



MICHIGAN

OFFICE OF THE AUDITOR GENERAL

AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.
AUDITOR GENERAL

“...The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.”

– Article IV, Section 53 of the Michigan Constitution

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Michigan
Office of the Auditor General
REPORT SUMMARY

Performance Audit

Report Number:
79-122-05

Environmental Stewardship Division

Released:
March 2006

Department of Agriculture

The Environmental Stewardship Division provides assistance to local conservation districts, drain commissions, and land users in the conservation and development of soil and water resources. The Division's mission is to provide leadership and promote environmental stewardship for the management of agricultural and other natural resources.

Audit Objective:

To assess the effectiveness of the Division's promotional efforts relative to natural resources conservation within its mandated responsibility and legal authority.

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Audit Conclusion:

We concluded that the Division's promotional efforts relative to natural resources conservation within its mandated responsibility and legal authority were effective. However, we could not determine what effect, if any, the Division's promotional efforts had on the

conservation of natural resources because the Division had not collected outcome data needed to evaluate program effectiveness. We noted a reportable condition related to evaluation of program effectiveness (Finding 1).

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Agency Response:

Our audit report contains 1 finding and 1 corresponding recommendation. The Department's preliminary response indicated that it partially agrees with the recommendation.

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A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



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March 31, 2006

Mr. James E. Byrum, Chair
Commission of Agriculture
and
Mr. Mitch Irwin, Director
Department of Agriculture
Constitution Hall
Lansing, Michigan

Dear Mr. Byrum and Mr. Irwin:

This is our report on the performance audit of the Environmental Stewardship Division, Department of Agriculture.

This report contains our report summary; description of agency; audit objective, scope, and methodology and agency responses and prior audit follow-up; comment, finding, recommendation, and agency preliminary response; and a glossary of acronyms and terms.

The agency preliminary response was taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Description of Agency

The Department of Agriculture is one of the principal departments of State government. The Department's mission* is to serve, promote, and protect the food, agricultural, environmental, and economic interests of the people of Michigan. A bipartisan five-member Commission of Agriculture is responsible for the general administration of the Department, including the appointment of the director, who serves at the pleasure of the Commission. The Governor appoints the members of the Commission, with the advice and consent of the Senate, to four-year terms.

The Environmental Stewardship Division provides assistance to local conservation districts*, drain commissions, and land users in the conservation and development of soil and water resources. The Division's mission is to provide leadership and promote environmental stewardship for the management of agricultural and other natural resources.

The Division consists of the following two sections:

1. The Pollution Prevention Section administers several grant programs that promote the voluntary use of conservation practices to protect groundwater and other natural resources. The Section provides education and technical assistance for local conservation districts, which are directly responsible for assisting farmers and other landowners in implementing these practices. Also, the Section conducts inspections of farms to certify that they are in compliance with established standards for the Michigan Agriculture Environmental Assurance Program. In addition, the Section conducts investigations of environmental and nuisance complaints involving farms and monitors the water quality of privately owned wells.
2. The Resource Conservation Section reviews and approves agreements between landowners and the State to preserve farmland and open space. Also, the Section licenses and inspects all migrant labor housing facilities in the State. Further, the Section oversees inter-county drain projects and provides technical assistance for county drain commissions.

For the fiscal year ended September 30, 2004, the Division's expenditures totaled approximately \$10.0 million. As of August 31, 2005, the Division had 54 employees.

* See glossary at end of report for definition.

Audit Objective, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objective

The objective for our performance audit* of the Environmental Stewardship Division, Department of Agriculture, was to assess the effectiveness* of the Division's promotional efforts relative to natural resources conservation within its mandated responsibility and legal authority.

Audit Scope

Our audit scope was to examine the program and other records of the Environmental Stewardship Division. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures, performed from June through August 2005, included examination of program records and activities for the period October 1, 2002 through August 31, 2005.

We use a risk-based approach when selecting activities or programs to be audited. This approach focuses our audit efforts on activities or programs having the greatest probability for needing improvement as identified through a preliminary review. By design, our limited audit resources are used to identify where and how improvements can be made. Consequently, our audit reports are prepared on an exception basis.

Our preliminary review included interviewing Division personnel, conducting tests of program records, and identifying performance measures* and objectives* that the Division used to evaluate its effectiveness. Also, we reviewed applicable laws, administrative rules, management plans, activity reports, and policies and procedures.

To accomplish our audit objective, we interviewed Division staff and examined various program reports and program performance documentation. We analyzed how the

* See glossary at end of report for definition.

Division determined that it accomplished its mission and met its goals* and objectives. We conducted tests of records related to grant program activities. Also, we made field visits to five local conservation districts to gain an understanding of field operations and activities.

Agency Responses and Prior Audit Follow-Up

Our audit report contains 1 finding and 1 corresponding recommendation. The Department's preliminary response indicated that it partially agrees with the recommendation.

The agency preliminary response that follows the recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Department of Agriculture to develop a formal response to our audit finding and recommendation within 60 days after release of the audit report.

We released our prior performance audit of the Environmental Stewardship, Marketing and Communications, and Pesticide and Plant Pest Management Divisions and the Office of Agriculture Development, Department of Agriculture (#7912099), in September 2000. Within the scope of this audit, we followed up 2 of the 19 prior audit recommendations. The Division had complied with 1 of the 2 prior audit recommendations. The other prior audit recommendation was rewritten for inclusion in this report.

* See glossary at end of report for definition.

COMMENT, FINDING, RECOMMENDATION,
AND AGENCY PRELIMINARY RESPONSE

EFFECTIVENESS OF PROMOTIONAL EFFORTS RELATIVE TO NATURAL RESOURCES CONSERVATION

COMMENT

Background: Our audit efforts focused on the Environmental Stewardship Division's three grant programs that promote the voluntary use of conservation practices by farmers and other landowners:

1. The Groundwater Stewardship Program's mission is to provide education and technical assistance to help farmers and other landowners identify and reduce risks to groundwater associated with pesticide and nitrogen fertilizer use.
2. The Conservation Reserve Enhancement Program's mission is to provide education and technical assistance to help farmers and other landowners implement conservation practices to protect the environment and enhance wildlife habitats.
3. The Forestry Assistance Program's mission is to provide education and technical assistance to help landowners and local communities manage and protect their forest resources.

The Division issues grants to local conservation districts and other organizations (e.g., Michigan Turfgrass Foundation) to provide the education and technical assistance for these programs. For fiscal year 2003-04, the grant payments to local conservation districts and other organizations totaled approximately \$5.0 million.

Audit Objective: To assess the effectiveness of the Division's promotional efforts relative to natural resources conservation within its mandated responsibility and legal authority.

Conclusion: We concluded that the Division's promotional efforts relative to natural resources conservation within its mandated responsibility and legal authority were effective. However, we could not determine what effect, if any, the Division's promotional efforts had on the conservation of natural resources because the Division had not collected outcome data needed to evaluate program

effectiveness. We noted a reportable condition* related to evaluation of program effectiveness (Finding 1).

FINDING

1. Evaluation of Program Effectiveness

The Division needs to enhance its process for evaluating the effectiveness of its efforts to promote the conservation of natural resources.

The collection of sufficient and reliable program information would allow management to identify the strengths, weaknesses, and needs of programs and, more importantly, would allow management to assess program effectiveness.

An effective program evaluation process should include: performance measures for measuring outputs* and outcomes*; quantifiable performance standards* that describe management expectations of the level of outputs and outcomes; a methodology for gathering output and outcome data; a comparison and reporting of the actual data with expected outputs and outcomes; and, as appropriate, proposed program changes to improve effectiveness.

The Division employed some elements of such an evaluation process to help manage its grant activities. However, our review disclosed the following areas in which program enhancements are needed to improve the program evaluation process:

a. The Division has focused on program outputs rather than program outcomes in its attempts to measure the program performance of the Groundwater Stewardship Program and the Forestry Assistance Program. The Division did not measure the resulting impact of its Groundwater Stewardship Program and the Forestry Assistance Program. As a result, the Division did not know if these programs reduced the level of groundwater contamination or provided for better management and protection of forestland:

(1) For the Groundwater Stewardship Program, the Division concentrated its efforts on implementing farming conservation practices that reduce the risk of groundwater contamination. However, the Division did not test the

* See glossary at end of report for definition.

groundwater contamination levels before and after the implementation of these practices to confirm that the practices had a positive impact on Michigan's environment.

Division staff subsequently informed us that such conservation practices were developed by the Agricultural Research Service, United States Department of Agriculture (USDA). Division staff also informed us that USDA research has determined that these practices have been shown to reduce water quality impacts and are protective of the environment.

- (2) For the Groundwater Stewardship Program and the Forestry Assistance Program, the Division obtained from local conservation districts and other grantees output data, such as the number of on-site visits to assist landowners in identifying risks and implementing conservation practices and the number of abandoned wells closed as well as the number of educational programs provided. However, the Division did not attempt to evaluate the effectiveness of the site visits and educational programs to determine if they resulted in improvements in groundwater contamination levels or in protection of forestland.

By assessing actual program outcomes, the Department of Agriculture's management and the Legislature could receive meaningful information about the effectiveness of the Division's programs.

- b. The Division did not ensure that its on-site monitoring reviews of local conservation districts were documented.

Division field staff periodically visit all local conservation districts to provide technical assistance and to monitor their grant activities. However, the Division did not maintain documentation related to the scope, findings, and conclusions for the grant activity monitoring.

Documentation of on-site monitoring efforts would help the Division obtain assurance that local conservation district activities are in accordance with grant requirements. To ensure that on-site monitoring visits are properly documented and include a review of all issues that management considers pertinent, the Division should require the use of a standardized monitoring guideline that includes compliance features related to the significant grant

requirements, including verifying the accuracy of output data reported by local conservation districts.

RECOMMENDATION

We recommend that the Division enhance its process for evaluating the effectiveness of its efforts to promote the conservation of natural resources.

AGENCY PRELIMINARY RESPONSE

The Department partially agrees with the recommendation.

The Department agrees that measurement of outcomes to determine the effectiveness of the Groundwater Stewardship and Forestry Assistance Programs is desirable. However, the Department informed us that it cannot fully implement this part of the recommendation.

The Department stated that the purpose of both programs is to promote and implement risk reductions and indicated that it agrees with the conclusion that these promotional efforts were effective. However, the Department informed us that, because of the number and variety of potential sources of impact on Michigan's natural resources, it is technically infeasible and cost prohibitive to accurately measure these types of outcomes and make meaningful conclusions about proactive changes in farming and/or forestry practices in such a complex system involving the entire State.

In addition, the Department agrees that written on-site monitoring reviews of local conservation districts were not always documented. The Department informed us that, after the audit, procedures were changed to correct this weakness.

OFFICE OF THE AUDITOR GENERAL EPILOGUE

Meaningful evaluation of program effectiveness is not feasible without the collection of sufficient and reliable program information, including outcome and baseline measurement data. Increasingly, government programs and services are being held accountable for their use of public funds. Efforts to evaluate the effectiveness of its environmental stewardship programs help the Department in demonstrating this accountability as well as assist in determining how and where limited resources should be allocated.

GLOSSARY

Glossary of Acronyms and Terms

effectiveness	Program success in achieving mission and goals.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
local conservation districts	Local units of government that are responsible for implementing programs to conserve and protect soil and water resources.
mission	The agency's main purpose or the reason that the agency was established.
objectives	Specific outcomes that a program seeks to achieve its goals.
outcomes	The actual impacts of the program.
outputs	The products or services produced by the program.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.
performance measures	Information of a quantitative or qualitative nature used to assess achievement of goals and/or objectives.
performance standard	A desired level of output or outcome.
reportable condition	A matter that, in the auditor's judgment, represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
USDA	United States Department of Agriculture.

