of processing the **express** option permits within 30 days 79% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 30 day target 96% of the time. The data also indicates that the **standard** permit processing time has not significantly changed since the **express** option permitting process was implemented.

Incomplete and Inaccurate Permit Processing Data

DENR does not have adequate procedures in place to ensure that the permit processing data maintained electronically in the management information system is complete and accurate. DENR issued approximately 666 State Storm Water permits during FY 2010.¹⁵ A review of the permit files found that eight out of 30 (27%) randomly selected management information system files had missing or inaccurate data that directly affected the calculation of accurate permit processing times. One system file had multiple errors. Errors included the following:

- Missing date stamp on supporting documentation indicating receipt of permit application;
- Missing additional information request documents received from applicant;
- Missing additional information request received date in management information system; and
- Date on the additional-information-request receipt was different from the receipt date in the management information system.

The Government Accountability Office states that agency procedures should provide reasonable assurance that management information is “complete, accurate, and consistent to support performance and decision making.”¹⁶

A 27% error rate in the management information system’s permit processing files indicates that the system data is not reliable and permit processing times derived from the system may not be accurate. Based on the number of errors in the system files and the

¹⁵ 508 standard process permits and 158 express option permits.

¹⁶ GAO, Government Auditing Standards, 2007.

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fact that the processing beginning dates are reset when additional information is received, permit processing times derived solely from the management information system should not be relied upon to determine compliance with processing times established by state laws and regulations.

Indication That Performance Objectives for Timely Processing Are Generally Met

As noted above, processing times derived solely from the DENR management information system should not be used to determine compliance with performance objectives. Additionally, auditors did not perform alternative audit procedures to determine a statistically accurate processing time because necessary information was missing. Consequently, State Storm Water permit processing times from the DENR management information system are provided below for informational purposes only. No reliance should be placed on the processing times indicated.

Even though DENR's data is not reliable, it does indicate that DENR generally meets its target processing time when all processing time is included in the calculation. Data from the DENR management information system indicates that State Storm Water **standard** process permits are issued in 76 days on average. DENR's target for issuing the **standard** process permits is 90 days. DENR issued 508 **standard** process permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 401 (78.94%) of the **standard** process permits were issued in 90 days or less;
- 76 (14.96%) of the **standard** process permits were issued from 91 to 180 days;
- 21 (4.13%) of the **standard** process permits were issued from 181 to 270 days;
- 3 (0.59%) of the **standard** process permits were issued from 271 to 360 days; and
- 7 (1.38%) of the **standard** process permits were issued from 361 to 2,221 days.

Data from the DENR management information system indicates that State Storm Water **express** option permits are issued in 21 days on average. DENR's target for issuing the **express** option permits is 30 days. DENR issued 158 **express** option permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 124 (78.48%) of the **express** option permits were issued in 30 days or less;
- 30 (18.99%) of the **express** option permits were issued from 31 to 60 days;
- 3 (1.90%) of the **express** option permits were issued from 61 to 90 days; and
- 1 (0.63%) of the **express** option permits were issued after 90 days.

However, DENR does not include all of the processing days in its calculation of processing time. DENR does not consider an application "complete" if DENR needs to request additional information from the applicant. *North Carolina General Statute 143B-279.12(d)* only requires DENR to "track the time required to process each complete environmental permit application." The DENR division responsible for the State Storm Water permits, the Division of Water Quality resets the processing beginning date when

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additional information is received from the applicant. Resetting the processing beginning date understates the actual number of days elapsed during processing.

When utilizing this methodology, compliance with target processing times appears to be much better. Data from the DENR management information system indicates that on average in FY 2010, State Storm Water Wetland **standard** process permits were issued in 36 days, and had a 97% compliance rate with the target processing time. State Storm Water **express** process permits were issued in 8 days, and had a 96% compliance rate with the target processing time.

Average Processing Time for the Standard Permitting Process Has Not Increased

Table 4 below shows that the average time to process State Storm Water permits through the **standard** permitting process has not significantly changed since implementation of the **express** permitting process in FY 2004.¹⁷

Table 4

	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
AVG. PROCESSING DAYS	82	74	80	76	95	107	68	76

Source: Auditor calculations

The **express** permitting process is not supposed to adversely affect the **standard** permitting process because state law establishes separate resources for the **express** permitting process. *North Carolina General Statute 143B-279.14* states,

“The Express Review Fund shall be used for the costs of implementing the **express** review program under G.S. 143B-279.13 and the costs of administering the program, including the salaries and support of the program's staff.”

Recommendations: DENR should develop written procedures to ensure information used to compute permit application processing times is complete and accurate. Specifically, written procedures should require management to verify that all required documentation is included in the associated permit application file and that key data elements have been accurately entered into the applicable database.

To improve the timeliness of the permitting process, DENR should take steps to ensure permit applications are complete and accurate when initially submitted.

To allow the General Assembly to better assess the performance of DENR’s permitting processes, DENR should establish a uniform methodology to calculate permit application processing times. In addition, the General Assembly should consider requiring DENR to also report the total time to process permits.

¹⁷ The express option was implemented for State Stormwater permits in only the Wilmington and Raleigh Regional Offices in FY 04. Full implementation of the express process was completed in FY 05.

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DENR should establish separate target processing times for permit applications associated with large and complex projects. Implementation of reasonable target processing times for large and complex projects would allow these projects to be processed through the **express** option within specified time requirements. It would also help to increase participation in the **express** option, and allow more experienced **express** program staff to process applications associated with large and complex projects.

5. NON-DISCHARGE WASTEWATER TREATMENT PERMITS

Non-discharge Wastewater Treatment permit processing data in the Department of Environment and Natural Resources (DENR) management information system is incomplete and inaccurate. Even though the data is not reliable, it does indicate that DENR meets its target of processing the **standard** permits within 90 days only 47% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 90 day target 79% of the time. DENR meets its target of processing the **express** option permits within 60 days 83% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 60 day target 100% of the time.

Incomplete and Inaccurate Permit Processing Data

DENR does not have adequate procedures in place to ensure that the permit processing data maintained electronically in the management information system is complete and accurate. DENR issued approximately 69 Non-discharge Wastewater Treatment permits during FY 2010.¹⁸ A review of the permit files found that six out of 30 (20%) randomly selected management information system files had missing or inaccurate data that directly affected the calculation of accurate permit processing times. One system file had multiple errors. Errors included the following:

- Missing date stamp on supporting documentation indicating receipt of permit application;
- Additional information request receipt date was not entered into management information system; and
- Missing additional information request documents received from applicant.

The Government Accountability Office states that agency procedures should provide reasonable assurance that management information is “complete, accurate, and consistent to support performance and decision making.”¹⁹

A 20% error rate in the management information system’s permit processing files indicates that the system data is not reliable and permit processing times derived from the system may not be accurate. Based on the number of errors in the system files and the fact that the processing beginning dates are reset when additional information is received,

¹⁸ 57 standard process permits and 12 express option permits.

¹⁹ GAO, Government Auditing Standards, 2007.

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permit processing times derived solely from the management information system should not be relied upon to determine compliance with processing times established by state laws and regulations.

Indication That Performance Objectives for Timely Processing Are Generally Met

As noted above, processing times derived solely from the DENR management information system should not be used to determine compliance with performance objectives. Additionally, auditors did not perform alternative audit procedures to determine a statistically accurate processing time because necessary information was missing. Consequently, Non-discharge Wastewater Treatment permit processing times from the DENR management information system are provided below for informational purposes only. No reliance should be placed on the processing times indicated.

Even though DENR's data is not reliable, it does indicate that DENR misses its target processing time in many instances when all processing time is included in the calculation. Data from the DENR management information system indicates that Non-discharge Wastewater Treatment **standard** process permits are issued in 104 days on average. DENR's target for issuing the **standard** process permits is 90 days. DENR issued 57 **standard** process permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 27 (47.37%) of the **standard** process permits were issued in 90 days or less;
- 22 (38.60%) of the **standard** process permits were issued from 91 to 180 days;
- 7 (12.28%) of the **standard** process permits were issued from 181 to 270 days; and
- 1 (1.75%) of the **standard** process permits were issued from 271 to 381 days.

Data from the DENR management information system indicates that Non-discharge Wastewater Treatment **express** option permits are issued in 44 days on average. DENR's target for issuing the **express** option permits is 60 days. DENR issued 12 **express** option permits during fiscal year 2010. When all of the days are included, the DENR management information system indicates:

- 10 (83.33%) of the **express** option permits were issued in 60 days or less; and
- 2 (16.67%) of the **express** option permits were issued after 60 days.

However, DENR does not include all of the processing days in its calculation of processing time. DENR does not consider an application "complete" if DENR needs to request additional information from the applicant. *North Carolina General Statute 143B-279.12(d)* only requires DENR to "track the time required to process each complete environmental permit application." The DENR division responsible for the Non-discharge Wastewater Treatment permits, the Division of Water Quality (DWQ), resets the processing beginning date when additional information is received from the applicant. Resetting the processing beginning date understates the actual number of days elapsed during processing.

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When utilizing this methodology, compliance with target processing times appears to be much better. Data from the DENR management information system indicates that on average in FY 2010, Non-discharge Wastewater Treatment **standard** process permits were issued in 42 days, and had a 79% compliance rate with the target processing time. Non-discharge Wastewater Treatment **express** process permits were issued in 11 days, and had a 100% compliance rate with the target processing time.

Average Processing Time for the Standard Permitting Process Has Varied

Table 5 below shows that the average time to process Non-discharge Wastewater Treatment permits through the standard permitting process has varied significantly since implementation of the **express** permitting process in FY 2004.²⁰ The average time to process Non-discharge Wastewater Treatment permits initially increased by from 80 days in FY 03 to 174 days in FY 06, and then decreased to 42 days in FY 2010.

Table 5

	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
AVG. PROCESSING DAYS	80	77	84	174	55	48	60	42

Source: Auditor calculations

The **express** permitting process is not supposed to adversely affect the **standard** permitting process because state law establishes separate resources for the **express** permitting process. *North Carolina General Statute 143B-279.14* states,

“The Express Review Fund shall be used for the costs of implementing the **express** review program under G.S. 143B-279.13 and the costs of administering the program, including the salaries and support of the program's staff.”

DENR reported that a number of factors may have impacted permit review times since implementation of the **express** process. These factors include changes in staffing and permit application levels, and efforts to reduce permit backlogs. In addition, DENR reported that the requirement for applicants to meet with DENR staff at the beginning of the **express** process has also contributed to improved **standard** processing times. These meetings have also improved the **standard** process because the benefits are often transferred to subsequent permit applications when the same participants are involved.

²⁰ The express option was implemented for Non-discharge Wastewater Treatment permits in only the Wilmington and Raleigh Regional Offices in FY 04. Full implementation of the express process was completed in FY 05.

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Recommendations: DENR should develop written procedures to ensure information used to compute permit application processing times is complete and accurate. Specifically, written procedures should require management to verify that all required documentation is included in the associated permit application file and that key data elements have been accurately entered into the applicable database.

To improve the timeliness of the permitting process, DENR should take steps to ensure permit applications are complete and accurate when initially submitted.

To allow the General Assembly to better assess the performance of DENR's permitting processes, DENR should establish a uniform methodology to calculate permit application processing times. In addition, the General Assembly should consider requiring DENR to also report the total time to process permits.

DENR should establish separate target processing times for permit applications associated with large and complex projects. Implementation of reasonable target processing times for large and complex projects would allow these projects to be processed through the **express** option within specified time requirements. It would also help to increase participation in the **express** option, and allow more experienced **express** program staff to process applications associated with large and complex projects.

6. EROSION AND SEDIMENTATION CONTROL PLAN PERMITS

Erosion and Sedimentation Control Plan permit processing data in the Department of Environment and Natural Resources (DENR) management information system is incomplete and inaccurate. Even though DENR's data is not reliable, it does indicate that DENR meets its target of processing the **standard** permits within 30 days 95% of the time. DENR meets its target of processing the **express** option permits within 3 days 55% of the time when all of the days are included. However, when the statutorily authorized methodology is used to calculate permit processing time, DENR meets its 3 day target 81% of the time.

Incomplete and Inaccurate Permit Processing Data

DENR does not have adequate procedures in place to ensure that the permit processing data maintained electronically in the management information system is complete and accurate. DENR issued approximately 1898 Erosion and Sedimentation Control Plan permits during FY 2010. A review of the permit files found that 5 out of 30 (17%) randomly selected management information system files had missing or inaccurate data that directly affected the calculation of accurate permit processing times. One system file had multiple errors. Errors included the following:

- Missing date stamp on supporting documentation indicating receipt of permit application;
- Date on permit application was different from the initial application receipt date in the management information system; and

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- Date on the permit decision letter was different from the permit determination date in the management information system.

The Government Accountability Office states that agency procedures should provide reasonable assurance that management information is “complete, accurate, and consistent to support performance and decision making.”²¹

State law requires DENR to complete its determination process for Erosion and Sedimentation Control Plan permits within 30 days of receipt of the application.²² The target processing time is 30 days for **standard** permits and three days for **express** permits. Therefore, DENR only reset the processing time when additional information is required for **express** permits. Other permit types either reset the processing time to zero when additional information is requested or do not include periods when additional information requests are outstanding for both **express** and **standard** permits.

Because of this more stringent permit processing requirement, a high percentage of Erosion and Sedimentation Control Plan permits are disapproved. In FY 2010, 16.6% of all Erosion and Sedimentation Control Plan permit applications were disapproved under the **standard** process. Conversely, in FY 2010, the disapproval rate for the other five permit types offering an **express** option averaged 3.5% and ranged from 0% for Alternative Sewer Extension permits to 3.7% for 401 Water Quality Certification permits.

To comply with the 30 day processing time requirement for this permit type, DENR often disapproves applications with incomplete information rather than requesting applicants provide the necessary additional information. Although DENR works with the applicant during the review process to ensure all necessary information is provided, DENR is often required to disapprove the application if all information is not received within the 30 day timeframe, or be forced to approve an incomplete application. These disapproved applications are often resubmitted with the necessary additional information.

Indication That Performance Objectives for Timely Processing Being Met

As noted above, processing times derived solely from the DENR management information system should not be used to determine compliance with performance objectives. Additionally, auditors did not perform alternative audit procedures to determine a statistically accurate processing time because necessary information was missing. Consequently, Erosion and Sedimentation Control permit processing times from the DENR management information system are provided below for informational purposes only. No reliance should be placed on the processing times indicated.

Even though DENR’s data is not reliable, it does indicate that DENR achieves its target processing time in most instances. Data from the DENR management information system

²¹ GAO, Government Auditing Standards, 2007.

²² As specified in North Carolina General Statute [113A-54.1](#). In addition, the statute also requires plans to be approved if action is not taken within 30 days of receipt.

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indicates that Erosion and Sedimentation Control **standard** process permits are issued in 22 days on average.²³ DENR's target for issuing the **standard** process permits is 30 days.

A review of the database used to record Erosion and Sedimentation Control permit information identified 1489 permits issued in FY 2010 with sufficient information to determine processing times. The DENR management information system indicates:

- 1420 (95.37%) of the **standard** process permits were issued in 30 days or less;
- 46 (3.09%) of the **standard** process permits were issued from 31 to 60 days;
- 8 (0.54%) of the **standard** process permits were issued from 61 to 90 days; and
- 15 (1.01%) of the **standard** process permits were issued after 90 days.

Data from the DENR management information system indicates that Erosion and Sedimentation Control **express** option permits are issued in 4 days on average. DENR's target for issuing the **express** option permits is 3 days. DENR issued 409 **express** option permits during FY 2010. When all of the days are included, the DENR management information system indicates:

- 226 (55.26%) of the **express** option permits were issued in 3 days or less;
- 111 (27.14%) of the **express** option permits were issued from 4 to 6 days;
- 32 (7.82%) of the **express** option permits were issued from 7 to 9 days; and
- 40 (9.78%) of the **express** option permits were issued after 9 days.

However, DENR does not include all of the processing days in its reported calculation of processing time for **express** process permits. DENR does not consider an application "complete" if DENR needs to request additional information from the applicant. *North Carolina General Statute 143B-279.12(d)* only requires DENR to "track the time required to process each complete environmental permit application." For **express** permits, the DENR division responsible for the Erosion and Sedimentation Control Plan permits, the Division of Land Resources, resets the processing beginning date when additional information is received from the applicant. However, resetting the processing beginning date understates the actual number of days elapsed during processing.

When utilizing this methodology, compliance with target processing times appears to be much better. Data from the DENR management information system indicates that on average in FY 2010, Erosion and Sedimentation Control Plan **express** process permits were issued in 2 days, and had an 81% compliance rate with the target processing time.

Recommendations: DENR should develop written procedures to ensure information used to compute permit application processing times is complete and accurate. Specifically, written procedures should require management to verify that all required documentation is included in the associated permit application file and that key data elements have been accurately entered into the applicable database.

²³The actual number of days to process permit applications prior to FY 08-09 could not be determined because all necessary data was not available.

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To allow the General Assembly to better assess the performance of DENR's permitting processes, DENR should establish a uniform methodology to calculate permit application processing times. In addition, the General Assembly should consider requiring DENR to also report the total time to process permits.

7. EXPRESS PERMIT PROCESS IS FUNDED FROM ASSOCIATED FEES

In total, Department of Environment and Natural Resources (DENR) **express** permit fees have exceeded **express** permit processing costs from 2005 through 2010. However, DENR's reported costs do not reflect the actual costs to process permits through the **express** option.

Fees Collected Exceed Allocated Costs

DENR charged project owners more in fees than DENR recorded in cost for the **express** permitting process. DENR's Express Review Fund balance was \$4.1 million, \$4.8 million, \$1.9 million, and \$880,726 for fiscal years 2007, 2008, 2009, and 2010 respectively.²⁴ The overall fund balance decreased by nearly \$4 million in the last two fiscal years mostly because \$2.3 million was transferred from the Express Review Fund to the General Fund. In addition, reported salaries and support costs used to process applications through the **express** option exceeded revenues from applicant fees by over \$1.6 million during this two-year period.

DENR's method to determine **express** permit application processing costs identifies positions responsible for processing these applications. Once identified, associated salaries and benefit costs are credited to the Express Review Fund. These computed costs, along with authorized operational expenditures are compared with the total revenues received from applicant fees to determine the level of self sufficiency.

North Carolina General Statute 143B-279.14 requires the **express** program to be self-funded. State law also authorizes DENR to determine the fees for the **express** option application process, but also limits amounts that may be assessed. For example, DENR is authorized to charge additional fees not to exceed 50 percent of the original permit application fee for subsequent reviews due to insufficient information. Furthermore, the legislation requires DENR to deposit all **express** permit application revenues into an Express Review Fund.

²⁴ Per North Carolina Accounting System, Unaudited.

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Express Process Costs are Not Accurately Reported

Reported costs to process **express** permits do not reflect the actual costs. Due to the recent economic downturn, the number of **express** permits issued has declined. To ensure designated **express** option staff was fully utilized, they were often tasked to process **standard** permits or conduct compliance inspections of permitted projects when all **express** option permitting requirements were met. Consequently, the actual cost incurred by designated **express** staff to process **express** permits is now significantly lower than the reported cost.

Conversely, staff processing costs associated with **express** Alternative Sewer Extension permits determinations is not allocated to the Express Review Fund. The Alternative Sewer permit type began offering an **express** option in FY 07-08 without any designated staffing. As a result, in FY 2010 no staffing costs were allocated to the Express Review Fund, although 13 **express** permit determinations were issued.

DENR does not have an employee timekeeping system to monitor time spent performing permit applications and other tasks. Consequently, the Department cannot determine actual staff time spent processing specific permit applications.

Recommendation: To ensure **express** permitting costs are accurately recorded, DENR should monitor and record the actual amount of time staff spend processing permits through both the **express** and **standard** processes for each permit type. Utilization of a system to record time spent performing various assigned activities can help to more accurately monitor associated costs. Accurate determinations of permit application processing costs can be used to assess the adequacy of fees in achieving **express** program self-sufficiency requirements.

8. LIMITED PERMIT MILESTONE AND STATUS INFORMATION PUBLICALLY AVAILABLE

Only limited information for two of the six **express** permit types is readily available on the DENR website to associated project owners. For example, the Aquifer Protection Section of the Division of Water Quality currently provides public access to some of the key permit milestones for its Non-discharge Wastewater Treatment permits by utilizing existing information from the management information system. But key milestones such as additional information request and receive dates were not made available.

Therefore, project owners cannot readily monitor all of the permits processed for a project as a whole. Many projects require multiple permits, and often the permits are not processed concurrently. Because the time to process all of the necessary permits for a project often exceed the time to process any of the associated individual permits, project owners need to be able to monitor the permit status for the total project.

DENR cannot monitor the time to process permit applications by project because it does not maintain information on permit processing by project among each of the various environmental permit types that may be associated with a specific project. As a result,

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project owners lack the information they need to manage their projects, and DENR lacks information necessary to determine the overall effectiveness of its permitting processing.

Moreover, DENR only provides additional information necessary to monitor the status of the permit application process when specifically requested. DENR staff reported that permit application tracking information was not made available on their website because applicants were usually aware of the status of their permit applications, and could always contact appropriate DENR permitting staff to obtain the information.

Recommendation: DENR should provide public access to key permit milestone information for all outstanding permit applications. At a minimum, key permit milestone information should include application receipt date, complete application determination date, additional information request and receipt dates, and permit determination date. In addition, this information should be regularly updated to reflect the most current status for each permit application under review.

Providing public access to key application milestone information can benefit both DENR, permit applicants, and other stakeholders. Electronic access to key application milestone information can benefit DENR by reducing the number of external inquiries regarding permit application status, thus allowing permitting staff to spend more time processing permits. Permit applicants would benefit from having ready access to this information because of the greater assurances that all necessary information had been received by the appropriate staff. Finally, other stakeholders would benefit because public access would increase the transparency of the process and provide assurances permits were being processed in the order received.

DENR should begin monitoring the total time to process permit applications by project. By monitoring the total time to process permit applications by project, DENR can determine the effectiveness of all its efforts to improve the timeliness of the permit determination process.

ISSUE FOR FURTHER CONSIDERATION

The Department of Environment and Natural Resources (DENR) should consider establishment of two permit categories for the **express** option. Permit applications could be categorized as large/complex or general. A separate fee structure and processing time targets can then be established for each of the two permit categories. Due to increased permit processing resource requirements, large/complex permit applications would have higher fee amounts and longer target permit processing times than general permit applications. Fee amounts should be based on the average costs to process each permit application category.

Establishment of two permit categories for the **express** option would serve to improve the overall effectiveness of DENR's permit determination process. Implementation of distinct permit application categories would enable DENR to establish a fee structure and processing time targets reflecting the actual cost and time to process associated permit applications under the **express** option. It would also help ensure larger and complex permit applications are processed by the more qualified staff assigned to the **express** option.

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Auditor's Response

We are required to provide additional explanation when an agency's response could potentially cloud an issue, mislead the reader, or inappropriately minimize the importance of our findings.

Generally Accepted Government Auditing Standards state,

When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, or when planned corrective actions do not adequately address the auditor's recommendations, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement.

While we understand reviews of program performance often generate a lot of emotion, we want to make sure the reader stays focused on the issues. Therefore, to ensure the availability of complete and accurate information and in accordance with Generally Accepted Government Auditing Standards, we offer the following clarifications:

In response to the report the Division response states that the "*performance audit report calls for a revamped and expanded information management system.*" It appears the Department of Environment and Natural Resources (DENR) has misinterpreted our recommendation. We did not recommend that the DENR upgrade its computer system. Our recommendations were for DENR to use additional management oversight to ensure information provided to the General Assembly is timely, accurate and complete; and to provide more public access to currently available information.

We also make it clear in the report that even though inaccurate and incomplete data was used to report performance to the General Assembly; we believed it provided some indication of overall performance.

DENR's response indicates that our report stated that the average standard processing time has increased for all permit types since implementation of the express process. It does not.

Our report stated that the average standard processing time increased for two of the five permit types, Coastal Area Management Act (CAMA) and Alternative Sewer Extension permits. The report also identified potential causes for the increased processing times in those areas.

For the CAMA permits, DENR appears to have used less experienced staff to process permit applications that could not be completed within express review timelines. The difference in experience levels are indicated in the position descriptions. We noted that the position descriptions for express permit staff require more experience than the position descriptions for the standard permit staff. We concluded this contributed to the overall increase in average

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standard processing time only in the area of CAMA permits, but the agency response does not make that distinction.

For Alternative Sewer Extension permits, we noted that incomplete and inaccurate permit applications potentially caused an increase in the average standard processing time.

Also, our report stated that when using DENR's interpretation of statutory processing time, it often met performance standards. However, our report also makes clear that this reported information is misleading to the General Assembly because the methodology is not uniform among permit types, and does not depict the entire time from receipt of an application to issuance of a permit.

The Governor, Legislators, and the citizens of North Carolina should consider the clarification provided above when evaluating the Department of Environment and Natural Resources response to the audit findings.

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North Carolina Department of Environment and Natural Resources

Beverly Eaves Perdue
Governor

Dee Freeman
Secretary

December 20, 2011

The Honorable Beth A. Wood, CPA
State Auditor
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Ms. Wood:

We have reviewed your draft report on the findings and recommendations that resulted from the performance audit titled "Department of Environment and Natural Resources, Express Permit Review." The following represents our response to this report.

The performance audit report calls for a revamped and expanded information management system, uniform procedures to compute and verify permit processing times and improved public access to permit processing timelines. DENR agrees there is a need to improve its environmental information management system. An internal DENR permit improvements workgroup established under the department's 2009-2013 strategic plan identified technological improvements as the number one recommendation in its July 2010 report. The workgroup report stated, "The lack of an integrated technology management system is a major contributor to permit inefficiencies."

Funds have consistently been unavailable for information management and technological improvements. It is unlikely that funds for this expensive upgrade will be available with the current budget shortfall. With existing funds, steps have been taken to improve data quality, including development of guidance documents and training to improve data accuracy. The department has expanded use of the DENR website to increase public access to permit and regulatory information. Common processing milestones have been developed for a number of permit programs while maintaining the flexibility required to meet different statutory directives. In early 2012, a number of application tracking systems will be available through the department's website to allow applicants and the public to check on the status of pending permits. The tracker system will include receipt date, completed date, requests for additional information and other review steps. The department is committed to expanding electronic forms, permits, certifications, payments and other interactive transactions to better serve the public as resources are available.

The department disagrees with a number of the findings of the performance audit. The report contains contradictory statements and the observations on processing times and procedures seem to reflect a lack of understanding of the different permitting programs. Often the report recommends a uniform approach that is infeasible due to different statutory requirements for the individual permitting programs.

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The report states the permit processing data is incomplete and inaccurate and maintains that processing times are unreliable due to data errors. Yet it uses this same data for its analysis and findings on all of the permits processes examined. We take exception to the data points identified as errors that distort reported permit processing times. Errors identified by the auditor's staff include differences in dates on paper documents as compared to dates entered in the information management systems. These differences may actually be due to delays between preparation of a document and its submittal, mailing time or administrative processing procedures. The data "errors" in the sample documents were administrative inconsistencies and not technical deficiencies of such import as to deem the processing times invalid.

The report states that the average standard processing time for permits had increased since the express permit review program was authorized and fully implemented in 2005. This statement is without logic and reflects a lack of understanding of the complexities of development-related environmental permits. The express program was established to reduce the backlog and provide an expedited review for job-creating economic development projects. Fees from the express program were used to hire up to 30 additional permit engineers and senior reviewers to process land quality, water quality and coastal permit applications. This is permit review staff that otherwise would not have been available to process permit applications. In the absence of the express review program, this permit review backlog would have continued and grown in a number of programs, resulting in increased permit processing times. Staffing levels, change in rules or procedures, complexity of the projects and quality of the application are more relevant to processing time.

The performance audit criticizes DENR for excluding time spent waiting for the applicant to provide information necessary for the permit review from the calculation of DENR permit processing times. DENR tracks permit processing time in the manner directed by state and federal law. North Carolina Statute G.S. 143B-279.12(d) requires DENR to "track time required to process each **complete** environmental application." The General Assembly has recognized that a permit decision cannot be made until all the necessary technical information has been received and DENR has no control over the length of time that an applicant may take to provide that information. The permit processing times reported by DENR accurately reflect the time actually required for DENR staff to make a decision once all of the necessary information has been provided.

DENR has data available regarding requests for additional information and time spent waiting for information from the applicant. Incomplete applications present a significant obstacle to timely processing of applications in all programs. DENR has taken a number of steps in recent years to reduce submission of incomplete applications in the standard permit review process, including return of seriously deficient applications and assessment of a new permit fee for resubmission of those applications. The pre-application meetings and deadlines for receipt of additional information required in the express review process have led to better initial applications and quicker review.

The draft audit report acknowledges that in most cases the processing times for the standard and review permit program meet performance objectives for timely processing. We are proud of the fact that our programs have a high rate of compliance with statutory permitting timelines. Express review has consistently been quicker than the standard review and has clearly met the General Assembly's

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intent in authorizing the program. The audit report states that express review processing time targets were not always met, but fails to note that the express targets were often 50 percent shorter than the standard process times. The draft audit report also failed to adjust the express review targets for longer processing times agreed to by both the applicant and express permitting staff for larger or more complex projects.

The statement that express permitting did not accept large or complex projects is incorrect. It would be more accurate to say that some projects are not eligible for express review because of mandatory public notice and hearing requirements or interagency review that would not allow DENR staff to guarantee completion within express review timelines. However, high density projects and complex wastewater disposal projects have been eligible for express review. In such cases, several meetings were scheduled to address design changes.

We strongly disagree with the statement that less experienced reviewers handled complex projects in the standard review process. The most complex projects in both the standard and express review programs were assigned to senior engineers or review staff. Consultation between the standard and express staff was used for consistency and to make the best use of staff resources during peak and down periods.

It is disappointing that the audit does not clearly state that the express permit program has met its legislatively mandated objectives. Program data provided to the General Assembly in annual permitting reports documents that the express option is much faster than the standard option and consistently meets target processing times. The program has successfully met developers' need for faster review of time-sensitive projects and has been lauded for excellent customer service. All this has been accomplished without sacrificing the quality of the environmental reviews. Consequently, the express program's successful features are being considered for wider application.

To conclude, we acknowledge that improvements are needed in the DENR's permit tracking systems, but believe the recommendation for an integrated information management system is costly and ill-timed. I regret that the countless hours of limited DENR staff resources, expended over more than a year to provide information for this report, did not lead to well-grounded conclusions that we could use to improve our programs.

Sincerely,



Dee A. Freeman

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