STATE OF NORTH CAROLINA
OFFICE OF THE STATE AUDITOR
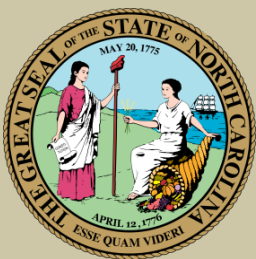## BETH A. WOOD, CPA

DEPARTMENT OF ENVIRONMENTAL QUALITY

EXPRESS PERMIT PROCESSING FOLLOW-UP

PERFORMANCE AUDIT
NOVEMBER 2019

NC OSA
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The purpose of this audit was to determine whether the Department of Environmental Quality (Department) took appropriate corrective action to address recommendations made in the *Department of Environment and Natural Resources Express Permit Processing* performance audit report issued by the Office of the State Auditor in January 2012.

The audit scope included the Department's standard and express permitting policies, procedures, and operations for the period of July 1, 2015 through June 30, 2017.

BACKGROUND

The Department is the lead stewardship agency for the protection of North Carolina's environmental resources. The Department administers regulatory programs designed to protect air quality, water quality, and the public's health, and also works to advance an all-of-the-above energy strategy that fits North Carolina's needs.

The Department is responsible for processing applications for over 130 different types of permits. In addition to the **standard** permitting process available for all permit applications processed by the Department, an **express** process is offered for six permit types.

KEY FINDINGS

The Department lacked the complete and accurate information it needs to effectively manage the permitting process, and permit applicants may lack the complete and accurate information they need to manage and monitor their projects because the Department:

- Did not implement recommendations to ensure that information used to compute permit application processing times were complete and accurate. Auditors found errors in 42% of the data sampled from the Department's management information system.

- Did not fully implement recommendations to (1) provide public access to key permit milestone information for all outstanding permit applications, (2) track permit milestone dates by project, and (3) monitor and record the actual amount of time staff spend processing permits.

The Department made improvements designed to reduce permit processing time. The Department:

- Implemented recommendations to improve (1) accuracy of initial permit applications, (2) communication with permit applicants, and (3) uniformity of permitting process.

However, the impact of the Department's improvements on permit application processing times could not be determined due to inaccurate and incomplete data.

EXECUTIVE SUMMARY (CONCLUDED)

KEY RECOMMENDATIONS

- The Department should develop written review procedures to ensure information used to compute permit application processing time is complete and accurate. Specifically, the procedures should require verification that all key data elements have been accurately entered into the applicable database. Additionally, the Department should explore whether front-end system edits could prevent inaccurate or incomplete data from being entered in its management information system.

- The Department should evaluate and consider alternative technologies to enable it to 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, additional information request and receipt date, complete application receipt date, and permit determination date. In addition, this information should be regularly updated to reflect the most current status for each permit application under review.

- The Department should evaluate and consider alternative technologies to enable it to monitor the total time to process permit applications by project. This would allow project owners to monitor permit status for a project as a whole and ensure the Department has the necessary information to determine the overall effectiveness of its permitting process.

- The Department should monitor and record the actual amount of time staff spend processing permits through both the express and standard processes for each permit type. A system to record time spent performing various assigned activities can help to more accurately monitor associated costs. In turn, the Department can use accurate application processing costs to ensure that the fees it charges are adequate to fund the program but are not excessive.

- The Department should improve the completeness and accuracy of its data and monitor its policies and procedures to ensure they are working as designed.

AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly
Mr. Michael S. Regan, Secretary, Department of Environmental Quality

Ladies and Gentlemen:

We are pleased to submit this performance audit report titled *Department of Environmental Quality Express Permit Processing Follow-Up*. The audit objective was to determine whether the Department of Environmental Quality took appropriate corrective action to address recommendations made in the *Department of Environment and Natural Resources Express Permit Processing* performance audit report issued by the Office of the State Auditor in January 2012.

The audit scope included the Department's standard and express permitting policies, procedures, and operations for the period of July 1, 2015 through June 30, 2017.

The Department of Environmental Quality Secretary, Michael Regan, reviewed a draft copy of this report. His written comments are included starting on page 12.

This audit was conducted in accordance with Article 5A of Chapter 147 of the *North Carolina General Statutes.*

We appreciate the courtesy and cooperation received from management and the employees of the Department of Environmental Quality during our audit.

Respectfully submitted,

Beth A. Wood, CPA
State Auditor

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Beth A. Wood, CPA
State Auditor

BACKGROUND

The purpose of this audit was to determine whether the Department of Environmental Quality (Department)[1] took appropriate corrective action to address recommendations made in the *Department of Environment and Natural Resources Express Permit Processing* performance audit report issued by the Office of the State Auditor in January 2012.

The 2012 audit found that the Department was not always effective in its processing of permit applications. All permit types reviewed did not always meet established processing target times, and the Department did not have adequate procedures in place to ensure that the permit processing data maintained electronically in the management information system was complete and accurate.

The 2012 audit report recommended that the Department:

- Develop written procedures to ensure information used to compute permit application processing times is complete and accurate
- Ensure permit applications are complete when initially submitted
- Establish a uniform methodology to calculate permit application processing times
- Monitor and record actual amount of time staff spend processing permits through both the standard and express permitting options
- Provide public access to key permit milestone[2] information for all outstanding permit applications
- Monitor the total time to process permit applications by project

The Department is the lead stewardship agency for the protection of North Carolina's environmental resources. The Department administers regulatory programs designed to protect air quality, water quality, and the public's health, and also works to advance an all-of-the-above energy strategy that fits North Carolina's needs.

The Department is responsible for processing applications for over 130 different types of permits.[3] In addition to the standard permitting process available for all permit applications processed by the Department, an express process is offered for six permit types.

The Express Permitting Program offers a timelier review process for a number of environmental permits. This program is intended to offer quicker permit decisions and certifications. A pre-application meeting is required to identify necessary environmental requirements, and a well-documented application with supporting technical information is necessary for a thorough and swift review. To facilitate the timelier review, express permit applications take priority over standard permit applications.

The Express Permitting Program was initiated to allow developers the opportunity to have their permits processed quicker than the standard timeframe mandated by state statute. When the Express Permitting Program was initiated in 2005, DEQ was processing an all-time high

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[1] The Department of Environment and Natural Resources was renamed the Department of Environmental Quality effective September 18, 2015.

[2] Permit milestone information includes the initial application date, application received as complete date, and the permit decision date.

[3] 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 an environmental project in North Carolina.
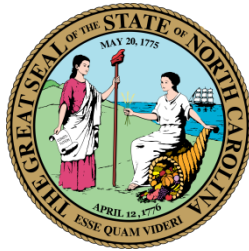
number of permits, developers were busy, and permit approvals and certifications could delay a project. The Express Permitting Program allowed developers to pay a premium to get their permits processed quicker. In turn, DEQ used those funds to hire additional reviewers dedicated to the express review process so that the standard permitting process would not be adversely affected.

However, permit applications decreased after the 2009 economic downturn. And although developers continue to pay a premium for express permits, DEQ no longer hires additional resources dedicated to processing those applications. Instead of paying for additional resources, the additional fees merely move the developer's application to the front of the line.

The Department has offered an express processing option for six types of environmental permits, including:

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

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether the Department of Environmental Quality (Department) took appropriate corrective action to address recommendations made in the *Department of Environment and Natural Resources Express Permit Processing* performance audit report issued by the Office of the State Auditor in January 2012.
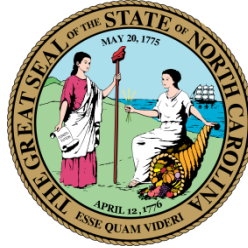
The audit scope included the Department's standard and express permitting policies, procedures, and operations for the period of July 1, 2015 through June 30, 2017. The scope also included environmental permits with an express permitting option that were issued or denied between July 1, 2015 and June 30, 2017.

To accomplish the audit objective, auditors reviewed permit files, analyzed management information system data, interviewed personnel, observed operations, reviewed policies and best practices, reviewed state laws, surveyed permit applicants, and examined documentation supporting Department policies and procedures as considered necessary. Wherever sampling was used, auditors applied a non-statistical approach. Therefore, results could not be projected to the population. This approach was determined to adequately support the audit conclusions.

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.
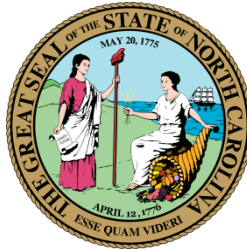
As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. However, our audit does not provide a basis for rendering an opinion on internal control, and consequently, we have not issued such an opinion.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS AND CONCLUSIONS

The Department of Environmental Quality lacked the complete and accurate information it needs to effectively manage the permitting process, and permit applicants may lack the complete and accurate information they need to manage and monitor their projects. The Department did make improvements designed to reduce permit processing time. However, the impact of the Department's improvements on permit application processing times could not be determined due to inaccurate and incomplete data.

FINDINGS, RECOMMENDATIONS, AND RESPONSES

1. SOME RECOMMENDATIONS NOT IMPLEMENTED

The Department of Environmental Quality (Department) did not implement the Office of the State Auditor (OSA) recommendations[4] to ensure that information used to compute permit application processing times was complete and accurate. As a result, using the Department's data could result in erroneous judgments, estimates, and decisions. There was no formal review of the data entered into the Department's management information system. However, best practices state that Department procedures should provide reasonable assurance that data is complete and accurate.

Did Not Ensure Data was Complete and Accurate

Auditors sampled permit files in the Department's management information system from the 9,020 permits processed during state fiscal years (SFYs) 2016 and 2017. Auditors found that 397 out of 943 (42%) had inaccurate or incomplete data fields that impacted the calculation of permit processing times. Errors included the following:

- 271 of 943 (29%) had received dates,[5] additional-information-request receipt dates,[6] or permit decision letter dates[7] different from the dates in the management information system

- 93 of 943 (10%) had missing permit milestone dates[8] in the management information system

- 33 of 943 (3%) had dates different from the dates in the management information system and missing dates in the management information system

Results in Potential Erroneous Decision-Making

Based on the number of errors, using the Department's data could result in erroneous judgments, estimates, and decisions.

- **The Department may lack the information necessary to determine the overall effectiveness of its permitting process.** For example, the Department may make erroneous decisions about (1) whether performance objectives for timely processing of permits are met, (2) the performance of its permit processors, and (3) whether staffing levels are adequate to meet needs.

- **Permit applicants may lack the information they need to effectively manage and monitor their projects.** For example, permit applicants may make erroneous decisions about (1) the status or schedule of their project, and (2) project development and associated costs.

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[4] https://www.ncauditor.net/EPSWeb/Reports/Performance/PER-2012-7257.pdf.
[5] As evidenced by the date stamp on the permit application or financial responsibility form.
[6] As evidenced by the date stamp on the last document received that was requested by the Department to complete the application.
[7] As evidenced by the date of the letter to the applicant stating the permit was issued.
[8] Includes initial application received, additional-information-request received, or permit decision dates.

- **The General Assembly[9] may lack the information necessary to assess the performance of the Department's permitting process.** For example, the General Assembly may make erroneous decisions about (1) the timeliness of the Department's permit processing, and (2) whether permit processing times are compliant with state laws and regulations.

Caused Primarily Due to Lack of Review

The Department did not ensure that information used to compute permit application processing times was complete and accurate because there was no formal review of the data entered into the Department's management information system.

Although some permit information is reviewed, staff does not perform reviews consistently across the Department. Also, the Department did not provide written guidance regarding the nature, extent, and timing of the reviews that should be performed.

Best Practices Require Reasonable Assurance that Data is Accurate and Complete

Best practices identified by the GAO[10] state that agency procedures should provide reasonable assurance that management information is "complete, accurate, and consistent to support performance and decision making."

In addition, the Committee on Sponsoring Organizations (COSO) states that the failure to use reliable data could result in erroneous decision-making:

> "Inaccurate or incomplete data, and the information derived from such data, could result in potentially erroneous judgments, estimates or other management decisions."

RECOMMENDATIONS

The Department should develop written review procedures to ensure information used to compute permit application processing time is complete and accurate. Specifically, the procedures should require verification that all key data elements have been accurately entered into the applicable database. Additionally, the Department should explore whether front-end system edits could prevent inaccurate or incomplete data from being entered in its management information system.

AGENCY RESPONSE

See page12 for the Department's response to this finding.

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[9] *North Carolina General Statute* 143B-279.17 requires the Department to report permit processing times to the General Assembly every other year.

[10] GAO, Government Auditing Standards, 2011 Revision.

2. SOME RECOMMENDATIONS PARTIALLY IMPLEMENTED

The Department of Environmental Quality (Department) did not fully implement Office of the State Auditor (OSA) recommendations[11] to (1) provide public access to key permit milestone information for all outstanding permit applications, (2) track permit milestone dates by project, and (3) monitor and record the actual amount of time staff spend processing permits.

Did Not Provide All Permit Milestone Information to the Public

The Department increased the number of permit types in which key milestone information is available to the public through its Environmental Application Tracking service. The Environmental Application Tracking service includes key permit milestone information for permit applications under review by the Department and is updated on a daily basis.

However, the Environmental Application Tracking service does not contain permit information for all express permit types. The Environmental Application Tracking service was initiated in phases, with the current version implemented in October 2012. The current version of the Environmental Application Tracking service provides permit information for four of six express permit types reviewed.[12] At the time of the 2012 performance audit, the service provided permit information for only two permit types.

Additionally, auditors found many permit applicants were unaware of the Environmental Application Tracking service. Only 37 of 184 (20%) survey respondents[13] were aware of and used the online Environmental Application Tracking Service.

While the Department said many permit applicants track permit milestone information through constant interaction with Department staff, the lack of permit milestone information available through the Environmental Application Tracking service may prevent the:

- Project owners from having the information they need to manage their projects.

- Department from reducing the staff time spent answering external inquiries about permit status.

- Permit applicants from having assurance that all necessary information had been received by the appropriate staff.

- Other stakeholders[14] from having assurance that permits were processed in the order received.

According to the Department, key milestone information for all permit types was not made available to the public because of technological constraints. The key permit milestone information is stored and managed in several databases that do not interface with one another.

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[11] https://www.ncauditor.net/EPSWeb/Reports/Performance/PER-2012-7257.pdf.
[12] Permit information for Coastal Area Management Act and Erosion and Sedimentation Control Plan permits is not available on the Environmental Application Tracking service.
[13] Auditors surveyed 922 permit applicants regarding their experience with the permit application process and received 184 responses.
[14] For example: lenders, homeowners, developers, contractors, etc.

The Environmental Application Tracking service is automatically updated from the Basinwide Information Management System (BIMS) and includes only the permits with permit information stored in BIMS. This includes State Storm Water, Wetlands 401 Water Quality, Non-Discharge Wastewater, and Alternative Sewer Extension permits.

The remaining permits, Coastal Area Management Act (CAMA) and Erosion & Sedimentation Control Plan (Erosion) permits, are not included in the Environmental Application Tracking service due to technical constraints. The databases in which CAMA and Erosion permits are stored cannot upload data directly to the Environmental Application Tracking Service. According to the Department, "no budget was provided [by the legislature] to do it."

Did Not Track All Permit Milestone Information by Project

While some permit milestone information is now available through the Environmental Application Tracking service, the Department has not developed a specific tool to monitor permit applications by project. Instead, permit processing time is tracked and monitored by the Department per permit application.

As a result, many 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 to process any of the associated individual permits, project owners need to be able to monitor the permit status for the total project.

The Department said it did not track permits by project because of technological constraints. The six permits with an express option are stored in three separate databases that do not interface with each other. They are also managed by different divisions who only have access to their own data.

Permit Type	Permit Database	Division
Alternative Sewer Extension	BIMS	DWR
Wetlands 401 Water Quality	BIMS	
Non-Discharge Wastewater	BIMS	
State Stormwater	BIMS	DEMLR
Erosion and Sedimentation Control Plan	AMANDA	
Coastal Area Management Act	CDAITS	DCM

Did Not Track All Staff Processing Time by Permit Type

The Department did not monitor and record the actual amount of time staff spent processing permits through both the express and standard processes for each permit type.

While the Division of Energy, Mineral and Land Resources (DEMLR), which administers the permitting process for State Storm Water and Erosion and Sedimentation Control Plan permits, processed nearly all of the Department's express permits during the period under audit,[15] they were the only division that tracked staff time separately for standard and express permits.

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[15] DEMLR processed 1,398 of the Department's 1,406 (99%) express permits during SFYs 2016 and 2017.

Staff processing time for other permits is tracked using a combination of funding sources, permit type, and total time worked. Specifically,

- Division of Coastal Management (DCM) staff time is tracked by funding source.
- Division of Water Resources (DWR) staff time is tracked based on "work"[16] and "administrative"[17] functions.

As a result, the Department cannot determine actual staff time spent processing specific permit applications. In turn, the Department cannot determine whether fees charged for express permits are appropriate or whether fees are adequate to achieve the express program self-funding requirements.

The Department said that it does not track staff time processing permits through both the express and standard processes because express permits only make up a small portion of all permits processed (16% for SFYs 2016 and 2017). Consequently, it is common for the Department to share staff between the express and standard permitting process functions on a frequent basis.

However, *North Carolina General Statute 143B-279.14* requires the express program to be self-funded. State law also authorizes the Department to determine the fees for the express option application process. But without actual staff time spent processing permits, the Department cannot determine whether it meets the self-funding requirement.

RECOMMENDATIONS

The Department should evaluate and consider alternative technologies to enable it to 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, additional information request and receipt date, complete application receipt date, and permit determination date. In addition, this information should be regularly updated to reflect the most current status for each permit application under review.

The Department should evaluate and consider alternative technologies to enable it to monitor the total time to process permit applications by project. This would allow project owners to monitor permit status for a project as a whole and ensure the Department has the necessary information to determine the overall effectiveness of its permitting process.

The Department should monitor and record the actual amount of time staff spend processing permits through both the express and standard processes for each permit type. A system to record time spent performing various assigned activities can help to more accurately monitor associated costs. In turn, the Department can use accurate application processing costs to ensure that the fees it charges are adequate to fund the program but are not excessive.

AGENCY RESPONSE

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[16] Refers to functions directly related to the permitting process.
[17] Refers to functions not directly related to the permitting process. For example: training, human resources related tasks, etc.

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3. SOME RECOMMENDATIONS IMPLEMENTED

The Department of Environmental Quality (Department) implemented Office of the State Auditor (OSA) recommendations[18] designed to improve (1) accuracy of initial permit applications, (2) communication with permit applicants, and (3) uniformity of the permitting process. However, the impact of the Department's implemented policies and procedures, including whether permit application processing times have improved or not, could not be determined due to inaccurate and incomplete data.

Improved Accuracy of Initial Permit Applications

The Department developed and implemented policies and procedures to help ensure permit applications received from applicants are accurate when initially submitted. Specifically, the Department:

- Implemented an initial permit application review process to be completed before applications are accepted

- Trained staff on the initial application intake policies and procedures

- Created materials for permit applicants that contain detailed requirements for a complete application package. Includes handbooks and checklists available through the Department website

- Provided the option for applicants to participate in pre-application meetings[19] to discuss the permitting process and the required documentation for a complete permit application

Improved Communication with Permit Applicants

The Department developed and implemented policies and procedures to improve communication with permit applicants throughout the permitting process. As stated above, in an effort to improve accuracy of initial permit applications and timeliness of the process, the Department has made an effort to communicate and educate permit applicants before applications are submitted.

Auditors surveyed 922 permit applicants regarding their experience with the permit application process and received 184 (20%) responses. Survey results indicate:

- 175 of 184 (95%) of survey respondents believed the Department provided adequate information for them to determine the documents that were necessary for a complete application package

- 164 of 184 (89%) stated that delays experienced in obtaining a permit decision were, in their opinion, not the responsibility of the Department

Improved Uniformity of Permitting Process

The Department developed and implemented policies and procedures to improve the uniformity of the permitting process.

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[18] https://www.ncauditor.net/EPSWeb/Reports/Performance/PER-2012-7257.pdf.
[19] Pre-application meetings are available for permits issued by the Division of Water Resources and the Division of Energy, Mineral and Land Resources.

The method for calculating permit processing times is governed by *North Carolina General Statutes* and varies for each type of permit. However, the Department updated policies and procedures to ensure that the data used to calculate permit processing times are uniform within each type of permit. Specifically, the Department:

- Ensured that all documents received from permit applicants are uniformly date stamped. Date stamps are used to track and monitor processing timeliness.

- Clarified the start date for calculating permit processing time.

- Instituted checklists and/or tracking sheets to ensure uniform information is collected for each permit application.

Could Not Determine Impact of Implemented Policies and Procedures

The Department does not have the quality data necessary to determine with reasonable assurance how its policies and procedures have impacted permit application processing times.

As discussed in Finding 1 located on page 5 of this report, the Department did not ensure that information used to compute permit application processing times was complete and accurate.

Auditors sampled permit files in the Department's management information system from the 9,020 permits processed during state fiscal years (SFYs) 2016 and 2017. Auditors found that 397 out of 943 (42%) had inaccurate or incomplete data fields that impacted the calculation of permit processing times. Errors included the following:

- 271 of 943 (29%) had received dates,[20] additional-information-request receipt dates,[21] or permit decision letter dates[22] different from the dates in the management information system

- 93 of 943 (10%) had missing permit milestone dates[23] in the management information system

- 33 of 943 (3%) had dates different from the dates in the management information system and missing dates in the management information system

Consequently, the Department's data cannot be used to determine whether permit application times have improved as a result of the change in policies and procedures.

RECOMMENDATIONS

The Department should improve the completeness and accuracy of its data and monitor its policies and procedures to ensure they are working as designed.
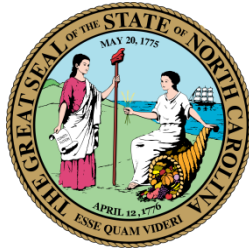
AGENCY RESPONSE

See page 14 for the Department's response to this finding.

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[20] As evidenced by the date stamp on the permit application or financial responsibility form.
[21] As evidenced by the date stamp on the last document received that was requested by the Department to complete the application.
[22] As evidenced by the date of the letter to the applicant stating the permit was issued.
[23] Includes initial application received, additional-information-request received, or permit decision dates.

RESPONSE FROM
THE DEPARTMENT OF
ENVIRONMENTAL QUALITY

ROY COOPER
Governor

MICHAEL S. REGAN
Secretary

NORTH CAROLINA
Environmental Quality

To: Beth A. Wood, CPA
           State Auditor

From: Michael S. Regan, Secretary
           Department of Environmental Quality

Date: November 8, 2019

Subject: Express Permit Processing Follow-Up Performance Audit

The Department of Environmental Quality provides the following responses to the findings and recommendations as a result of the Express Permit Processing Follow-Up Performance Audit. Also included are proposed corrective actions, the positions responsible for implementing the corrective actions, and the date by which the corrective actions will be implemented. The Department led by the current administration is committed to providing excellent customer service throughout both the express and standard permitting processes and has made many improvements that are not reflected in the audit period examined from July 1, 2015 through June 30, 2017. Through the Permit Transformation Project, and other targeted efforts, the Department continues to develop and enhance access and transparency in all permit application activities.

AUDIT FINDING 1: SOME RECOMMENDATIONS NOT IMPLEMENTED

Recommendation:
The Department should develop written review procedures to ensure information used to compute permit application processing time is complete and accurate. Specifically, the procedures should require verification that all key data elements have been accurately entered into the applicable database. Additionally, the Department should explore whether front-end system edits could prevent inaccurate or incomplete data from being entered in its management information system.

Agency Response:
The Department agrees with the finding and recommendation. The large majority of the data set that was reviewed for the audit period was from a system that the agency no longer uses. Permit processing times have improved, especially for the Erosion and Sediment Control express permits. These permits make up 99% of all express permit applications and the processing of these applications takes between two and ten days.

Through the initial scoping meeting with all relevant stakeholders present, permit applicants receive detailed instructions on the various requirements so that they fully understand what is needed for a successful application. The permit coordinators also communicate regularly and frequently with permit applicants during the application process to ensure that they are informed and able to effectively monitor progress and manage their projects. The survey of permit applicants conducted during the audit showed that 95% of the respondents received adequate information on the application requirements and 89% reported that the Department was not responsible for any delays that occurred during the process.

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The Department coordinators working with permit applicants review the application data as part of the application process, but no formal, standard procedure is performed across the Department. The Department will develop written data quality assurance procedures for systematic and consistent verification of key data elements. The Department is currently implementing the Microsoft Dynamics Customer Relationship Management (CRM) tool for many business processes, including standard and express permitting, in a phased schedule. The CRM will be configured to prevent inaccurate or incomplete data being entered in the application process, to the extent possible. The CRM tool is projected to include 75% of all permit application processes and related data by the end of fiscal year 2022-23 and 100% by the end of fiscal year 2026-27. The positions responsible for implementing these corrective actions are the Department's CIO in conjunction with the Division Directors for the divisions that process and issue permits.

AUDIT FINDING 2: SOME RECOMMENDATIONS PARTIALLY IMPLEMENTED

Recommendations:
The Department should evaluate and consider alternative technologies to enable it to 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, additional information request and receipt date, complete application receipt date, and permit determination date. In addition, this information should be regularly updated to reflect the most current status for each permit application under review.

The Department should evaluate and consider alternative technologies to enable it to monitor the total time to process permit applications by project. This would allow project owners to monitor permit status for a project as a whole and ensure the Department has the necessary information to determine the overall effectiveness of its permitting process.

The Department should monitor and record the actual amount of time staff spend processing permits through both the express and standard processes for each permit type. A system to record time spent performing various assigned activities can help to more accurately monitor associated costs. In turn, the Department can use accurate application processing costs to ensure that the fees it charges are adequate to fund the program but are not excessive.

Agency Response:
The Department agrees with the finding and some of the recommendations. The implementation of the CRM will greatly improve the permit tracking services the Department will be able to provide, along with a single point of entry for both large scale public and applicant access. The CRM will be able to track permit applications from start to finish, provide the key milestones and permit status at any given point in the process, and offer real-time dashboard views of all permit data. The Department will review how best to track staff time during the phased implementation of the CRM. The CRM tool is projected to include 75% of all permit application processes and related data by the end of fiscal year 2022-23 and 100% by the end of fiscal year 2026-27. The positions responsible for implementing these corrective actions are the Department's CIO in conjunction with the Division Directors for the sections that process and issue permits.

The Department has received no feedback from industry project owners requesting to manage permits by project via a Department provided system, since industry project owners manage projects using consultants and other methodologies and practices. Many applicants intentionally submit permit applications separately in a staggered submittal order to avoid multiple revisions across permits, since some permit approvals will have requirements that affect subsequent permit applications. The Department's permit coordinators actively manage permit application processes to ensure that the permitting process is effective and efficient.

By accurately recording the actual amount of time spent processing both the express and standard permits by permit type in DEMLR, the Department successfully captures 99% of time spent between express and standard permit types. The Department does have staff dedicated full time to express permitting, but also must be able to respond to shifts in demand as fluctuating economic conditions directly impact the number of permit applications over time. More efficiency is gained by the ability to have trained staff split the time they spend on express versus standard processes depending on business need. The Department will further refine

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timekeeping efforts to ensure that all staff time spent on express permitting is supported by express permitting fees.

The Department will develop procedures and implement an express fee review process and timeline to periodically and systematically review the full cost recovery effectiveness of fees charged. It should be noted that G.S. 143B-279.13 authorizes the Department to determine the fees charged for the program and also requires a specific dollar amount tiered fee structure that is capped at $5,500. The Department will remain fully compliant with the governing statute when reviewing and determining fees charged. The Division Directors associated with Divisions that offer express permitting are responsible for implementing an express fee review program.

AUDIT FINDING 3: SOME RECOMMENDATIONS IMPLEMENTED

Recommendation:
The Department should improve the completeness and accuracy of its data and monitor its policies and procedures to ensure they are working as designed.

Agency Response:
The Department agrees with the finding and recommendation. In 2017 under the new Administration, the Department started an overall Permit Transformation Project, involving all affected stakeholders, to create a more streamlined and efficient approach to issuing all permits. Progress is ongoing and the outcomes will ensure complete and accurate data with monitoring tools to ensure that processes are operating effectively.

The Department is moving forward with overall process improvement via the implementation of Microsoft Dynamics CRM which will significantly enhance all aspects of standard and express permit processing. The workflow and data mapping currently taking place will serve as the foundation for the monitoring of activity, policies and procedures going forward. The CRM tool is projected to include 75% of all permit application processes and related data by the end of fiscal year 2022-23 and 100% by the end of fiscal year 2026-27. The positions responsible for implementing these corrective actions are the Department's CIO in conjunction with the Division Directors for the sections that process and issue permits.

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ORDERING INFORMATION

This audit required 3,761 hours of auditor effort at an approximate cost of $387,383.