



# PROGRAM EVALUATION DIVISION

## NORTH CAROLINA GENERAL ASSEMBLY

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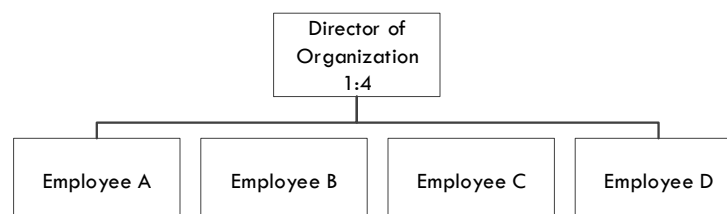
## DEQ Working to Improve Organizational Structure and Permit Processes, But Targeted Adjustments and a Permit Performance Management System Are Still Needed

### Highlights

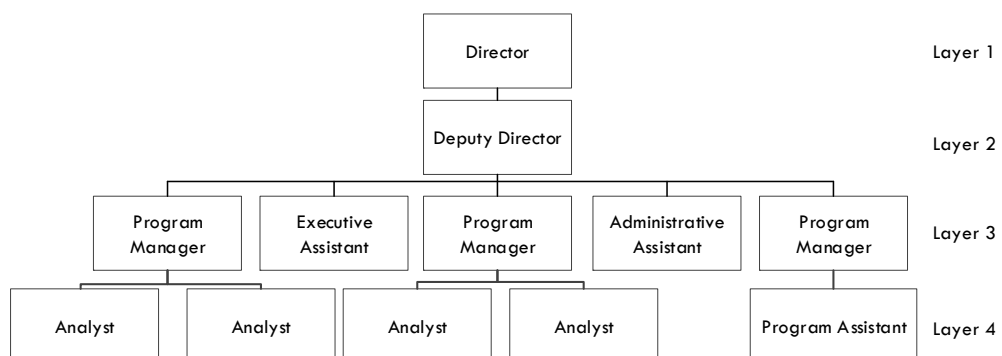
**IN BRIEF:** At the agency level, the Department of Environmental Quality's (DEQ's) average span of control and total organizational layers in 2019 remain similar to 2016 levels. Five of DEQ's 20 organizational units contain higher levels of narrow spans and more organizational layers than recommended, with the Division of Marine Fisheries presenting the greatest potential for structural issues. Although decentralization of permit processing enables units to meet varied permit requirements, granting such autonomy absent a permit performance management system limits DEQ's ability to ensure processes are efficient and effective. DEQ's Permitting Transformation Project offers a way to build such a system.

**Background:** The Joint Legislative Program Evaluation Oversight Committee directed the Program Evaluation Division (PED) to examine DEQ's spans of control and organizational layers as a follow-up to a 2016 PED study, which found DEQ exceeded recommended levels. The directive also tasked PED with examining the levels of approval required for processing complex industrial and/or agricultural permits.

Span of control is a ratio that refers to the number of employees a supervisor oversees. The span of control in the example below is 1:4.



Organizational layers refer to the number of levels in an organization's hierarchy from top to bottom. The organization below has four layers.



## Highlights

**DEQ's agency-wide span of control and number of organizational layers in 2019 remain similar to 2016 levels.** From 2016 to 2019, concentration of DEQ staff among the organization's layers shifted towards the center, indicating the department is making progress towards reaching the OSBM-recommended seven layers. The percentage of spans of control that met the OSBM-recommended 1:8 ratio increased from 24% to 27% during this period, but the rate of narrow spans also increased, from 30% to 32%. The net result of these positive and negative structural changes is that agency-level figures remain similar. As a result, PED examined individual units within DEQ.

**Five units maintain organizational structures such that narrow spans of control account for 50% or more of all spans in the unit.**

Narrow spans can lead to situations in which managers are over-involved or under-involved. Further, they create more organizational layers, which bring additional costs to the agency. PED conducted a regression analysis and found DEQ supervisors make \$9,905 more per year, on average, for every organizational layer they ascend.

### Five DEQ Units Contain Potential Structural Inefficiencies

DEQ Unit	Staff Size	Percentage of Spans that Are Narrow	Total Layers of Unit	Potential for Structural Inefficiencies
Public Affairs	23	60	5	Likely
Mitigation Services	30	73	6	Likely
HR	33	73	6	Likely
CFO	36	58	6	Likely
Marine Fisheries	324	53	11	Very Likely

The Division of Marine Fisheries maintains the lowest average span of control within the agency at 1:3.8. Eighty-five percent of its employees work in the unit's lowest five layers whereas only 15% work in the top six layers. This bottom-heavy structure indicates the top of the unit is management-heavy.

**Recommendation:**

The General Assembly should direct DEQ to study narrow spans in the five identified units and justify their presence or suggest ways to adjust the spans.

**PED identified 22 complex industrial and/or agricultural permits that vary in requirements and processes; variation in permit processes is not inherently problematic, but the lack of a central permit performance management system raises oversight concerns.** DEQ's recently launched Permitting Transformation Project represents an opportunity to address these deficiencies but needs adjustments.

**Recommendation:**

The General Assembly should direct DEQ to develop 1) a return-on-investment measure for the Permitting Transformation Project and 2) a formalized permit performance management plan, including goals, performance measures, and assessment tools to review all permit processes.