



FEBRUARY 2018 PROGRESS REPORT: IMPROVEMENTS TO DOGAMI BUSINESS PRACTICES

Issue In March 2015, the Oregon Department of Geology and Mineral Industries (DOGAMI) did not have a clear picture of its financial condition and was facing a budget shortfall. Additionally, under-resourced and out of compliance information technology operations put valuable data holdings at risk.

This report is an update to the SB 5512 (2015) Budget Note report on improvements made to DOGAMI business practices that was provided in the Joint Committee on Ways and Means Subcommittee on Natural Resources in 2016 and 2017. Also included is an update on the progress made subsequent to the December 2015 DOGAMI IT Assessment prepared by Enterprise Technology Solutions on behalf of the Office of the State Chief Information Officer (OSCIO).

Since 2015, improvements made to DOGAMI's business and information technology practices bring the agency in line with standard business practices including pursuit of continuous improvement.

Background In March 2015, DOGAMI identified a need to review the agency's financial condition in order to address uncertainties that included a shortfall in the agency budget. The agency needed to identify and correct the problems that led to the 2015 budget shortfall in order to operate with the accountability and transparency expected of a state agency. An experienced multi-agency team led by the Department of Administrative Services (DAS) performed an independent review of the agency's financial status and business practices and determined multiple changes were needed for the agency to effectively monitor its finances and manage its business. Further examination of the agency's business model was also identified as being necessary to ensure long-term financial and operational stability. The SB 5512 (2015) Budget Note identified six specific actions the agency needed to take in order to improve its financial and business practices. Additionally, DOGAMI has partnered with the OSCIO to address its information technology budget and operations deficiencies.

Audits Two financial audits were conducted in 2016. The Secretary of State, per DOGAMI request, and the Federal Emergency Management Agency (FEMA) conducted an audit on DOGAMI's management of federal funds. The FEMA audit had no findings.

In November 2017, the Secretary of State (SOS) requested information to track the extent to which DOGAMI implemented the SOS audit recommendations. DOGAMI has provided the SOS with documentation that demonstrates the agency has fulfilled all audit recommendations.

2015 Budget Note Action Items

Outlined below are descriptions of Action Items and current status.

Action Item 1: *Reorganize accounting and budget structures, including creating an accounting and budget structure to separate lidar from other organization operations.*

Status: Work Complete.

Future Action: Maintain on-going integrity of financial structure and systems.

Action Item 2: *Address the agency's antiquated accounting systems and procedures and implement modern practices.*

Status: Work Complete. Within this work surety bond reconciliation is complete for funds that belong in the Mined Lands Reclamation Guarantee Fund given the limits of previous record keeping and loss of institutional knowledge. One hundred percent of funds have been accounted for.

Future Action: Maintain modern business practices.

Action Item 3: *Review the agency's current business and organization infrastructure.*

Status: Work Complete. The DAS review team found that insufficient financial and contracts management expertise was a significant factor in the agency's budget uncertainty. The immediate need identified by agency management was to establish the required expertise through position changes. Increasing project staff understanding of new financial structures and practices was also a priority. Additional highlights of work on this action item include:

- To create opportunities to gain hands-on, direct leadership and management/supervisory experience and build long-term capacity within DOGAMI, organizational changes were implemented effective January 2017. Leveraging currently filled positions, DOGAMI's organizational structure was modified to include a Deputy Director (2-year rotation); a Geological Survey and Services (GS&S) Manager (2-year rotation); two GS&S Supervisors (1-year rotations); two lead positions in the MLRR program; and a Chief Information Officer. Leadership/management training and mentoring is ongoing.
- Leadership development continues with a second round of GS&S Supervisor rotations for three positions effective December 1, 2017. See appendix for current organization chart.

Future Action: Leadership development is ongoing to ensure organizational changes are fully

implemented and supported by the agency's business operation practices. DOGAMI is committed to development of leadership knowledge, skills, and abilities at staff, supervisory, and management levels to instill a culture of stewardship and accountability. Expanded institutional knowledge and leadership capacity will facilitate continuity of operations in times of change.

Action Item 4: *Review the agency's core operations, program priorities, and funding sources.*

Status: Work Complete. Selected financial policies and procedures include:

- Allowable, Reasonable, and Allocable Costs (FIN 2017-01)
- Indirect Cost Allocation (FIN 2017-02)
- Conflict of Interest (ADM 2017-05)
- Releasing Reclamation Security – Cash Security (FIN 2016-01)
- Releasing Reclamation Security – Non-Cash Closures and Transfers (FIN 2016-02)
- Deposits – Mineral Land Regulation and Reclamation (FIN 2016-03)
- Deposits – Geological Survey and Services (FIN 2016-04)
- Accounts Payable (FIN 2016-05)
- Federal Draw – ASAP.gov (FIN 2016-06)
- Federal Draws – FEMA PARS (FIN 2016-07)
- Legislature Approval for Federal Grant Application (FIN 2016-08)
- Grant Financial Updates (FIN 2016-09)
- Grant Application (FIN 2016-10)

DOGAMI-specific processes follow DAS policies and procedures for travel, SPOTS, e-payroll review and approval, complaint notification, and accounts receivable.

To help ensure the agency's long-term financial and operational relevance and stability, the agency updated its Key Performance Measures (KPMs) for the 2017-2019 Budget. Changes are intended to ensure KPM outcomes can be directly influenced by DOGAMI's actions and contribute to achieving the goals and objectives of its 2015-2021 Strategic Framework and the Governor's long-term focus areas. Working within the Strategic Framework, the agency is in the process of developing specific near-term priority initiatives in order to make measureable progress on its strategic objectives.

Future Action: The GS&S business model relies heavily on outside funding sources that primarily reflect the priorities of its funding partners, which are not necessarily fully aligned with GS&S priorities. Availability of relevant external funding that is outside the agency's control can make revenue forecasting difficult. However, with the progress made on business practices and DOGAMI's demonstrated ability to successfully compete for federal grant dollars, the agency's current business model has stabilized for the foreseeable future. Should federal

grant dollars decrease in availability, the agency will need to assess other potentially viable funding options.

Action Item 5: *Review the agency's cash flow and application of indirect rates that fund some administrative functions.*

Status: Work Complete.

Future Action: Maintain on-going integrity of systems put in place.

Action Item 6: *Review current fee structures and the level of fee revenue necessary to cover program costs within the Mineral Land Regulation & Reclamation Program.*

Status: Ongoing. Initial analysis of Mineral Land Regulation & Reclamation Program (MLRR) program fees and costs was done in May 2015 to inform development of HB 3563. The bill, which was brought forward by industry, increased mining fees for the first time since 2005. HB 3563 went into effect January 1, 2016 and included an increase in the aggregate base fee and production rate fee; and an increase in application, transfer, and amendment fees.

The agency continues to closely track fee revenue to ensure program costs are covered. However, the MLRR Program fee increase has been insufficient to cover full staffing costs. Initially three vacancies were held open due to insufficient revenue affecting program performance. One Natural Resource Specialist position has been filled, and recruitment will soon be underway for a supervisor position. Pending fee revenue analysis, projections and efficiencies a program fee increase may be recommended for the 2019 Legislative session.

Future Action: The MLRR program is currently undergoing an internal comprehensive review to determine optimal operations, funding, and staffing levels. Additionally, MLRR has partnered with the Watershed Enhancement Board, which has made available technical assistance to support efforts to facilitate continuous improvement.

Program legislative concepts are anticipated for a construction exemption; exclusion certificates; reclamation plan updates; and other technical issues.

A multi-agency public request for information on an online land and permit management system (Customer Relationship Management) is being evaluated to improve the productivity and responsiveness of the MLRR program. This work will set the stage for a potential procurement in the 2019-21 biennium.

Action Item – Information Technology: *Information Technology Assessment and Response*

DOGAMI has substantially completed implementing all of the recommendations of the Office of the State Chief Information Officer December 2015 IT Assessment. This work has resulted in information technology (IT) operations that are based on industry best practices and state policy in the areas of procurement, security, backup, disaster recovery, and IT operations management. DOGAMI staff is collectively doing the work of migrating its remaining file services to the Enterprise Technology Services (ETS) shared services platform. In the current biennium the IT focus is on enhancing the mission of the agency through new services and enhanced capabilities.

Specific Initiatives and Accomplishments in 2017-19:

- DOGAMI's early participation in the DAS/ETS Microsoft Office 365 program allows for enhanced collaboration both inside DOGAMI and with our partner agencies. Initial services are anticipated February 2018.
- In September 2017, a high-availability infrastructure system was implemented for serving geophysical and hazard map products to the public. It reduces downtime and allows for improved performance as more of our partners and the public use these services.
- DOGAMI is actively engaged in a multi-agency work group to implement sharing of DOGAMI's full-resolution lidar data products. Lidar product sharing will save the state money in unnecessary data duplication, will improve the geophysical map products that agencies produce using DOGAMI data, and has been on the wish list of stakeholders for many years. Anticipated Spring 2018.

With DOGAMI's IT improvements, operations are now fully compliant with State of Oregon Enterprise IT standards, financially efficient, and streamlined. Agency IT staff are now primarily tasked with enabling the agency to continue to deliver on its mission and to improve the services that it provides to the public and the State.

Appendix

2018 DOGAMI Organizational Chart

2016 Secretary of State Audit <http://sos.oregon.gov/audits/Documents/2016-26.pdf>

OREGON DEPARTMENT OF GEOLOGY AND MINERAL INDUSTRIES

February 2018

