

STATE OF LOUISIANA LEGISLATIVE AUDITOR

**Department of Natural Resources:
Analysis of Program Authority
and Performance Data**

October 1997



Performance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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**Performance Audit
Office of Legislative Auditor
State of Louisiana**

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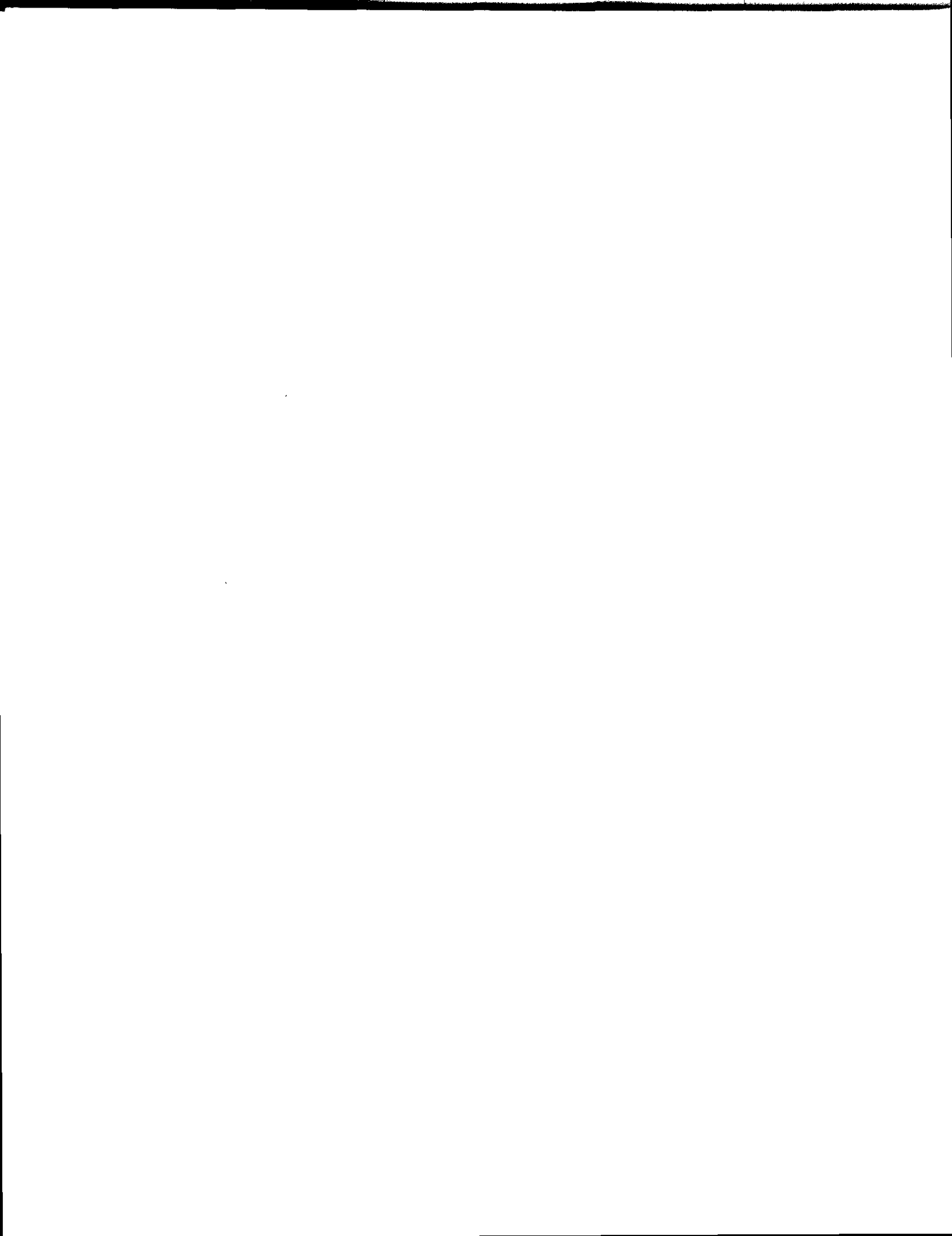


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October 16, 1997

The Honorable Randy L. Ewing,
President of the Senate
Honorable H. B. "Hunt" Downer, Jr.,
Speaker of the House of Representatives

Dear Senator Ewing and Representative Downer:

This report gives the results of our performance audit of the Program Authority and Performance Data of the Department of Natural Resources and its related boards, commissions, and like entities. The audit was conducted under provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. In addition, this audit is one step toward meeting requirements of the Louisiana Performance Audit Program (Louisiana Revised Statute 24:522).

The report represents our findings, conclusions, and recommendations. We have also identified matters for legislative consideration. Appendix C contains the Department of Natural Resources' response. Appendix D contains the Division of Administration – Office of Planning and Budget's response. I trust that this report will be of use to you in your legislative decision-making process.

Sincerely,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGK/dl

[DNR]



Office of Legislative Auditor

Executive Summary

Department of Natural Resources: Analysis of Program Authority and Performance Data

For fiscal year 1996-97, the legislature appropriated almost \$94 million to the Department of Natural Resources. Our audit of the department's performance data in the 1996-97 executive budget found that:

- ◆ Neither the department nor its offices have missions shown in the executive budget. Only two of the department's programs have goals in the executive budget. As a result, we could not determine if the department's overall mission and the missions and goals of each office are consistent with the legal authority. However, all of the department's programs in the executive budget have mission statements and all have adequate statutory authority.
- ◆ There are some statutorily mandated activities that the department is not currently performing, because they have been determined to be outmoded or are unfunded mandates. Most of these activities were not identified in the department's sunset budget request supplement. Because these activities are not identified for legislators, they may not be aware that these activities are not being done.
- ◆ The program mission statements in the executive budget identify the program's purpose and are accepted by the department. However, less than half identify the program's clients. Two programs have goals listed in the executive budget and both meet all of the criteria.
- ◆ Most of the programs have objectives, but few of the objectives meet our established criteria. More than 75 percent of the performance indicators are consistent with the objectives and are easily understood, but less than 20 percent measure progress toward the objective. Without goals, the objectives and performance indicators collectively do not give an external user much information on the performance of the department's programs.
- ◆ The department currently does not engage in strategic planning. Strategic planning is a process that sets goals for the future and strategies for achieving those goals, with an emphasis on how best to use resources. This lack of planning may be a contributing factor to the deficiencies with the department's performance data.
- ◆ We did not identify any areas of overlap or duplication within the department.

Audit Initiation and Objectives

The Office of the Legislative Auditor conducted this performance audit of the executive budget program information for the Department of Natural Resources in response to certain requirements of Act 1100 of 1995. This act amended the state audit law by adding Louisiana Revised Statute (R.S.) 24:522, which created the Louisiana Performance Audit Program. Although the legislative auditor has been conducting performance audits since 1986, R.S. 24:522 formalizes an overall performance audit program for the state. In addition to finding solutions to present fiscal problems, the legislature created the Performance Audit Program to identify and plan for the state's long-term needs.

This report is one of a series of reports on all major executive branch departments addressing the following objectives:

- Determine if the department's missions and goals as reported in the fiscal year 1996-97 executive budget are consistent with legislative intent and legal authority
- Determine if the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1996-97 executive budget are consistent with established criteria
- Determine if the department's objectives and performance indicators as reported in the fiscal year 1996-97 executive budget collectively provide useful information for decision-making purposes
- Identify any programs, functions, and activities within the department that appear to be overlapping, duplicative, or outmoded

DNR Conserves, Manages, and Develops the State's Natural Resources

R.S. 36:351(A) created the Department of Natural Resources (DNR). R.S. 36:351(B) states that DNR shall be responsible for the conservation, management, and development of water, minerals, and other state natural resources, including coastal restoration and management. This statute excludes timber and fish and wildlife and their habitats. These exceptions are the responsibility of the Department of Wildlife and Fisheries.

- The **Office of the Secretary** includes the Executive, Management and Finance, the Energy Conservation, Fishermen's Gear Compensation Fund, and Home Energy Efficiency Fund programs.

- The **Office of Conservation** includes the Oil and Gas Regulatory and the Public Safety programs.
- The **Office of Mineral Resources** includes the Mineral Resource Management, the Louisiana Geological Survey, and the Auxiliary programs.
- The **Office of Coastal Restoration and Management** includes a program by the same name. It is made up of two divisions, the Coastal Restoration Division and the Coastal Management Division.

(See page 18 of the report.)

**All Programs
Align With
Statutory
Authority**

All of DNR's executive budget programs have mission statements in the executive budget. However these missions are not identified as such in the executive budget. All of the program missions align with statutory authority. There is no overall department mission or office missions stated in the executive budget. As a result, we could not determine if the department's overall mission and the missions and goals of each office are consistent with the legal authority.

(See page 23 of the report.)

**DNR Has Several
Outmoded or
Unfunded
Activities**

According to DNR officials, there are some statutorily mandated functions that are outmoded and are not currently being done. These are the Natural Gas Marketing Commission, the Natural Gas Clearing House, and the Compressed Natural Gas Program. Also, the Produced Water Incentive Program is not being used for its full potential by the industry. Another activity, Underwater Obstructions, which directs DNR to clear hazards on state waterbottoms, is a statutory mandate that is not being carried out.

(See pages 29-31 of the report.)

Recommendations

- 2.1** The Office of Planning and Budget should work with the department to develop mission and goal statements to be included in the executive budget for the department, its offices, and boards that are funded through DNR. These missions and goals should be labeled as such in the executive budget.
- 2.2** The department may wish to review its legal mandates, identify those that are not being performed, and report them to the Office of Planning and Budget on the proper forms.

Matters for Legislative Consideration

- 2.1** The legislature may wish to consider legislation outlining the duties of the Auxiliary Program.
- 2.2** The legislature may wish to eliminate the Natural Gas Clearing House, R.S. 30:550, and the Compressed Natural Gas Program, R.S. 39:364. Both are outmoded functions that the department is not performing.
- 2.3** The legislature may wish to consider amending the laws regarding the Produced Water Incentive Program, R.S. 47:633.5, so that more people in the industry would use the program. According to DNR officials, the environmental benefit to the state would then be realized, and the natural resources of the state would be more efficiently used.
- 2.4** The legislature may wish to consider taking some action regarding R.S. 30:4(D), which is the Underwater Obstruction mandate on the Office of Conservation. This function is not being performed, because of a lack of financial and personnel resources, according to department officials.

**DNR's
Performance
Data Need
Improving**

DNR currently does not engage in strategic planning. This lack of overall planning may be a contributing factor in the deficiencies with the department's performance data. There is no overall department or office mission statements listed in the executive budget.

All of the programs within the four executive budget offices do have missions. All of the missions identify the program's purpose and are accepted by the department. However, less than half identified the program's intended client group.

However, only two of the programs have goals. Without goals, legislators do not know in what direction programs are headed. The two goals that are listed met all of the criteria.

Most of the programs in the executive budget have objectives and most specify an end result. However, few are measurable or timebound. Most are not consistent with goals, because most programs have no goals.

Because so many of the objectives are immeasurable, less than 20 percent of the performance indicators measure progress. However, more than 75 percent of them are consistent with the objectives and are easily understood.

Without goals or measurable objectives in the executive budget, performance indicators provide little useful information to legislators. Because of the lack of important elements in DNR's performance data in the executive budget, legislators may not be able to determine the efficiency or effectiveness of DNR's programs.

(See pages 34-62 of the report.)

Recommendations

- 3.1 The Department of Natural Resources, with the assistance of the Office of Planning and Budget, should engage in formal strategic planning.**

- 3.2 The Department of Natural Resources should, with the assistance of the Office of Planning and Budget, develop an overall departmental mission statement, office mission statements, and goals for all of the executive budget programs. Objectives should contain an achievable target, and performance indicators should measure progress toward achieving the objective's performance.**

Chapter 1: Introduction

Audit Initiation and Objectives

The Office of the Legislative Auditor conducted this *performance audit of the executive budget program information* for the Department of Natural Resources in response to certain requirements of Act 1100 of 1995. This act amended the state *audit law* by adding Louisiana Revised Statute (R.S.) 24:522, which created the Louisiana Performance Audit Program. Although the legislative auditor has been conducting performance audits since 1986, R.S. 24:522 formalizes an overall performance audit program for the state. In addition to finding solutions to present fiscal problems, the legislature created the Performance Audit Program to identify and plan for the state's long-term needs.

This report is one of a series of reports on all major executive branch departments addressing the following objectives:

- Determine if the department's missions and goals as reported in the fiscal year 1996-97 executive budget are consistent with legislative intent and legal authority
- Determine if the department's missions, goals, objectives, and performance indicators as reported in the fiscal year 1996-97 executive budget are consistent with established criteria
- Determine if the department's objectives and performance indicators as reported in the fiscal year 1996-97 executive budget collectively provide useful information for decision-making purposes
- Identify any programs, functions, and activities within the department that appear to be overlapping, duplicative, or outmoded

Report Conclusions

The Department of Natural Resources (DNR) was appropriated more than \$94 million for fiscal year 1996-97 to perform its duties of overseeing the state's water, minerals, and other natural resources. It has almost 400 employees to carry out these duties. In the 1996-97 executive budget, the department is organized into four offices and eleven programs.

Our first audit objective was to determine if the department's missions and goals as reported in the fiscal year 1996-97 executive budget are consistent with legislative intent and legal authority. Neither the department nor its offices have missions shown in the executive budget. Only two of the department's eleven programs listed in the executive budget have goals. As a result, we could not determine if the department's overall mission and the missions and goals of each office are consistent with legal authority. However, all of the department's programs have adequate legal authority. However, one program, the Auxiliary Program in the Office of Mineral Resources, is not specifically created by state law.

Our second audit objective was to determine if the department's performance data as reported in the fiscal year 1996-97 executive budget are consistent with established criteria. The program missions meet most of the established criteria. They all identify the program's purpose and are accepted by the department. However, less than half identify the program's intended clients. Most of the programs did not have goals listed in the executive budget. The two goals that are listed meet all of the criteria. Most of the programs have objectives, and most specify an end result. However, few of the objectives are consistent with goals, because most programs have no goals. In addition, most are not measurable or timebound. More than 75 percent of the performance indicators are consistent with the objectives and are easily understood. However, less than 20 percent of them measure progress toward the objective, because few of the objectives are measurable.

Our third audit objective was to determine if the department's objectives and performance indicators as reported in the fiscal year 1996-97 executive budget collectively provide useful information for decision-making purposes. Without goals or measurable objectives, performance indicators provide little useful information to legislators. Because of the lack of important elements in DNR's performance data, legislators may not be able to determine the

efficiency or effectiveness of DNR's programs from the data in the executive budget.

Our final audit objective was to identify any programs, functions, and activities within the department that appear to be overlapping, duplicative, or outmoded. During our audit, we did not identify any areas of overlap or duplication. However, according to department officials, there are some statutorily mandated functions that are outmoded and are currently not being done. Also within the department there is one activity that is not being used to its full potential by the industry. State law directs DNR to clear hazards on state waterbottoms, but this function is not being done.

Accountability Initiatives

Article XIV, Section 6 of the 1974 Louisiana Constitution reorganized the executive branch into 20 departments. State law says that the structure of the executive branch of state government is to, in part, promote economy and efficiency in the operation and management of state government. Since the reorganization, additional efforts have been undertaken to eliminate duplicative, overlapping, and outmoded programs and activities. Some of these efforts require internal reviews of programs, policies, and services of state agencies while others provide for external reviews.

R.S. 24:522 requires the legislative auditor to annually make recommendations to the legislature relative, in part, to the effectiveness and efficiency of programs and services that the various state agencies provide. In particular, it directs the auditor to evaluate the basic assumptions underlying all state agencies, programs and services to assist the legislature in identifying those that are vital to the best interests of the people of Louisiana and those that no longer meet that goal. The act also requires state agencies to produce certain information during the budgetary process.

In July 1996, the Office of the Legislative Auditor issued a report that examined the performance and progress of Louisiana state government. That report followed up on all recommendations made in performance audits and staff studies issued by the legislative auditor during the previous three years. In that report, we tracked the progress of agencies in implementing recommendations contained in the performance studies and

identified related legislation. We also identified a number of problem areas in state government including inadequate oversight and inadequate planning.

As part of our continuing efforts to meet the requirements of R.S. 24:522, we have issued this report that examines the legal authority for the department's programs and services. This report also examines the program information contained in the fiscal year 1996-97 executive budget and builds on the need for better planning. As previously mentioned, similar performance audit reports are to be issued on all other executive branch departments.

State law (R.S. 49:190 *et seq.*) also requires agencies to provide the legislature with certain information to justify their existence in order to continue. This is referred to as the sunset review process. This process allows the legislature an opportunity and mechanism to evaluate the operations of state statutory entities.

State law also requires an annual report by department undersecretaries on their department management and program analysis. These reports, required by the provisions of R.S. 36:8, are referred to as Act 160 reports, since Act 160 of 1982 originally enacted this law. This law requires agencies to conduct evaluations and analyses of programs, operations, and policies to improve the efficiency, economy, and effectiveness of the departments.

Other performance legislation includes an accountability act for colleges and universities. Also, various agency performance related reports are required to be submitted with the agency budget request. One of these reports is referred to as the "Sunset Review Budget Request Supplement."

**Program
Budgeting and
Strategic
Planning
Focus on
Outcomes**

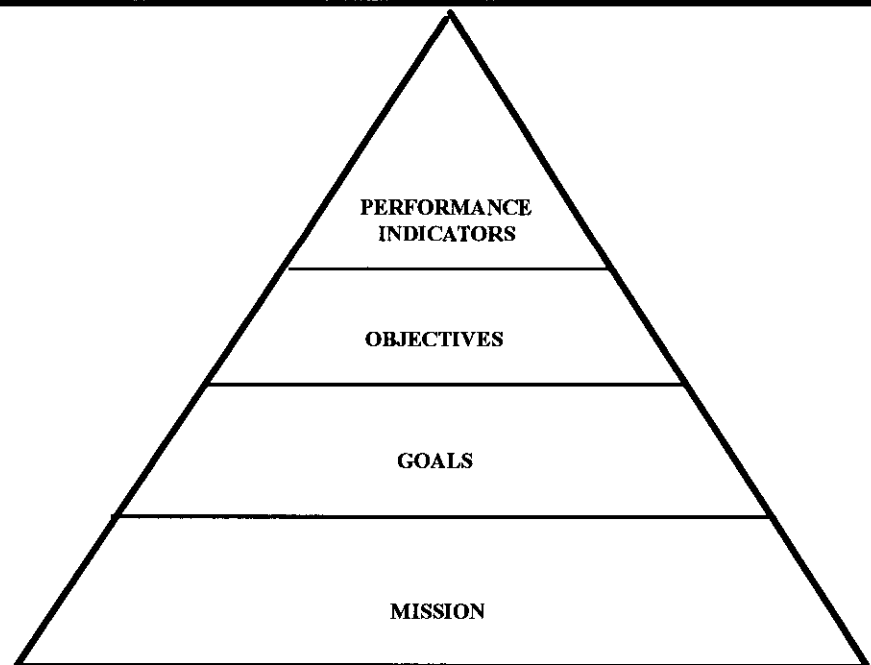
Act 814 of the 1987 Regular Legislative Session required the state to adopt a program budgeting system beginning in fiscal year 1988-89. R.S. 39:36 requires the executive budget to be in a format that clearly presents and highlights the programs operated by state government. According to *Manageware*, a publication of the Division of Administration's Office of Planning and Budget (OPB), program budgeting is a budget system that focuses on program objectives, achievements, and cost-effectiveness. *Manageware* also states that program budgeting is concerned with

outcomes or results rather than with individual items of expenditure.

Strategic planning is a process that sets goals and objectives for the future and strategies for achieving those goals and objectives, with an emphasis on how best to use resources. Program budgeting involves the development of missions, goals, objectives, and performance indicators. These factors are components of the strategic planning process.

Exhibit 1-1 shows how missions, goals, objectives, and performance indicators relate to each other. As can be seen in this exhibit, the mission is the base from which goals are derived. Objectives flow from the goals, and performance indicators flow from the objectives.

Exhibit 1-1**Major Components of the Strategic Planning Process**



Source: Prepared by legislative auditor's staff using a similar diagram in *Manageware*.

Manageware defines these terms as follows:

- **Mission:** a broad, comprehensive statement of the organization's purpose. The mission identifies what the organization does and for whom it does it.
- **Goals:** the general end purposes toward which effort is directed. Goals show where the organization is going.
- **Objectives:** specific and measurable targets for accomplishment. Objectives include a degree or type of change and a timetable for accomplishment.
- **Performance Indicators:** the tools used to measure the performance of policies, programs, and plans.

Furthermore, *Manageware* categorizes performance indicators into five types:

1. **Input indicators** measure resource allocation and demand for services. Examples of input indicators are budget allocations and number of full-time equivalent employees.
2. **Output indicators** measure the amount of products or services provided or the number of customers served. Examples of output indicators include the number of students enrolled in an adult education course, the number of vaccinations given to children, and the number of miles of roads resurfaced.
3. **Outcome indicators** measure results and assess program impact and effectiveness. Examples of outcome indicators are the number of persons able to read and write after completing an adult education course and the change in the highway death rate. Outcome indicators are the most important performance measures because they show whether or not expected results are being achieved.
4. **Efficiency indicators** measure productivity and cost-effectiveness. They reflect the cost of providing services or achieving results. Examples of efficiency indicators include the cost per student enrolled in an adult education course, the bed occupancy rate at a hospital, and the average

processing time for environmental permit applications.

5. **Quality indicators** measure effectiveness in meeting the expectations of customers, stakeholders, and other groups. Examples of quality indicators include the number of defect-free reports compared to the number of reports produced, the accreditation of institutions or programs, and the number of customer complaints filed.

Manageware also points out the benefits of program budgeting. According to *Manageware*, program budgeting streamlines the budget process. *Manageware* also says that program budgeting supports quality management by allowing managers more budgetary flexibility while maintaining accountability for the outcomes of programs. Since appropriations are made at the program level, program managers can more easily shift funds from one expenditure category to another to cover unanticipated needs, according to *Manageware*.

The need for accountability in government operations is gaining recognition both domestically and internationally. According to a recent report issued by the United States General Accounting Office, the federal government is currently implementing the Government Performance and Results Act of 1993. This act requires agencies to set goals, measure performance, and report on their accomplishments. The report also cites several states including Florida, Oregon, Minnesota, Texas, and Virginia and foreign governments such as Australia, Canada, New Zealand, and the United Kingdom that are also pursuing management reform initiatives and becoming more results-oriented.

In Louisiana, the 1996 general appropriation bill and resulting act included program descriptions for the first time. The 1997 general appropriation bill also includes key performance indicators. For fiscal year 1997-98, this information will be presented for informational purposes only. However, in the future, it will serve as a starting point for the full implementation of performance based budgeting.

Beginning in fiscal year 1998-99 and all subsequent fiscal years, key objectives and key performance indicators contained in the General Appropriation Act will be included in the agency's appropriation. Each agency will be required to provide quarterly performance progress reports. The agency's appropriation will

be issued conditioned upon the agency preparing and submitting these reports.

Executive Budget Is Basis for General Appropriation Act

Article VII, Section 11(A) of the Louisiana Constitution requires the governor to submit a budget estimate to the legislature that sets forth the state expenditures for the next fiscal year. This budget estimate, the executive budget¹, must include recommendations for appropriations from the state general fund, dedicated funds, and self-generated funds.

R.S. 39:36 requires the executive budget to be configured in a format that clearly presents and highlights the programs operated by state government. This statute also requires the executive budget to include:

- (1) an outline of the agency's programmatic structure, which should include an itemization of all programs with a clear description of the objectives of each program;
- (2) a description of the activities that are intended to accomplish each objective; and
- (3) clearly defined indicators of the quantity and quality of performance of these activities.

OPB develops the executive budget based on voluminous material contained in various documents prepared by the departments as part of their budget requests. The budget request packages are made up of six separate components, which are listed below. These packages contain both financial and program information.

1. **Operational plans** describe the various programs within state agencies. They also give program missions, goals, objectives, and performance indicators. Operational plans are derived from long-range strategic plans. Operational plans tell what portions of strategic plans will be addressed during a given operational period.

¹ The governor also submits a capital outlay budget. However, the scope of this audit includes only the executive budget.

2. **Existing operating budgets** describe the initial operating budgets as adjusted for actions taken by the Joint Legislative Committee on the Budget, the Interim Emergency Board, the legislature, and/or the governor.
3. **Continuation budgets** describe the level of funding for each budget unit that reflects the resources necessary to carry on all existing programs and functions at the current level of service in the ensuing fiscal year. These budget components include any adjustments necessary due to the increased cost of services or materials as a result of inflation and increased workload requirements resulting from demographic or other changes. Continuation budgets contain program information.
4. **Technical/other adjustment packages** allow for the transfer of programs or functions from certain agencies or departments to other agencies or departments. However, total overall revenues and expenditures cannot be increased. The technical/other adjustment packages also contain program information.
5. **New or expanded service requests** are designed to provide information about the cost of new and/or expanded services that departments will provide. These service changes can come about as a result of regulation or procedural changes that are/were controlled by the agency or by the addition of services that were not previously provided. The new or expanded service requests also contain program information.
6. **Total request summaries** provide a cross-check of the total budget request document. These forms are designed to provide summaries of all the requested adjustments made to arrive at the total budget requests.

According to *Manageware*, the total budget request must be accompanied by the Sunset Review Budget Request Supplement (i.e., BRS forms). The BRS forms list all activities that a budget unit has been directed to administer (through legislatively authorized programs and acts of the legislature) for which no implementing funds were appropriated in the existing operating

budget. The BRS forms must be submitted to OPB, the Legislative Fiscal Office, and the Joint Legislative Committee on the Budget.

For the 1996-97 fiscal year, OPB prepared and published several volumes of a two-part executive budget using the departments' budget request packages. One part of the executive budget contains financial information, and the other part contains program information. The program information includes program descriptions, missions, goals, objectives, and performance indicators related to the services and products of each department resulting from spending state revenues.

According to R.S. 39:37, the governor must submit the executive budget to the Joint Legislative Committee on the Budget. The governor must make a copy of the executive budget available to each member of the legislature. The constitution requires that the governor submit a general appropriation bill for proposed ordinary operating expenditures in conformity with the executive budget document that was submitted to the legislature.

The general appropriation bill moves through the legislature similar to any other bill. The Appropriations Committee in the House of Representatives initially hears the bill and then it moves to the Senate Finance Committee. Both the House and Senate may amend the bill. The bill is voted upon in its final form by the full membership of both chambers. OPB monitors any amendments the legislature makes to the bill.

After the general appropriation bill passes the legislature, it is forwarded to the governor. Once the governor signs the bill, it becomes law in the form of the General Appropriation Act. After the governor signs the bill, OPB reports to the state departments any amendments made by the legislature. The state constitution allows the governor to veto any line item in the appropriation bill. A veto can be overridden by a two-thirds vote of the legislature. Exhibit 1-2 on page 12 illustrates the executive budget and appropriation processes.

Scope and Methodology

Overview. This performance audit of the Department of Natural Resources' program information was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. All performance audits are conducted in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States. Work on this audit began in August 1996.

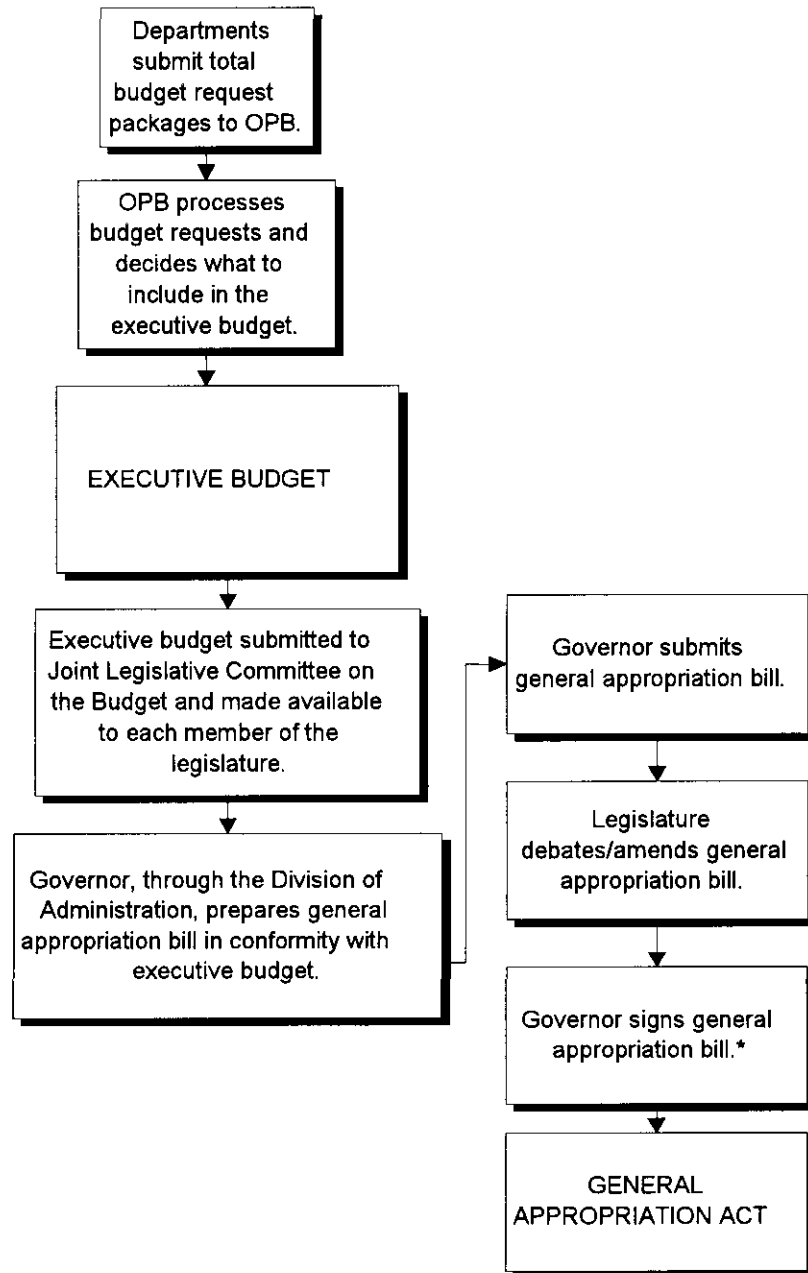
This section provides a summary of the methodology used in this audit. Based on planning meetings held by legislative audit staff, we formulated audit objectives that would address issues specific to the program information contained in the executive budget. The audit focused on the 1996-97 executive budget program information.

Exhibit 1-2

Executive Budget and Appropriation Processes

Executive Budget Process

Appropriation Process



* The governor has line-item veto power.

Source: Prepared by legislative auditor's staff using the state constitution, state law, *Manageware*, and *House Legislative Services - State and Local Government in Louisiana: An Overview* (December 1995).

References Used. To familiarize ourselves with performance measurement, program budgeting, and accountability concepts, we reviewed various publications including the following:

- *Manageware* published by the Office of Planning and Budget (1991 and 1996 editions)
- *Research Report - Service Efforts and Accomplishments Reporting: Its Time Has Come, An Overview* published by the Governmental Accounting Standards Board (GASB) (1990)
- *Executive Guide: Effectively Implementing the Government Performance and Results Act* published by the U.S. General Accounting Office (June 1996)
- Various reports by the Canadian Comprehensive Auditing Foundation
- Reports from various states related to program budgeting and strategic planning

These publications are listed in detail in Appendix A. We also conducted interviews with personnel of the Urban Institute, the federal Office of Management and Budget (OMB), and GASB. These individuals represent both the theoretical and practical sides of current performance measurement and accountability efforts.

To gain an understanding of the state's budget process, we reviewed state laws regarding program budgeting. In addition, we interviewed staff of OPB and the Department of Natural Resources regarding their budget processes.

Legal Basis for Missions and Goals. We searched state and federal laws to determine whether there was legal authority for missions and goals of the department and its programs. We also reviewed applicable laws to determine legislative intent related to the creation of the department and the functions that the department and its programs are intended to perform. In addition, we reviewed and organized data obtained from the department on its structure, functions, and programs. We also interviewed key department personnel about these issues. We included within the scope of our detailed audit work all related boards, commissions, and like entities for which funding was recommended through a specific line item in the executive budget. We also prepared a listing, which is contained in Appendix B, of all related boards,

commissions, and like entities we identified, regardless of whether funding was recommended through a specific line item.

Comparison of Performance Data to Criteria. We developed criteria against which to compare the department's missions, goals, objectives, and performance indicators as reported in the 1996-97 executive budget. To help develop these criteria, we gathered information from GASB, OMB, the Urban Institute, and *Manageware*. During our criteria development process, we obtained input from GASB. We also obtained concurrence from GASB on our final established criteria. We then compared the missions, goals, objectives, and performance indicators to the established criteria.

In addition, we evaluated the objectives and performance indicators to determine if they collectively provide useful information to decision makers. When deficiencies or other problems were identified, we discussed them with appropriate personnel of the department and OPB. We did not assess the validity or reliability of the performance indicators.

Although other documents contain performance data on the department, we only compared the missions, goals, objectives, and performance indicators contained in the executive budget to the criteria. This decision was made because the executive budget is the culmination of OPB's review and refinement of the budget request components. It also represents the governor's official recommendation to the legislature for appropriations for the next fiscal year.

Potential Overlapping, Duplicative, or Outmoded Areas. Finally, we reviewed the program descriptions and legal authority for the department's programs and related boards, commissions, and like entities to identify areas that appeared to be overlapping, duplicative, or outmoded. We defined these terms as follows:

- **Overlapping:** instances where two or more programs appear to perform different activities or functions for the same or similar purposes
- **Duplicative:** instances where two or more programs appear to conduct identical activities or functions for the same or similar purposes
- **Outmoded:** those programs, activities, or functions that appear to be outdated or are no longer needed

We did not conduct detailed audit work on the areas we identified as potentially overlapping, duplicative, or outmoded. We only identified them for further review at another time.

Areas for Further Study

During this audit, we identified the following areas that require further study:

- As previously mentioned, assessing the validity and reliability of performance indicators was not within the scope of this audit. However, if the legislature intends to include performance indicators in future appropriation bills and acts, validity and reliability become increasingly important. Consequently, in the future, the legislature may wish to direct a study of the validity and reliability of performance indicators included in appropriation bills.
- The programs, functions, and activities that appear to be overlapping, duplicative, or outmoded should be assessed in more detail to determine whether they are truly overlapping, duplicative, or outmoded. Once these assessments are completed, the legislature may decide whether any of these programs, functions, or activities should be altered, expanded, or eliminated.
- The availability of management information systems that can readily integrate data from a variety of sources is essential to a successful program budgeting system. Capturing accurate and meaningful performance data is important, in part, because of the increased emphasis the legislature is placing on program information. Therefore, the capabilities of the department's management information system as related to program data should be addressed.
- The management controls, rules, and regulations of the Fishermen's Gear Compensation Fund should be reviewed. The department has determined that commercial fishermen have submitted fraudulent claims.

Report Organization

The remainder of this report is divided into the following chapters and appendixes:

- **Chapter 2** describes the Department of Natural Resources. This chapter gives the legal authority for the department and its programs as well as other information that describes the department and related boards and commissions. This chapter also compares the missions and goals of the department as reported in the 1996-97 executive budget to their legal authority. In addition, this chapter discusses programs, functions, and activities within the department that appear to be overlapping, duplicative, or outmoded, if any came to our attention.
- **Chapter 3** gives the results of our comparison of the department's missions, goals, objectives, and performance indicators as reported in the 1996-97 executive budget to established criteria. In addition, this chapter discusses whether the objectives and performance indicators collectively provide useful information for decision-making purposes.
- **Appendix A** is a list of references used for this audit.
- **Appendix B** is a listing of related boards, commissions, and like entities that we identified.
- **Appendix C** is the Department of Natural Resources' response to this report.
- **Appendix D** is the Division of Administration - Office of Planning and Budget's response to this report.

Chapter 2: Department Overview

Chapter Conclusions

The Department of Natural Resources (DNR) was appropriated more than \$94 million for fiscal year 1996-97 to perform its duties of overseeing the state's water, minerals, and other natural resources. This amount is more than double its fiscal year 1995-96 expenditures.

Neither the department nor its offices have missions shown in the executive budget. Only two of the department's eleven programs listed in the executive budget have goals. As a result, we could not determine if the department's overall mission and the missions and goals of each office are consistent with legal authority.

All of the department's programs have adequate legal authority. However, one program is not specifically created by state law: the Auxiliary Program.

According to department officials, there are some statutorily mandated functions that are outmoded and are currently not being done. These are the Natural Gas Marketing Commission, the Natural Gas Clearing House, and the Compressed Natural Gas Program.

Also within the department is the Produced Water Incentive Program that is not being utilized to its full potential. According to DNR officials, if this program were utilized, there would be an environmental benefit to the state, and the natural resources of the state would be used more efficiently.

Another function, Underwater Obstructions, which directs DNR to clear hazards on state waterbottoms, is a statutory mandate that is also not being carried out. The department, for lack of funding and personnel, is not doing this function.

**DNR Conserves,
Manages, and
Develops the
State's Natural
Resources**

R.S. 36:351(A) created DNR. R.S. 36:351(B) states that DNR shall be responsible for the conservation, management, and development of water, minerals, and other state natural resources, including coastal restoration and management. This statute excludes timber and fish and wildlife and their habitats. These exceptions are the responsibility of the departments of Agriculture and Forestry and Wildlife and Fisheries.

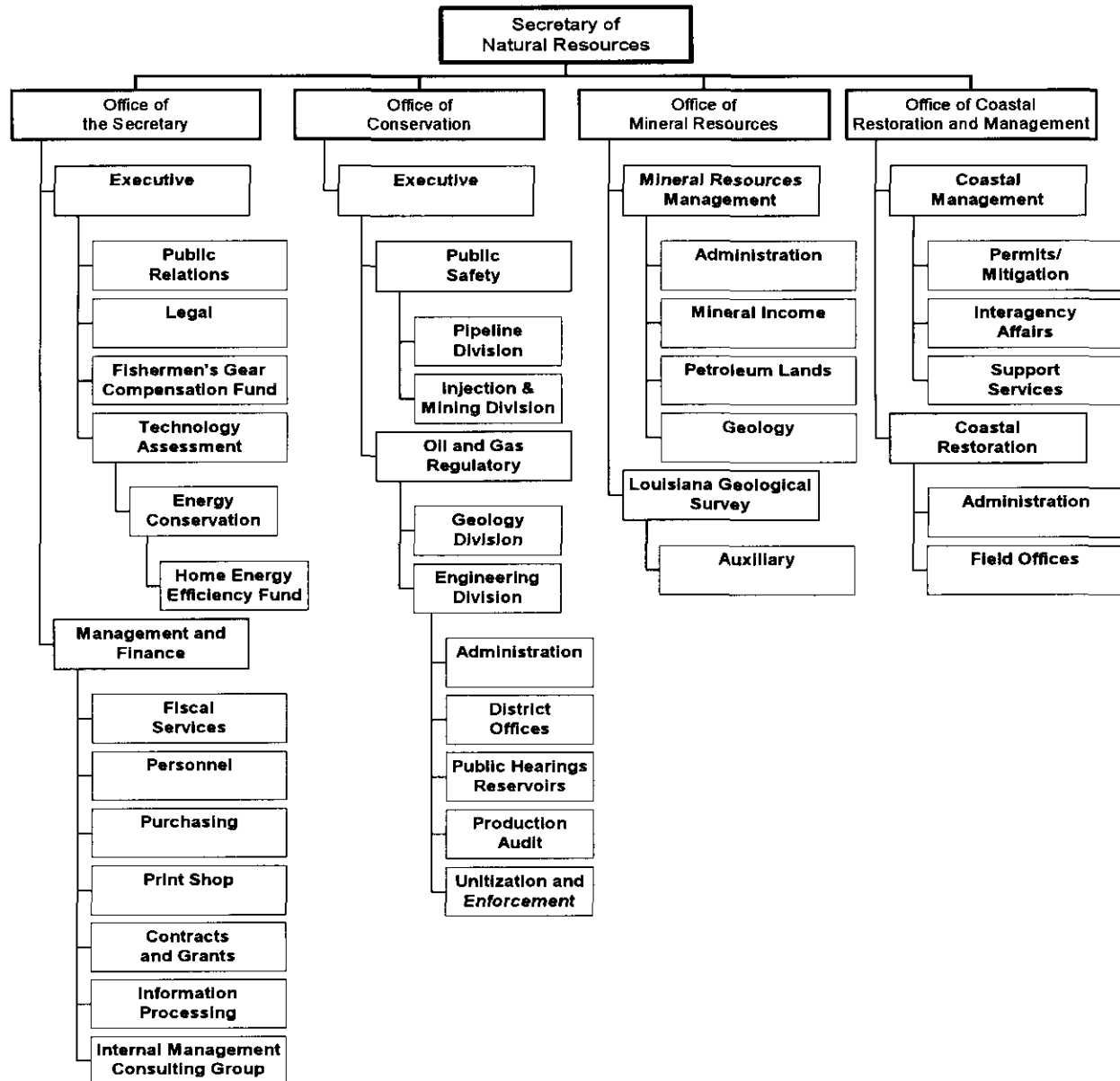
Exhibit 2-1 on page 19 is an organization chart. It depicts the offices and programs within the department. DNR is comprised of four offices, each of which operates separate programs.

- The **Office of the Secretary** is comprised of the Executive, the Management and Finance, the Energy Conservation, the Fishermen's Gear Compensation Fund, and the Home Energy Efficiency Fund programs.
- The **Office of Conservation** is comprised of the Oil and Gas Regulatory and the Public Safety programs.
- The **Office of Mineral Resources** is made up of the Mineral Resource Management, the Louisiana Geological Survey, and the Auxiliary programs.
- The **Office of Coastal Restoration and Management** is comprised of a program by the same name. It includes two divisions, the Coastal Restoration Division and the Coastal Management Division.

**DNR
Appropriated
More Than \$94
Million for Fiscal
Year 1996-97**

For fiscal year 1996-97, DNR was appropriated more than \$94 million, more than twice the amount spent the prior year. Exhibit 2-2 on page 20 lists the programs' actual expenditures for fiscal year 1995-96 and recommended and appropriated amounts for fiscal year 1996-97. The table also includes the number of positions authorized for each program for fiscal year 1996-97.

Exhibit 2-1
Department of Natural Resources'
Organization Chart



Source: Prepared by legislative auditor's staff from information provided by the Department of Natural Resources.

Exhibit 2-2

Department of Natural Resources
Expenditure, Recommended, Appropriation and Staffing Data
for Fiscal Years 1995-96 and 1996-97

| Program | 1995-96 Actual | 1996-97 Recommended | 1996-97 Appropriated | Authorized Positions |
|---|------------------------|------------------------|-------------------------|-------------------------|
| Office of the Secretary | | | | |
| Executive | \$2,713,000 | \$7,296,686 | \$7,270,198 | 22 |
| Management and Finance | 4,263,000 | 5,390,102 | 5,682,648 | 61 |
| Energy Conservation | 3,644,000 | 23,512,581 | 23,512,581 | 9 |
| Fishermen's Gear Compensation Fund | 1,315,000 ^a | 2,993,311 | 2,993,311 | 0 |
| Home Energy Efficiency Fund | 125,000 | 285,000 | 285,000 | 0 |
| Subtotal | \$12,060,000 | \$39,477,680 | \$39,743,738 | 92 |
| Office of Conservation | | | | |
| Oil and Gas Regulatory | \$6,464,000 | \$8,536,897 | \$8,623,429 | 104 |
| Public Safety | 2,423,000 | 2,877,796 | 2,877,796 | 44 |
| Subtotal | \$8,887,000 | \$11,414,693 | \$11,501,225 | 148 |
| Office of Mineral Resources | | | | |
| Mineral Resources Management | \$4,562,000 | \$5,272,271 | \$6,130,748 | 64 |
| Louisiana Geological Survey | 0 | 952,430 | 952,430 | 0 |
| Auxiliary | 0 | 30,000 | 30,000 | 0 |
| Subtotal | \$4,562,000 | \$6,254,701 | \$7,113,178 | 64 |
| Office of Coastal Restoration and Management | | | | |
| Coastal Restoration and Management | \$20,246,000 | \$35,861,146 | \$35,939,977 | 94 |
| Subtotal | \$20,246,000 | \$35,861,146 | \$35,939,977 | 94 |
| Department Total | \$45,755,000 | \$93,008,220 | \$94,298,118 | 398 |

^a This figure represents \$1,285,250 in filed claims and \$29,750 in administrative costs.

Source: Prepared by legislative auditor's staff from the Comprehensive Annual Financial Report for fiscal year ended June 30, 1996, the 1996-97 Executive Budget, and the 1996-97 General Fund Appropriation Executive Summary.

The following paragraphs explain the sometimes large increases between the 1995-96 actual expenditures and the 1996-97 recommended budget. DNR officials provided these explanations.

- **Office of the Secretary - Executive Program.** The amount increases from almost \$3 million to more than \$7 million. The Louisiana Oilfield Site Restoration Program administers a fund that is used to clean up abandoned oilfield sites. The oil and gas industry contributes approximately \$4 million annually to this fund. The increase is the result of a carry-over of funds. Some contracts have been approved, but the work has yet to be done.
- **Office of the Secretary - Energy Conservation.** The amount increases from nearly \$4 million to more than \$23 million. The increase is a result of the Federal Energy Settlement funds, which are budgeted for fiscal year 1996-97. The settlement is the result of a claim by the federal government charging that oil companies were overcharging consumers for products governed by oil price controls in the 1970s.
- **Office of Mineral Resources - Mineral Resource Management.** The amount increases from \$4.5 million to more than \$6 million. Computer upgrades were approved for this office and the increased funding by additional self-generated income. Also, statutorily dedicated funds were appropriated for legal support.
- **Office of Coastal Restoration and Management.** The amount increases more than \$15 million. This program has several twenty-year projects, and the funds for these projects are carried over each year until the project is complete. The projects are designed to conserve or restore coastal vegetated wetlands of the state.

DNR Has Representation on Several Boards

The secretary or his designee is a member of several boards, commissions, and like entities that do not fall under the jurisdiction of the department, but perform functions related to the department's purpose. A list of the boards on which DNR has representation is shown in Exhibit 2-3.

Exhibit 2-3

Boards, Commissions, and Like Entities With DNR Representation and the Supervisory Department

| Name of Board | Department Affiliation |
|--|---|
| • Environmental and Natural Resources Council | • Executive Department |
| • Louisiana Environmental Education Commission | • Executive Department |
| • Wetlands Conservation and Restoration Authority | • Executive Department |
| • Wetlands Advisory Task Force | • Executive Department |
| • Oil Spill Prevention and Response Act Interagency Council | • Executive Department |
| • Louisiana Resource Recovery and Development Authority | • Department of Environmental Quality |
| • Parks and Recreation Commission | • Department of Culture, Recreation and Tourism |
| • Louisiana Geographic Information Systems Council | • Executive Department |
| • Advisory Committee for the Regulation and Control of Water Well Drillers | • Department of Transportation and Development |
| • Louisiana Archeological Survey and Antiquities Commission | • Department of Culture, Recreation and Tourism |

Source: Prepared by legislative auditor's staff.

**All Programs
Have Adequate
Statutory
Authority**

One of our audit objectives was to compare the department's missions and goals to state law. However, neither the overall department nor the four offices within DNR have mission or goal statements listed in the executive budget. As a result, we could not compare DNR's overall or the offices' missions and goals to state law.

Missions at the programmatic level were included in the executive budget, but all were not labeled as such. To do our analysis, we had both DNR and OPB identify all of the performance data in the executive budget. The program missions did effectively identify the purpose and functions of the programs, and all are consistent with the legal authority. Only two of the programs had goals stated in the executive budget.

With no departmental or office mission statements, conflicting program and office purposes could result. Two or more programs could function under the same office without working toward a related purpose. At present, program missions within each office do not appear to conflict. However, with no departmental or office missions as a guide, program missions could evolve away from the department's or office's purpose.

Office of the Secretary

The Office of the Secretary is divided into five programs in the executive budget. It is responsible for \$39 million of the \$94 million the department was appropriated for 1996-97. As shown in Exhibit 2-2 on page 20, it employs 92 of the department's 398 employees (about 23 percent). Its clients are quite varied and include commercial fishermen who file claims against the Fishermen's Gear Compensation Fund and the department as a whole and its offices.

Executive Program. According to the program's mission statement, the Executive Program provides administrative guidance and assistance and natural resource policy information for all of the offices and activities within DNR. R.S. 36:354(A)(4) directs the secretary to "organize, plan, supervise, direct, administer, execute, and be responsible for the functions and programs vested in the department . . ."

Management and Finance. According to R.S. 36:356, the Management and Finance program is responsible for accounting

and budget control, procurement and contract management, data processing, management and program analysis, personnel management, and grants management. The undersecretary of the department is responsible for the functions of this program. The program's mission statement outlines these same functions for this program.

Energy Conservation. There is no state law specifically creating this program. However, R.S. 36:354(A)(13) states that the secretary may conduct "surveys, studies and experiments with a view toward protecting and replenishing the natural resources of the state . . . toward preventing waste, wasteful use, and wasteful utilization thereof . . . toward the energy policy of the state, and to prepare and implement plans and programs in relation thereto."

According to its mission statement in the executive budget, this program reduces the wasteful consumption of energy resources in the state. In addition, the program administers all state and federal energy conservation/management and alternate and renewable energy-related projects. Furthermore, this program coordinates the funding of applications and reporting of all oil overcharge funds received by Louisiana.

Fishermen's Gear Compensation Fund. R.S. 56:700.2 makes this fund available to the secretary for payment of any fully justified claim. The claims must be made in accordance with established procedures for actual damages suffered by commercial fishermen as a result of hitting or snagging an obstruction in the waters of the state resulting from natural occurrences, oil and gas activities or other activities where the owner is unknown. The program's executive budget mission statement outlines the same guidelines on the fund. For fiscal year 1995-96, the department reports that 441 claims were filed, and these claims cost approximately \$1,285,250.

This program is funded by statutory dedications established by Act 673 of 1979, as amended. According to the executive budget, funds to pay claims submitted under this program come from a \$1,000 annual fee on all holders of state mineral leases and pipeline rights-of-way located within the coastal zone. R.S. 56:700.3 requires the secretary to create rules and regulations regarding this fund in accordance with the Administrative Procedures Act.

In addition, the department has added a function that will be within the Office of Conservation to investigate the claims.

According to the director of the pipeline division, Office of Conservation, the department has recently hired one investigator. Although the department has one position to investigate these claims, limited efforts are underway to mark or remove the underwater obstructions. R.S. 30:4(J), the law regarding Site Clearance, states:

Notwithstanding any other provisions of law to the contrary, the department shall require all abandoned well and platform locations on state waterbottoms in the Gulf of Mexico and adjacent bays and inlets to be cleared of all related obstructions by the owner of such facilities and that such clearance be verified at the cost of such owner.

The director of the Office of Conservation's pipeline division says that the department does not have the staff or the funding to accomplish this task, and it has not been performing this mandate.

Home Energy Efficiency Fund. The Home Energy Efficiency Fund's mission in the executive budget is to increase residential energy efficiency and provide more affordable housing. According to a department official, this program provides financial incentives to homebuilders and buyers to increase the energy efficiency of their homes. While reported separately in the executive budget, this program is actually a sub-unit of the Energy Conservation program. There is no law specifically creating this program; however, the law mentioned previously for Energy Conservation addresses this program's functions and activities.

Boards and Commissions. Also within the Office of the Secretary is the **Oyster Lease Damage Evaluation Board**.

According to R.S. 56:700.14, the secretary of DNR and this board are to prescribe regulations for the filing, processing, and settling of oyster fishermen's claims for damages to oyster beds or grounds caused by oil and gas activities. According to DNR officials, the board ensures that the oyster fishermen and the oil and gas companies come to a fair monetary settlement regarding the damage done to the oyster beds by the oil and gas activity. Even though \$85,000 in funding through DNR's budget was recommended for this board in the 1996-97 executive budget, no mission or goals were included in the executive budget.

The **Natural Gas Marketing Commission** was also within the Office of the Secretary. This commission was to promote the use and conservation of natural gas, assist the natural gas industry in market development, and identify and remove any impediments to the development of natural gas as an alternative fuel. The commission was created in 1992. It was abolished by Act 1116 during the 1997 Regular Session.

Office of Conservation

The Office of Conservation is divided into two programs in the executive budget. This office is headed by the Commissioner of Conservation who is appointed by the governor, with the consent of the Senate, for a four-year term. It is responsible for \$11 million of the \$94 million the department was appropriated for 1996-97. As shown in Exhibit 2-2 on page 20, the office employs 148 of the department's 398 employees. Its clients include the members of the oil and gas industry and land and royalty owners.

Oil and Gas Regulatory Program. According to R.S. 36:358(C), the Oil and Gas Regulatory Program's responsibilities include conservation of the state's oil and gas resources, promotion of exploration and production of oil, gas and other hydrocarbons, and control and allocation of energy supplies and distribution. The mission statement says this program regulates the exploration and production of oil and gas under the guidance of and in support of the Commissioner of Conservation. The goal of this program is to protect the correlative rights of all parties involved in the exploration and production of oil and gas resources while *minimizing the waste of these mineral resources and of capital investments to acquire them*. This is consistent with the legal authority of this program, which is cited above.

Public Safety Program. R.S. 36:358(C) also states that the Office of Conservation shall exercise the functions of the state with respect to the regulation, conservation, and use of the natural resources of the state. The program, according to its mission statement, provides regulation, surveillance and enforcement activities to ensure the safety of the public and the integrity of the environment. This is consistent with the legal authority of this program, which is cited above.

Boards and Commissions. R.S. 30:83 states that the **Oilfield Site Restoration Commission** is within the Office of the Secretary. However, according to the Commissioner of Conservation, it is within the Office of Conservation. Act 994 of

1997 amends R.S. 30:83 *et seq.* and clarifies the relationship between the Office of Secretary and the Office of Conservation in regard to the commission and its activities.

The commission, created in 1993, manages the Oilfield Site Restoration Fund. It regulates the plugging of abandoned wells. According to R.S. 30:83, the commission approves a priority list for site restoration annually, publishes an inventory of oilfield sites, approves lists of contractors acceptable to conduct site assessment and restoration, makes recommendations on oilfield sites to be declared orphaned, and reviews the administration of site restoration activities.

Office of Mineral Resources

The Office of Mineral Resources is divided into three programs in the executive budget. It is responsible for \$7 million of the \$94 million the department was appropriated for 1996-97. As shown in Exhibit 2-2 on page 20, the office employs 64 of the department's 398 employees. Its clients include members of the oil and gas industry and state government.

Mineral Resources Management Program. According to its mission statement, the Mineral Resources Management Program provides staff support to the State Mineral Board, which ensures that the state is gaining the highest possible returns from the leasing of these lands. Its executive budget goal is to maximize revenues to the state from royalties, bonuses, and rentals, generated from mineral production on state-owned lands while maintaining a preference for the intrastate market when in the best interest of the state.

R.S. 36:358(D)(1) requires the Office of Mineral Resources to perform the functions of the state relating to the lease of lands and waterbottoms of the state for the development and production of minerals, oil, gas, and the supervision of mineral leases. It also directs this office to receive, administer, and control royalties due in kind to the state in accordance with state law.

Louisiana Geological Survey. The mission statement states that the program develops and provides information on the characteristics of the state's natural resources and hazards. According to R.S. 36:358(D)(2), the Office of Mineral Resources is to maintain current surface and subsurface geological surveys of the entire state in cooperation with the school of geology and the graduate school of Louisiana State University. In addition, it

conducts geological mapping and prepares geological hazards assessments.

According to the assistant secretary of the Office of Mineral Resources, this program may soon be placed under the supervision and responsibility of Louisiana State University.

Auxiliary Program. According to the executive budget, the Auxiliary Program is a fund used for the reproduction and distribution of geological documents. Revenues collected from the sale of geological documents produced by the Louisiana Geological Survey are accounted for in this program. There is no state law specifically creating this program.

Boards and Commissions. According to R.S. 30:135, the staff of the Mineral Resources Management Program also serves as staff to the **Louisiana State Mineral Board**. Act 93 of the 1936 Regular Legislative Session created the Louisiana State Mineral Board. According to R.S. 36:807, this board has the authority to lease any lands belonging to the state, including road beds, water-bottoms, and lands adjudicated to the state at tax sale, for the development and production of minerals, oil, and gas.

Office of Coastal Restoration and Management

The Office of Coastal Restoration and Management has one program in the executive budget. However, state law provides that it contain two divisions, the Coastal Restoration Division and the Coastal Management Division. The office is responsible for \$35 million of the \$94 million the department was appropriated for 1996-97. As shown in Exhibit 2-2 on page 20, it employs 94 of the department's 398 employees. Its clients include members of the oil and gas industry and small, commercial business owners and residents of coastal areas.

Coastal Restoration and Management Program. R.S. 36:358 (B)(2) provides that the coastal restoration division perform those functions of the state relating to the conservation, restoration, creation, and enhancement of coastal wetlands in the state as provided by law. In addition, the coastal management division is to implement the coastal zone management program.

According to its mission in the executive budget, the program seeks to reduce the loss of productive coastal wetlands through conservation, development, and, where feasible, restoration and enhancement.

According to R.S. 36:358(B)(1), the Office of Coastal Restoration and Management shall conserve, develop, and, where feasible, restore and enhance the state's coastal wetlands resources. In addition, it will serve as the primary agency responsible for implementing the state's coastal vegetated wetlands conservation and restoration plan.

DNR Has Several Outmoded or Unfunded Activities That It Is Supposed to Be Performing

We identified four activities that DNR is responsible for performing, but is not. Thus, these activities are not being funded, and some could be considered outmoded. None of these activities are identified in the executive budget. In addition, state law requires such information to be reported as part of the annual budget request. Although the department's sunset budget request supplement only identified one such activity, department officials identified the others for us. Because these activities are not identified for legislators, they may not be aware that activities that they have mandated have not been implemented.

The Underwater Obstructions function was the only activity listed in the department's "sunset budget request supplement" as a legislatively authorized activity that is currently unfunded. The three activities not identified in the sunset budget request supplement are the Compressed Natural Gas activity, the Natural Gas Clearing House, and the Produced Water Incentive.

Underwater Obstructions. R.S. 30:4(D)(a) and (b) state that the owner of a pipeline on a state-owned waterbottom shall be responsible for burying the pipeline while it is in use. Upon abandonment of the pipeline, the owner must remove or adequately mark any object above the mudline that may interfere with other uses of the state's waters. According to R.S. 30:4(D)(5), the Office of Conservation is required to conduct inspections to ensure that the owners of these pipelines are abiding by this legal mandate. According to the Assistant Secretary, he does not have the staff to do the job completely or thoroughly.

Compressed Natural Gas Activity. The responsibility for this program falls within the Public Safety Program in the pipeline division. According to the director of the pipeline division, this program is outdated. R.S. 39:364 directs the Commissioner of Administration to convert at least 50 percent of the state's vehicle fleet into users of alternative fuels, including compressed natural

gas. According to R.S. 30:732, DNR's role is to regulate the safety of compressed natural gas and establish regulation standards for natural gas compression and the conversion of equipment. DNR is also required to regulate the installation and operation of converted equipment. According to DNR officials, several cars were converted and used. However, there were serious logistical problems in refueling, and, therefore, effectively using the cars. For these reasons, DNR officials say that this law is obsolete.

Natural Gas Clearing House. The responsibility for this program falls within the Public Safety Program. However, according to Office of Conservation officials, this activity is not being done. R.S. 30:550 allows the Commissioner of Conservation to obtain, organize and disseminate information regarding the availability of supplies of natural gas. DNR officials say that it is outmoded, because natural gas use for personal vehicles has not been the big business that it was thought to be in 1973, when this law went into effect.

Produced Water Incentive Program. This program falls within the Oil and Gas Regulatory Program. According to department officials, some of the requirements set forth in the law have kept many in the oil and gas industry from utilizing this tax incentive. Therefore, the state is not realizing the environmental benefit that this program was designed to produce.

R.S. 47:633.5 creates an economic incentive to producers of oil and gas by granting a reduction in severance taxes if they inject produced water into the same oil and gas reservoir from which it was extracted. This process of injecting produced water into the reservoir is done to increase the recovery of hydrocarbons from the reservoir. According to DNR officials, the reason no one in the industry is injecting the produced waters into the reservoir is that it is too costly to have to use the waters on the same land, well, reservoir or zone. If the law were changed so that the produced waters could be used at any site, not just the site in which it was withdrawn, the oil and gas industry would be more likely to use this program, the environmental benefit to the state would be realized, and the natural resources of the state would be more efficiently utilized.

**DNR Has No
Apparent
Overlap or
Duplication**

We did not identify any overlap or duplication among DNR's programs. As a result, it does not appear that any programs use funds for similar or same purpose.

The four offices of DNR are all responsible for the management of the natural resources of our state. However, all have different missions, purposes and spheres of influence. One of our audit objectives was to identify possible areas of overlap and duplication within the department. To address this objective, we reviewed the program and performance information in the 1996-97 executive budget, interviewed department officials, and conducted legal analysis. Using this information, our audit did not reveal any overlap or duplication within the department.

Recommendations

- 2.1 The Office of Planning and Budget should work with the department to develop mission and goal statements to be included in the executive budget for the department, its offices, and boards that are funded through DNR. These missions and goals should be labeled as such in the executive budget.**
- 2.2 The department may wish to review its legal mandates, identify those that are not being performed, and report them to the Office of Planning and Budget on the proper forms.**

Matters for Legislative Consideration

- 2.1 The legislature may wish to consider legislation outlining the duties of the Auxiliary Program.**
- 2.2 The legislature may wish to eliminate the Natural Gas Clearing House, R.S. 30:550, and the Compressed Natural Gas Program, R.S. 39:364. Both are outmoded functions that the department is not performing.**

- 2.3 The legislature may wish to consider amending the laws regarding the Produced Water Incentive Program, R.S. 47:633.5, so that more people in the industry would utilize the program. According to DNR officials, the environmental benefit to the state would then be realized, and the natural resources of the state would be more efficiently utilized.**
- 2.4 The legislature may wish to consider taking some action regarding R.S. 30:4(D), which is the Underwater Obstruction mandate on the Office of Conservation. This function is not being performed, because of a lack of financial and personnel resources, according to department officials.**

Chapter 3: Analysis of Performance Data

Chapter Conclusions

According to DNR officials, the department currently does not engage in strategic planning. This lack of overall planning may be a contributing factor to the deficiencies with the department's performance data.

First, there are no overall department or office mission or goal statements in the executive budget. A department mission statement in the executive budget would help ensure that the offices within DNR are all working toward the same purpose. The same applies for office missions.

Within the offices, the programs in the executive budget have mission statements. All of the missions identify the program's purpose and are accepted by the agency. However, less than half identified the program's intended client group.

Second, most of the programs did not have goals listed in the executive budget. Without goals, legislators do not know in what direction programs are headed. The two goals that are listed met all of the criteria.

Third, most of the programs have objectives listed in the executive budget, and most specify an end result. However, most are not consistent with goals, because most programs have no goals. In addition, most are not measurable or *timebound*.

Finally, the performance indicators in the executive budget overall meet some of the established criteria. More than 75 percent of them are consistent with the objectives and are easily understood. However, less than 20 percent of them measure progress toward the objective.

Without goals or measurable objectives in the executive budget, performance indicators provide little useful information to legislators. Because of the lack of important elements in DNR's performance data in the executive budget, legislators may not be able to determine the efficiency or effectiveness of DNR's programs.

DNR Does Not Engage in Strategic Planning

According to department officials, DNR does not engage in strategic planning. According to *Manageware*, strategic planning identifies missions, goals, and objectives. In addition, strategic planning builds in methods to measure results. The performance data in the executive budget for DNR do not give decision makers enough information.

First, the executive budget lacks department and office missions. Without missions in the executive budget, legislators may not understand why programs exist and how they fit into the overall department mission. In addition, missions show legislators and other users of the executive budget the purpose of the department and its offices.

Second, few of the department's programs have goals listed in the executive budget. Without goals, legislators cannot determine in what direction a program is going. Goals clarify missions and tell in which direction the program is moving.

Third, the department's objectives are not measurable and are mostly activity-oriented making it difficult to determine if objectives have or will be achieved. Few of the objectives give clear targets for achievement. Therefore, legislators have no clear benchmarks against which to measure progress, and they may not know what programs will achieve within a given time frame.

Finally, most of the performance indicators do not measure progress toward the objectives. Therefore, legislators may not be able to judge the program's performance against desired outcomes.

Lack of strategic planning may be one reason why the performance data reported in the executive budget lack these critical elements. As a result, the legislature is not fully informed of how DNR will use the funds that have been appropriated to it.

We compared the performance data in the executive budget to established criteria shown in Exhibit 3-1 on the following page. A discussion of the results of that comparison follows.

Exhibit 3-1**Criteria Used to Evaluate the Fiscal Year 1996-97
Executive Budget Performance Data**

MISSION: A broad, comprehensive statement of purpose

- ✓ Identifies overall purpose for the existence of the organization, department, office, institution, or program as established by constitution, statute, or executive order
 - ✓ Identifies clients/customers of the organization or external and internal users of the organization's products or services
 - ✓ Organizationally acceptable
-

GOAL: The general end purpose toward which effort is directed

- ✓ Consistent with department, program, and office missions
 - ✓ Provides a sense of direction on how to address the mission; reflects the destination toward which the entity is striving
-

OBJECTIVE: A specific and measurable target for accomplishment

- ✓ Consistent with goals
 - ✓ Measurable
 - ✓ Timebound
 - ✓ Specifies desired end result
-

PERFORMANCE INDICATOR: Tool used to measure performance of policies, plans, and programs

- ✓ Measures progress toward objective or contributes toward the overall measurement of progress toward objective
 - ✓ Consistent with objective
 - ✓ Clear, easily understood, and non-technical
-

Note: The criteria were established based on input from *Manageware*, GASB, the federal Office of Management and Budget, and the Urban Institute.

Source: Prepared by legislative auditor's staff to show established criteria used to evaluate the department's performance data.

**Office of the
Secretary's
Performance
Data Not Useful
for Decision
Making**

In the executive budget, the Office of the Secretary is divided into five programs. These programs are the Executive, the Management and Finance, the Energy Conservation, the Fishermen's Gear Compensation Fund, and the Home Energy Efficiency Fund programs. There is no mission reported in the executive budget for this office. Without an office mission statement, legislators may not know the purpose or beneficiaries of the office. They may also be unsure of the purpose for which funds are appropriated.

Executive Program Has No Goals, Measurable Objectives or True Indicators

The Executive Program contains the public relations and legal sections, as well as several other executive budget programs. Those programs are the Fishermen's Gear Compensation Fund, Energy Conservation, and Home Energy Efficiency Fund programs. These programs are listed separately in the executive budget, because, according to a DNR official, these three programs are important enough to be reported as separate executive budget programs.

The performance data for the Executive Program lacks some critical elements for decision making. Exhibit 3-2 on page 37 contains this program's performance data.

Mission. The mission statement in the executive budget for the Executive Program meets all of the criteria shown in Exhibit 3-1 on page 35. It identifies the purpose, is organizationally accepted, and identifies its clients.

Goals. There are no goals listed in the executive budget for this program.

Objectives. The objectives in the executive budget for this program meet none of the criteria. The objectives are very broad and do not provide specific targets for accomplishment. For example, one of the objectives is to provide "... administrative guidance and assistance to the various offices and divisions within the department." There are no specifics regarding the activities of this program.

Performance Indicators. The items of information that are listed in the executive budget as performance indicators for this program are not true performance indicators. One item states that the "performance of this program is best measured by the success

of the Department's other programs . . ." The other items merely list the activities of the program. One item under Objective #2 states, "Various Production, Reserves, Processing, and Market Studies." This item gives no information about the quality or efficiency of the department's efforts.

Exhibit 3-2
Executive Program's Performance Data Reported in the
1996-97 Executive Budget

Mission: The Executive Program provides administrative guidance and assistance and natural resource policy information for all of the offices and activities within the Department of Natural Resources.

Goals: None Identified

Objectives:

(1) The Executive Program provides administrative guidance and assistance to the various offices and divisions within the department.

Performance Indicators:

- The performance of this program is best measured by the success of the Department's other programs toward achieving their goals and objectives. *

(2) This program will provide policy assistance by providing data, facts, analyses, and technical support on energy and natural resource topics.

- Technical Assistance to DNR Secretary, Governor, and Legislature on Tax Measures and Energy Policy Issues*
- Annual Oil and Gas Production and Revenue Projections*
- Various Production, Reserves, Processing, and Market Studies*
- Technical Management of State Motor Vehicle Fleet Conversion to Natural Gas*

* Note: We determined that these items are not true performance indicators based on our criteria shown in Exhibit 3-1.

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

Since none of the items listed in the executive budget are true indicators, we could not analyze them. The items listed provide little information about the efficiency or effectiveness of this program, and they may not aid in decision making regarding this program.

The results of the analysis of the performance data for the Executive Program are summarized in Exhibit 3-3 below.

| Exhibit 3-3 | |
|--|---|
| Results of Comparison of Executive Program's Performance Data to Established Criteria | |
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Identifies clients • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • No goals |
| Objectives | <ul style="list-style-type: none"> • 0 of 2 is consistent with goals* • 0 of 2 is measurable • 0 of 2 is timebound • 0 of 2 specifies an end result |
| Performance Indicators | <ul style="list-style-type: none"> • No true indicators |

***Note:** This program has no goals with which to determine consistency.

Source: Prepared by legislative auditor's staff from results of comparing performance data to criteria in Exhibit 3-1.

Management and Finance Program Has Limited Performance Data

The Management and Finance Program includes functions, such as fiscal services, personnel and purchasing. However, it has very little performance data listed in the executive budget. Furthermore, the performance data do not give useful information to decision makers. Exhibit 3-4 on page 39 contains this program's performance data.

Exhibit 3-4
**Management and Finance Program's Performance Data
Reported in the 1996-97 Executive Budget**

Mission: The Management and Finance Program provides management and finance functions which include budget and fiscal management; procurement; contracts and grants management; information processing services; program analysis and evaluation; personnel management; and administrative support services.

Goals: None Identified

Objective:

The Management and Finance Program will continue to assist the offices within the Department of Natural Resources in the effective and efficient performance of their mandated duties and responsibilities through information processing; data communications; financial management services; contract and grant services; personnel services; purchasing and property services; and mail and messenger service.

Performance Indicators:

- Performance indicators are being developed for this program.

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

Mission. The mission in the executive budget meets two of the three criteria: identification of purpose and agency acceptance. However, it does not specifically identify the program's clients. This program performs internal functions, and thus, according to DNR's fiscal officer, the clients are the other offices and the department as a whole.

Goals. There are no goals listed in the executive budget for this program.

Objective. In addition, this program has one objective listed in the executive budget. It does not meet any of the criteria. The objective is very specific about the program's duties and lists its activities. Although an external user may be informed about what the program does, the objective does not give specific targets *for accomplishment for these various functions.*

Performance Indicators. Furthermore, this program has no performance indicators in the executive budget. Indicators are necessary to show progress toward achieving objectives. According to the executive budget, indicators are being developed.

The results of the analysis of the performance data for the Management and Finance Program are summarized in Exhibit 3-5 below.

Exhibit 3-5

Results of Comparison of Management and Finance Program's Performance Data to Established Criteria

| | |
|------------------------|---|
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Does not identify clients • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • No Goals |
| Objectives | <ul style="list-style-type: none"> • 0 of 1 is consistent with goals* • 0 of 1 is measurable • 0 of 1 is timebound • 0 of 1 specifies an end result |
| Performance Indicators | <ul style="list-style-type: none"> • No performance indicators |

***Note:** This program has no goals with which to determine consistency.

Source: Prepared by legislative auditor's staff from results of comparing performance data to criteria in Exhibit 3-1.

Energy Conservation Program Has Little Performance Data

The Energy Conservation Program has limited performance data listed in the executive budget. Exhibit 3-6 below contains this program's performance data.

Mission. This mission statement in the executive budget identifies the purpose of the program and is accepted by the agency. However, it does not identify the clients for this program. Therefore, legislators do not know who is to benefit from the program.

Exhibit 3-6

Energy Conservation Program's Performance Data Reported in the 1996-97 Executive Budget

Mission: The mission of the Energy Conservation Program is to reduce the wasteful consumption of energy resources in the state.

Goals: None Identified

| Objective: | Performance Indicators and Explanatory Information: |
|--|--|
| The Energy Conservation Program will reduce energy usage in Louisiana 100 trillion BTUs. | <ul style="list-style-type: none"> • Trillions of BTUs Saved • Equivalent to Millions of Gallons of Gasoline |

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

Goals. There are no goals listed in the executive budget for this program.

Objective. This program has one objective in the executive budget, which is to reduce the energy usage in Louisiana 100 trillion BTUs. This objective is measurable and specifies an end result. However, it is not timebound. This objective would supply the external user with enough information to determine the program's desired outcome.

Performance Indicators. There is one outcome indicator and one item of explanatory information in the executive budget for this program. The indicator states the number of trillions of BTUs saved. This shows the amount of energy saved. Explanatory information associated with the indicator gives the energy saved equivalency in millions of gallons of gasoline. This information is important because it puts the first indicator in a more easily understood context. This indicator meets all of the criteria shown in Exhibit 3-1 on page 35.

The analysis of the performance data for the Energy Conservation Program is summarized in Exhibit 3-7 below.

| Exhibit 3-7 | |
|--|---|
| Results of Comparison of Energy Conservation Program's Performance Data to Established Criteria | |
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Does not identify clients • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • No goals |
| Objectives | <ul style="list-style-type: none"> • 0 of 1 is consistent with goals* • 1 of 1 is measurable • 0 of 1 is timebound • 1 of 1 specifies an end result |
| Performance Indicators | <ul style="list-style-type: none"> • 1 of 1 measures progress toward the objective • 1 of 1 is consistent with the objective • 1 of 1 is clear and easily understood |

***Note:** This program has no goals with which to determine consistency.
Source: Prepared by legislative auditor's staff from results of comparing performance data to criteria in Exhibit 3-1.

Not All Fishermen's Gear Compensation Fund Program's Performance Data Are Useful

The Fishermen's Gear Compensation Fund program also has limited information listed in the Executive Budget. Exhibit 3-8 below contains its performance data.

Mission. The mission in the executive budget for the program meets all of the criteria. It identifies the purpose and the clients of the program and is organizationally accepted. Therefore, legislators can be assured of knowing the program's purpose and beneficiaries.

Goals. There are no goals listed in the executive budget for this program.

Objective. The objective in the executive budget for this program states that the program will provide compensation for claims against the fund within 120 days. This objective meets the measurable criteria, specifies an end result, and is timebound. However, it is not consistent with the goal (because there is no goal).

Exhibit 3-8

Fishermen's Gear Compensation Fund Program's Performance Data Reported in the 1996-97 Executive Budget

Mission: The mission of the Fishermen's Gear Compensation Fund Program is to provide compensation or reimbursement to qualifying Louisiana commercial fishermen for damages to vessels or gear caused by encounters with obstructions located in State waters within the coastal zone.

Goals: None Identified

Objective:

This program will provide compensation (within 120 days) for repairs to fishing vessels and gear, which are damaged by underwater obstacles.

Performance Indicator:

- Amount of Claims Paid

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

Performance Indicators. This program has one indicator listed in the executive budget that tells the amount of claims paid. However, it does not measure progress toward meeting the objective. Specifically, the objective gives a time frame for delivering the services, while the indicator measures the amount of money paid out of the fund. The indicator does not measure the timeliness of paying claims. Providing the number of claims paid, not just how much was paid out, would also be beneficial. Without an indicator that measures the timeliness of paying claims, legislators do not know if this objective has been met.

We summarized the results of our analysis of the Fishermen's Gear Compensation Fund Program's performance data in Exhibit 3-9 below.

| Exhibit 3-9 | |
|---|---|
| Results of Comparison of Fishermen's Gear Compensation Fund Program's Performance Data to Established Criteria | |
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Identifies clientele • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • No goals |
| Objectives | <ul style="list-style-type: none"> • 0 of 1 is consistent with goals* • 1 of 1 is measurable • 1 of 1 is timebound • 1 of 1 specifies an end result |
| Performance Indicator | <ul style="list-style-type: none"> • 0 of 1 measures progress toward the objective • 1 of 1 is consistent with the objective • 1 of 1 is clear and easily understood |

***Note:** This program has no goals with which to determine consistency.

Source: Prepared by legislative auditor's staff from results of comparing performance data to criteria in Exhibit 3-1.

Home Energy Efficiency Fund Program Lacks Performance Data

The department has not provided enough performance data for the Home Energy Efficiency Fund program in the executive budget. Thus, legislators cannot make informed decisions about this program. Exhibit 3-10 below contains this program's performance data.

Mission. The mission statement in the executive budget for this program meets most of the criteria, but it does not identify its clients. Thus, legislators know the program's purpose, but not its beneficiaries. The executive budget does not report any goals, objectives, or performance indicators for this program. These data are necessary to provide information on the program's performance.

We summarized the results of our analysis of the Home Energy Efficiency Fund Program's performance data in Exhibit 3-11 on page 46.

Exhibit 3-10

Home Energy Efficiency Fund Program's Performance Data Reported in the 1996-97 Executive Budget

Mission: The Home Energy Efficiency Program's mission is to increase residential energy efficiency and provide more affordable housing.

Goals: None Identified

Objective:

- None Identified

Performance Indicators:

- Performance indicators will be developed for this program.
-

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

Exhibit 3-11
Results of Comparison of Home Energy Efficiency Fund
Program’s Performance Data to Established Criteria

| | |
|------------------------|---|
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Does not identify clientele • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • No goals |
| Objectives | <ul style="list-style-type: none"> • No objectives |
| Performance Indicators | <ul style="list-style-type: none"> • No indicators |

Source: Prepared by legislative auditor’s staff from results of comparing performance data to criteria in Exhibit 3-1.

Office of
Conservation’s
Performance
Data
Need
Improvement

The Office of Conservation consists of two programs in the executive budget. They are the Oil and Gas Regulatory and the Public Safety programs. There is no mission included in the executive budget for this office. The lack of a mission can lead to legislators not knowing the overall purpose of the office.

Oil and Gas Regulatory Program’s Goal Meets All Criteria

The Oil and Gas Regulatory Program contains the Geology division and the Engineering division. Exhibit 3-12 on page 48 contains this program’s performance data.

Mission. The mission statement in the executive budget for this program meets two of the criteria. It identifies the purpose of the program, and it is accepted by the agency. However, it does not tell for whom it exists.

Goal. This program is one of two DNR executive budget programs that have a goal. The goal meets all of the criteria. It is consistent with the mission, and it provides a sense of direction. Legislators can tell from the goal where the program managers will be placing their emphasis.

Objectives. One of the five objectives in the executive budget for this program is timebound. Objective #2 in Exhibit 3-12 on page 48 says the program aims to issue conservation orders within 30 days. This time frame gives program managers a benchmark against which to measure progress. Most of them are consistent with the goal and specify an end result. Two of the objectives are measurable.

In addition, Objective #4 is not consistent with the goal. The objective states that the program “will ensure plugging of all oil and gas wells having no further utility.” It is unclear how this objective fits in the process of reaching the program’s goal.

Collectively, the objectives provide enough information for an external user to determine what the program does. However, since few objectives are timebound or measurable the data do not aid in decision making.

Exhibit 3-12
**Oil and Gas Regulatory Program's Performance Data
Reported in the 1996-97 Executive Budget**

Mission: This program regulates the exploration and production of oil and gas under the guidance of and in support of the Commissioner of Conservation.

Goal: The goal of this program is to protect the correlative rights of all parties involved in the exploration and production of oil and gas resources while minimizing the waste of these mineral resources and of capital investments to acquire them.

| Objective: | Performance Indicators: |
|--|--|
| (1) The Oil and Gas Regulatory Program will continue to provide the present level of protection of correlative rights of all parties involved in the exploration and production of oil and gas resources and minimize the waste of these mineral resources and of related capital investments. | <ul style="list-style-type: none"> • Geological Studies Performed • Leases and Units Audited • Transporter, Plants and Refinery Reports Audited • Commingling Studies • Permits to Drill or Amend • Total Producing Wells in State (estimated) • Compliance Notices Issued for Violations • Compliance Orders Issued for Violations • Pit Inspections |
| (2) This program will ensure that Conservation Orders are issued timely and accurately, (within 30 days) to reduce legal challenges. | <ul style="list-style-type: none"> • Conservation Orders Over 30 Days |
| (3) The program will continue to ensure that all oil field pits meet the closure and liner requirements of Statewide Order 29-B (Off-site storage, treatment and/or disposal of non-hazardous oil field waste generated from drilling and production of oil and gas wells). | <ul style="list-style-type: none"> • Pits Inspected • Closure Data Reviewed • Liner Documentation Reviewed |
| (4) The program will ensure plugging of all oil and gas wells having no further utility. | <ul style="list-style-type: none"> • Compliance Orders Issued |
| (5) This program will continue to generate maximum reasonable funds from application and regulatory fees to partly defray the operation of the Office of Conservation. | <ul style="list-style-type: none"> • Revenues Generated by Fees |

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

Performance Indicators. This program has 15 performance indicators listed in the executive budget. Most of the indicators are output, but there is one input and one outcome indicator also associated with this program.

The majority of the indicators do not measure progress toward the objective. Most are consistent with the objective and are easily understood. There may not be enough information provided for an outside user to make an informed decision regarding this program.

We summarized the results of our analysis of the Oil and Gas Regulatory Program's performance data in Exhibit 3-13 shown below.

| Exhibit 3-13 | |
|---|---|
| Results of Comparison of Oil and Gas Regulatory Program's Performance Data to Established Criteria | |
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Does not identify clients • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • 1 of 1 is consistent with the mission • 1 of 1 provides a direction |
| Objectives | <ul style="list-style-type: none"> • 3 of 5 are consistent with goals • 2 of 5 are measurable • 1 of 5 is timebound • 4 of 5 specify an end result |
| Performance Indicators | <ul style="list-style-type: none"> • 3 of 15 measure progress toward the objective • 14 of 15 are consistent with the objective • 12 of 15 are clear and easily understood |

Source: Prepared by legislative auditor's staff from results of comparing performance data to criteria in Exhibit 3-1.

Over Half of the Public Safety Program's Objectives Give a Target for Accomplishment

The performance data for the Public Safety Program are not useful for decision making. The Public Safety Program includes the Pipeline Division and the Injection and Mining Division. Exhibit 3-14 on page 51 contains this program's performance data.

Mission. The mission of this program in the executive budget meets all of the criteria. Therefore, legislators can be sure of the purpose and clients of the program.

Goals. There are no goals listed in the executive budget for this program.

Objectives. Eight of the ten objectives in the executive budget for this program specify an end result, and six are measurable. However, only three are timebound. None of the objectives are consistent with the goal, because the program has no goal. However, the objectives do provide information that is related to the functions that the program performs.

Five of the six measurable objectives indicate that the program will continue at the present level of activity. These objectives state that the program "will continue" to perform some function, and do not provide a direction for action. For example, one objective states that the program "... will continue to ensure annual inspections of all hazardous liquid pipelines." This objective lists some of the activities that the program will be performing, but it does not set targets to improve the effectiveness of these activities.

Only one of the measurable objectives does set a target that will measure effectiveness. One objective states that the program "... will reduce annually the number of natural gas distribution systems with malodorization problems by 10 percent." This indicates that the program will be focused on increasing its level of effectiveness in regard to this activity.

Collectively, these objectives provide insight into the activities of the program. However, this information does not measure the program's performance.

Exhibit 3-14

**Public Safety Program's Performance Data
Reported in the 1996-97 Executive Budget**

Mission: This program provides regulation, surveillance and enforcement activities to ensure the safety of the public and the integrity of the environment.

Goal: None Identified

| Objectives: | Performance Indicators: |
|---|--|
| (1) The Public Safety Program will continue to monitor all applications for the construction of new pipelines to ensure their safe construction. | <ul style="list-style-type: none"> • Miles of New Pipeline Authorized • Miles of Intrastate Natural Gas Pipelines • Certified Intrastate Transporters |
| (2) This program will reduce annually the number of natural gas distribution systems with malodorization problems by 10 percent. | <ul style="list-style-type: none"> • Number of Systems with Malodorization Problems |
| (3) This program will continue to ensure annual inspections of all hazardous liquid pipelines. | <ul style="list-style-type: none"> • Miles of Hazardous Liquid Pipelines Inspected • Civil Penalties Assessed |
| (4) This program will continue to annually safety inspect all schools, nursing homes, trailer parks, housing projects and other parish facilities using natural gas. | <ul style="list-style-type: none"> • Facilities Inspected: Schools, Nursing Homes, Trailer Parks & Housing Projects, Other Facilities • Civil Penalties Assessed |
| (5) This program will continue to protect underground sources of drinking water through regulation of waste injection disposal wells and other waste disposal facilities. | <ul style="list-style-type: none"> • Civil Penalties Assessed • New Injection Wells Permitted • Inspections Conducted • New Wells Regulated • Remedial Actions Required |
| (6) This program will continue to permit, monitor and enforce regulations for commercial nonhazardous oil field waste disposal facilities. | <ul style="list-style-type: none"> • Number of Commercial Facilities • Number of Inspections • Number of Violations |
| (7) This program will continue to protect natural resources from possible harm by lignite surface mining operations. | <ul style="list-style-type: none"> • Number of Acres Permitted • Number of Acres Reclaimed • Number of Inspections • Number of Violations Detected |
| (8) This program will evaluate and rank inactive and abandoned non-coal mine sites for future reclamation. | <ul style="list-style-type: none"> • Number of Abandoned Sites • Acres Needing Reclamation |
| (9) This program will continue to record all applications for clean up of abandoned oil and gas facilities on state waterbottoms. | <ul style="list-style-type: none"> • Number of Sites Cleared |
| (10) This program will continue to inspect all compressed natural gas facilities to ensure their safe construction. | <ul style="list-style-type: none"> • Number of Facilities |

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

Performance Indicators. Because the objectives are not measurable, the performance indicators in the executive budget for this program tell what activities the department is doing, but not how well it is performing. There are no standards, benchmarks, or targets for this program listed in the executive budget. The external user probably would not be able to determine what this program is striving toward.

We summarized all of the results of our analysis of this program's performance data in Exhibit 3-15 shown below.

| Exhibit 3-15 | |
|--|---|
| Results of Comparison of Public Safety Program's Performance Data to Established Criteria | |
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Identifies clientele • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • No goals |
| Objectives | <ul style="list-style-type: none"> • 0 of 10 is consistent with goals* • 6 of 10 are measurable • 3 of 10 are timebound • 8 of 10 specify an end result |
| Performance Indicators | <ul style="list-style-type: none"> • 5 of 24 measure progress toward the objective • 21 of 24 are consistent with the objective • 23 of 24 are clear and easily understood |

***Note:** This program has no goals with which to determine consistency.

Source: Prepared by legislative auditor's staff from results of comparing performance data to criteria in Exhibit 3-1.

**Office of Mineral
Resources'
Performance
Data**

The Office of the Mineral Resources is made up of three programs in the executive budget. The programs are the Mineral Resources Management, Louisiana Geological Survey, and Auxiliary programs. As with all of the others, a mission statement for this office is not included in the executive budget. No mission statement can cause the legislators to be unsure of the intended use of appropriated funds for this office.

**Mineral Resources Management Program's Goal
Meets All Criteria**

This program contains the Mineral Income, Petroleum Lands, and Geology sections. Exhibit 3-16 on page 54 contains this program's performance data.

Mission. The program's mission in the executive budget is to provide staff support to the State Mineral Board. The mission statement in the executive budget for this program meets all of the criteria.

Goal. This program is the second of the DNR executive budget programs that have a goal listed in the executive budget. Its goals meet both of the criteria.

Objectives. Only one of the nine objectives in the executive budget for this program is measurable or timebound. However, most of the objectives for this program are consistent with the goal, and most specify an end result.

This program's objectives provide information about the activities of the program to an external user. However, a user would have some difficulty making informed decisions using these objectives, because only one is measurable or timebound. Objective #2 is the only one that specifies a target for accomplishment.

Performance Indicators. This program has 17 performance indicators listed in the executive budget. Only one indicator measures progress toward the objective. All of them are consistent with the objective, and 12 are clear and easily understood.

Exhibit 3-16

Mineral Resources Management Program's Performance Data Reported in the 1996-97 Executive Budget

Mission: The Mineral Resources Management Program provides staff support to the State Mineral Board, which ensures that the state is obtaining the highest possible returns from the leasing of these lands.

Goal: The goal of this program is to maximize revenues to the state from royalties, bonuses and rentals generated from mineral production on state-owned lands maintaining a preference for the intrastate market when in the best interest of the state.

| Objectives: | Performance Indicators: |
|--|--|
| (1) This program will obtain maximum revenues at each lease sale by determining the best bid configuration of bonus and royalty payments. | <ul style="list-style-type: none"> • Acreage Processed for Lease • Bonuses Generated (Millions) |
| (2) This program will perform production audits of all federal outer continental shelf 8(g) lease royalties on a three-year cycle to ensure that the state is receiving correct incomes therefrom. | <ul style="list-style-type: none"> • Payment Discrepancies Identified (Millions) |
| (3) This program will collect royalties due the State from lands and/or waterbottoms adversely claimed by others. | <ul style="list-style-type: none"> • Dollars Recovered (Millions) |
| (4) This program will continue to manage leases to ensure that the State is receiving correct payments from lessees. | <ul style="list-style-type: none"> • Number of Audits Performed • Royalties Accounted (Millions) |
| (5) This program will continue maximum development of existing state leases through review of lessees' activities. | <ul style="list-style-type: none"> • Wells Caused to Be Drilled • Acres of State Leases Partially Released |
| (6) This program will continue to provide services to the Mineral Board by processing docket items, maintaining records of Board actions and leases, and providing staff expertise for miscellaneous activities. | <ul style="list-style-type: none"> • Number of Docket Items Processed |
| (7) This program will continue to timely process all applications to conduct geophysical operations on state-owned lands and waterbottoms. | <ul style="list-style-type: none"> • Number of Applications Processed • Average Processing Time |
| (8) This program will continue providing assistance to other government entities in mineral leasing on public owned lands. | <ul style="list-style-type: none"> • Number of Leases Reviewed and Approved |
| (9) This program will continue to maximize and protect the State's interest on 1,661 state leases and unleased state-owned waterbottoms. | <ul style="list-style-type: none"> • Number of Wells Affecting State Lands • Number of Commingling Matters Approved • Number of Shut-in Gas Wells Qualified • State Acres Included in Conservation Units |
| (10) This program will attempt to generate sufficient funds from fees and other charges to pay for operation of the office. | <ul style="list-style-type: none"> • Fee Collections (Millions) |

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

An example of an indicator that may not be easily understood is the indicator that measures the number of “acres of state leases partially released.” An uninformed reader may not know that the release of some land from a lease can be in the state’s best interest if the land is not being properly utilized. If the lessee is not using the land, then the state is not receiving all of the revenue that it could if it were being used to its utmost potential. Thus, additional information would be needed to clarify this indicator.

We summarized the results of our analysis of the Mineral Resource Management Program’s performance data in Exhibit 3-17 shown below.

Exhibit 3-17

Results of Comparison of Mineral Resource Management Program’s Performance Data to Established Criteria

| | |
|------------------------|--|
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Identifies clientele • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • 1 of 1 is consistent with the mission • 1 of 1 provides a direction |
| Objectives | <ul style="list-style-type: none"> • 9 of 10 are consistent with goals • 1 of 10 is measurable • 1 of 10 is timebound • 10 of 10 specify an end result |
| Performance Indicators | <ul style="list-style-type: none"> • 1 of 17 measures progress toward the objective • 17 of 17 are consistent with the objective • 12 of 17 are clear and easily understood |

Source: Prepared by legislative auditor’s staff from results of comparing performance data to criteria in Exhibit 3-1.

Louisiana Geological Survey Program Lacks Useful Performance Data

The Louisiana Geological Survey program’s performance data are not useful for decision making. They are not useful because there are no goals, immeasurable objectives, and no true performance indicators. Exhibit 3-18, shown below, contains this program’s performance data.

Exhibit 3-18

Louisiana Geological Survey Program’s Performance Data Reported in the 1996-97 Executive Budget

Mission: The Louisiana Geological Survey (LGS) program develops and provides information on the characteristics of the state’s natural resources and hazards.

Goals: None Identified

| Objective: | Performance Indicators: |
|---|---|
| (1) This program will conduct geological investigations and provide technical assistance regarding the characteristics and distribution of Louisiana’s energy, mineral, water and environmental resources as well as the geological processes and hazards of Louisiana. | <ul style="list-style-type: none"> • The Survey will produce various studies, maps, and technical activities under this objective.* |
| (2) This program will perform geologic studies for the economic development of the state’s resources and the protection of its environment. | <ul style="list-style-type: none"> • The Survey will produce various studies and maps related to mineral production under this objective.* |
| (3) This program will answer inquiries, produce graphic geological materials and prepare, print, and distribute geological publications. | <ul style="list-style-type: none"> • The Survey will distribute information under this objective.* |

***Note:** We determined that these items are not true performance indicators based on our criteria shown in Exhibit 3-1.

Source: Prepared by legislative auditor’s staff using 1996-97 executive budget.

Mission. This program’s mission in the executive budget is to develop and provide information on the characteristics of the state’s natural resources and hazards. Its mission meets all of the criteria.

Goals. There are no goals listed in the executive budget for this program.

Objectives. This program has three objectives listed in the executive budget. They only meet one of the criteria: they all specify an end result. The objectives are not measurable, timebound or consistent with goals. The objectives cannot be consistent with goals, because there are no goals.

One objective, for example, states that the program “will perform geologic studies for the economic development of the state’s resources and the protection of its environment.” This objective met none of the criteria, except that it specifies an end result, which is the performance of studies.

The objectives provide some information for an external user to get an idea of what the department does, but not what the program will accomplish with its funding, since no specific targets are given in the objective.

Performance Indicators. This program has no true performance indicators listed in the executive budget. With immeasurable objectives and no true performance indicators, no information is given as to the program’s performance. Thus, legislators could not make informed decisions regarding this program. Legislators not only do not know what is expected performance, but also do not know what was achieved.

We summarized the results of our analysis of this program’s performance data in Exhibit 3-19 on page 58.

Auxiliary Program Only Has Mission Statement

The only performance data in the executive budget for the Auxiliary program is a mission statement. Therefore, legislators cannot determine the performance of this program. The mission in the executive budget for this program identifies the purpose of the program, which is to reproduce and distribute geological documents. However, it does not identify the program’s clients. Exhibit 3-20 on page 58 contains the program’s performance data that appeared in the executive budget.

Exhibit 3-19

Results of Comparison of Louisiana Geological Survey Program's Performance Data to Established Criteria

| | |
|------------------------|---|
| Mission | <ul style="list-style-type: none"> Identifies purpose Identifies clientele Accepted by agency |
| Goals | <ul style="list-style-type: none"> No goals |
| Objectives | <ul style="list-style-type: none"> 0 of 3 is consistent with goals* 0 of 3 is measurable 0 of 3 is timebound 3 of 3 specify an end result |
| Performance Indicators | <ul style="list-style-type: none"> No true indicators |

**Note: This program has no goals with which to determine consistency.*

Source: Prepared by legislative auditor's staff from results of comparing performance data to criteria in Exhibit 3-1.

Exhibit 3-20

Auxiliary Program's Performance Data Reported in the 1996-97 Executive Budget

Mission: This program is a fund for the reproduction and distribution of geological documents.

Goals: None Identified

Objectives:

- None Identified

Performance Indicators:

- None Identified

Source: Prepared by legislative auditor's staff using 1996-97 executive budget.

The Auxiliary Program's mission statement does give some information regarding what the program is trying to accomplish. However, it does not say whom it serves. An external user could not make an informed decision regarding this program because of the lack of performance data. Without objectives and performance

indicators in the executive budget, legislators do not know what level of performance to expect or how much was actually done.

We summarized the results of our analysis of this program's performance data in Exhibit 3-21 shown below.

| Exhibit 3-21 | |
|--|---|
| Results of Comparison of Auxiliary Program's Performance Data to Established Criteria | |
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Does not identify clients • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • No goals |
| Objectives | <ul style="list-style-type: none"> • No objectives |
| Performance Indicators | <ul style="list-style-type: none"> • No indicators |

Source: Prepared by the legislative auditor's staff from results of comparing performance data to criteria in Exhibit 3-1.

Office of Coastal Restoration and Management Needs to Improve Its Performance Data

The Office of the Coastal Restoration and Management is comprised of two divisions: Coastal Restoration and Coastal Management.

Coastal Restoration and Management Program Lacks Goals and Measurable Objectives

Mission. The mission statement listed in the executive budget meets two of the three criteria. It identifies the purpose of the program and is accepted by the agency. However, it does not identify the clients that the program serves. Exhibit 3-22 shown on the following page contains this program's performance data.

Goals. There are no goals listed in the executive budget for this program.

Objectives. There are three objectives in the executive budget associated with this program. None are measurable, and none are consistent with goals, since there are no goals. One is timebound, and all specify end results. This program’s objectives provide information about the activities of the program to an external user. A user would have some difficulty making informed decisions using these objectives, because none are measurable or only one is timebound.

Exhibit 3-22
Coastal Restoration and Management Program’s
Performance Data Reported in the 1996-97 Executive Budget

Mission: The mission of the Coastal Restoration and Management Program is to seek to reduce these losses through conservation, development, and where feasible, restoration and enhancement.

Goals: None Identified

| Objective: | Performance Indicators: |
|---|--|
| (1) This program will develop and construct projects to create, restore, enhance or conserve vegetated coastal wetlands. | <ul style="list-style-type: none"> • Acres Benefited by Completed State Projects (Cumulative) • Vegetation Planting Projects (Number/Acres) • “Christmas Tree” Projects |
| (2) This program will protect and where feasible, restore and enhance coastal resources so that loss of wetlands resulting from activities regulated by the program is offset by actions which provide equivalent wetland functional value. | <ul style="list-style-type: none"> • Acres of Wetlands Lost • Acres of Wetlands Lost per Permitted Activity |
| (3) This program will establish effective coastal non-point source pollution control policies by October 1996. | <ul style="list-style-type: none"> • Progress toward Policies* |

***Note:** We determined that this item is not a true performance indicator based on our criteria shown in Exhibit 3-1.

Source: Prepared by legislative auditor’s staff using 1996-97 executive budget.

Performance Indicators. There are six performance indicators listed in the executive budget. However, one is not a true indicator. Of the five true indicators, none measure progress toward the objective. However, they are all consistent with the objective and are easily understood.

The item that is not a true indicator is associated with Objective #3, which addresses establishing non-point source pollution policies. The only information provided is that the program is “on schedule” regarding these policies. This provides no real information and would require legislators to do more research into this program to make an informed decision.

The results of our analysis of this program’s performance data are shown in Exhibit 3-23 shown below.

Exhibit 3-23

Results of Comparison of the Coastal Restoration and Management Program’s Performance Data to Established Criteria

| | |
|------------------------|---|
| Mission | <ul style="list-style-type: none"> • Identifies purpose • Does not identify clients • Accepted by agency |
| Goals | <ul style="list-style-type: none"> • No goals |
| Objectives | <ul style="list-style-type: none"> • 0 of 3 is consistent with goals* • 0 of 3 is measurable • 1 of 3 is timebound • 3 of 3 specify an end result |
| Performance Indicators | <ul style="list-style-type: none"> • 0 of 5 measures progress toward the objective • 5 of 5 are consistent with the objective • 5 of 5 are clear and easily understood |

***Note:** This program has no goals with which to determine consistency.

Source: Prepared by legislative auditor’s staff from results of comparing performance data to criteria in Exhibit 3-1.

Recommendations

- 3.1 The Department of Natural Resources, with the assistance of the Office of Planning and Budget, should engage in formal strategic planning.**
- 3.2 The Department of Natural Resources should, with the assistance of the Office of Planning and Budget, develop an overall departmental mission statement, office mission statements, and goals for all of the executive budget programs. Objectives should contain an achievable target, and performance indicators should measure progress toward achieving the objective's performance.**

Appendix A

List of References

Appendix A: List of References

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- Canadian Comprehensive Auditing Foundation. *Effectiveness: Reporting and Auditing in the Public Sector*. 1987.
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Appendix B

Boards, Commissions, and
Like Entities Related to the
Department of Natural Resources

Appendix B: Boards, Commissions, and Like Entities

| Boards, Commission and Like Entities | Legal Authority | Purpose/Function |
|---|------------------------|---|
| Louisiana State Mineral Board | R.S. 30:121 | <ul style="list-style-type: none"> The board has the authority to lease any lands belonging to the state, including roadbeds, waterbottoms, and lands adjudicated to the state at tax sale, for the development and production of minerals, oil, and gas. |
| Natural Gas Marketing Commission | R.S. 30:651 | <ul style="list-style-type: none"> The commission was to promote the use and conservation of natural gas, assist the natural gas industry in market development, and identify and remove any impediments to the development of natural gas as an alternative fuel. |
| Louisiana Oilfield Restoration Commission | R.S. 30:83 | <ul style="list-style-type: none"> The commission approves a priority list for site restoration annually, publishes an inventory of oilfield sites, approves lists of contractors acceptable to conduct site assessment and restoration, makes recommendations on oilfield sites to be declared orphaned, and reviews the administration of site restoration activities. |
| Oyster Lease Damage Evaluation Board | R.S. 56:700.14 | <ul style="list-style-type: none"> The board, along with the DNR secretary, is responsible for developing regulations for filing, processing, and settling of oyster fishermen's claims for actual damages to their leased oyster beds or grounds caused by oil and gas industry activities. |

Appendix C

Department of Natural Resources'
Response

State of Louisiana



M.J. "MIKE" FOSTER, JR.
GOVERNOR

JACK C. CALDWELL
SECRETARY

DEPARTMENT OF NATURAL RESOURCES

October 7, 1997

Mr. Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Analysis of Program Authority & Performance
Data pertaining to the Department of Natural
Resources

Dear Dr. Kyle:

The Department of Natural Resources has reviewed the performance audit and the response of the Department is as follows:

The audit describes numerous problems with the missions, goals and performance indicators as displayed in the Executive Budget.

- The Department concurs with this and will work with the Office of Planning and Budget to resolve this matter.

The audit points out that the Department has no ongoing strategic planning process.

- The Department concurs with this and will begin such a process.

DNR has several outmoded or unfunded activities that it is supposed to be performing.

- The law in regard to the Natural Gas Clearing House activity empowers the Commissioner of Conservation to perform this activity. The process is an informal information providing function as stated in RS30:550 and at such time as the resources become available, the Department would like to perform this function once again.
- In terms of the compressed natural gas activity, the implementation of the conversion of the state fleet to compressed natural gas is a responsibility of the Division of Administration. The

Department, through the Office of Conservation, has responsibility for regulation of minimum safety standards for compressed natural gas and is currently performing this function. The Department of Natural Resources as a pilot project was requested by the Governor's Office to attempt a "no cost" conversion of a minimum of 500 vehicles to compressed natural gas. However, this was a failure due to the economics of the situation.

- The Produced Water Incentive Program is currently inactive due to the restrictive nature of the authorizing statute. The Office of Conservation is discussing with representatives of the Oil and Gas industry the possibility of amending the law to relax these restrictions. As this is a tax incentive program it can only be addressed in a fiscal session, meaning the regular session of 1998 will be the soonest the law can be amended.
- For the Underwater Obstructions Program the Department has secured funding in the amount of \$497,700 per year for the next three years to perform activities associated with the program and is awaiting approval of the Joint Legislative Committee on the Budget to include this in its budget.
- Regarding the placement of Oilfield Site Restoration Commission within the Department, in the recent legislative session Act 994 was passed which clarifies the relationship between the Office of the Secretary and the Office of Conservation in regard to the Commission and its activities in the Department.

Audit recommends that the controls, rules and regulations of the Fishermen's Gear Compensation Fund should be reviewed.

- This is being done and the structure and controls of the program are being modified. The inspection activity moved to the Office of Coastal Restoration and Management, Coastal Management Division.

The Oyster Lease Damage Evaluation Board, while in existence for 2 years, has had only two public hearings but no official meetings.

- The Oyster Lease Damage Evaluation Board was originally created by Act 1304 of the 1995 Regular Session. However, due to technical errors in the legislation, DNR waited until the 1997 Regular Session to make the necessary corrections since the 1996 Regular Session was a fiscal only session. Act 1115 of the 1997 Regular Session made the needed corrections. Since this time the board was appointed and has been meeting on a regular basis. Rules have been drafted and are in the process of being finalized. The first sets of damage claims are in the process of being evaluated by the board.

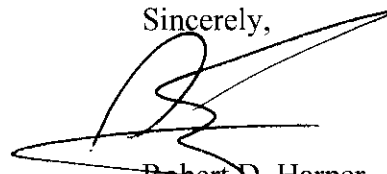
Dr. Daniel G. Kyle
October 7, 1997
Page 3

The audit mentions the Louisiana Geological Survey in the context of a lack of useful performance data and other problems.

- This activity has been transferred to Louisiana State University by Act 239 of the 1997 legislative session effective July 1, 1997.

This concludes the Department's response. We look forward to working with you in the future and appreciate your efforts in developing this analysis.

Sincerely,



Robert D. Harper
Undersecretary

RDH/mg

c: Jack C. Caldwell, Secretary

Steve Mathies, Deputy Secretary

George Carmouche, Commissioner
Office of Conservation

Katherine Vaughan, Assistant Secretary
Office of Coastal Restoration & Management

Gus Rodemacher, Assistant Secretary
Office of Mineral Resources

Verlie Wims, Administrator
Fiscal & Budget Division

Michael Warr, Internal Auditor

Appendix D

Division of Administration –
Office of Planning and
Budget's Response



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF PLANNING AND BUDGET

M. J. "MIKE" FOSTER, JR.
GOVERNOR

MARK C. DRENNEN
COMMISSIONER OF ADMINISTRATION

October 15, 1997

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor
Post Office Box 94397
Baton Rouge, LA 70804-9397

Re: Analysis of Program Authority and Performance Data for Department of Natural Resources

Dear Dr. Kyle:

Thank you for including members of our staff in the process of your office's performance audit of the Department of Natural Resources.

Our office agrees with your recommendations for the improvement of the department's planning and performance accountability. Some of these recommendations have already been included in the Executive Budget prepared for FY 1997 - 98. We are confident that the Department of Natural Resources will work closely with our office to make further improvements in this area.

The Louisiana Government Performance and Accountability Act increases the need for performance accountability guidance to state agencies. Your analysis will provide the Department of Natural Resources a valuable assist with compliance with the Act.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen R. Winham".

Stephen R. Winham
State Director of Planning and Budget

SRW/GLD