

Oregon Department of Environmental Quality

Ongoing Strategic Planning Can Help DEQ Address Obstacles to Achieving its Goals

April 2024

Report 2024-13



Oregon Secretary of State
Audits Division



Audit Highlights

Oregon Department of Environmental Quality

Ongoing Strategic Planning Can Help DEQ Address Obstacles to Achieving its Goals

Anti-Racism is the active process of identifying and challenging racism by changing systems, organizational structures, policies and practices, and attitudes to redistribute power in an equitable manner.

WHY THIS AUDIT IS IMPORTANT

- DEQ administers and enforces environmental laws pertaining to air, water, and land quality and ensures compliance with federal environmental regulations on behalf of the EPA.
- Governor Kotek issued agency expectations for strategic planning and Diversity, Equity, and Inclusion (DEI) action planning in January 2023, with strategic plans due June 2024.
- Strategic planning can help regulatory agencies like DEQ address the key principles of good regulatory governance and take steps to meet its mission.
- Anti-racist strategic planning can help organizations better identify and address policies and practices that are harmful to staff and communities of color.
- An audit of DEQ's governance risks was requested by the Senate Republican Caucus in September 2022.

WHAT WE FOUND

1. DEQ faces some pressing challenges that could impede agency efforts to achieve its mission. The escalating effects of climate change and related impacts to environmental quality may outpace DEQ's ability to provide a high level of service especially to some of Oregon's more vulnerable communities. Related challenges include the agency's broad scope of work and a growing public demand for services paired with persistent funding limitations. ([pg. 20](#))
2. The agency is also dealing with internal obstacles, such as difficulties recruiting and retaining staff (particularly BIPOC staff), barriers to coordination and communication needed to carry out programs, and a work environment that presents many challenges to staff. DEQ is working to enhance staff support, and agency leadership has stated the agency goal is to become an anti-racist organization. These efforts also align with the objectives of the 2021 State of Oregon DEI Action Plan. However, due to the ongoing and iterative nature of anti-racism work, this may take several years to achieve. ([pg. 28](#))
3. DEQ is in the process of developing an agencywide anti-racist strategic plan in alignment with the Governor's expectations and requirements. The agency should use the strategic planning process to address both internal and external challenges in addition to meeting its anti-racism goals. Strategic planning best practices can provide critical context and guidance to applying strategic planning to a variety of agency needs. ([pg. 33](#))

WHAT WE RECOMMEND

We made two recommendations to DEQ. DEQ agreed with all of our recommendations. The response can be found at the end of the report.



Oregon Secretary of State
Audits Division

Introduction

In January 2023, newly sworn in Governor Tina Kotek shared her expectations for Oregon’s state agencies. Among these is a goal for each executive branch agency to develop and implement enterprise-wide strategic plans as well as strategic Diversity, Equity, and Inclusion (DEI) action plans. Strategic planning has many distinct benefits to agencies in the achievement of long-term goals, communication and coordination, and supporting a healthy work environment.

The Oregon Department of Environmental Quality (DEQ) is developing a strategic plan with the intent of using the strategic planning process and plan itself to become an anti-racist organization. The plan must be completed by June 2024. DEQ is a complex regulatory agency facing a number of distinct challenges and needs a strategic plan that can help navigate those challenges.

This report does not assess whether or not DEQ is a racist agency. In the course of our work, we learned the agency planned to use its strategic plan to assist in its goal of becoming an anti-racist organization in alignment with the Governor’s expectations. This effort also aligns with the objectives of the 2021 State of Oregon DEI Action Plan.

In September 2022, Oregon’s Senate Republican Caucus requested an audit of DEQ’s governance risk. Through our work at DEQ, we saw an opportunity for the agency to address challenges that we identified while revising and adding to their anti-racist strategic plan. The purpose of this audit is to provide the agency with real-time feedback and recommendations regarding how its ongoing challenges can be better addressed through the strategic planning process. Real-time auditing tends to focus on evaluating front-end strategic planning, service delivery processes, controls, and performance measurement frameworks before or at the onset of policy implementations.

Additionally, per government auditing standards, the Secretary of State’s Audits Division applies an equity focus when conducting performance audits of government agencies. These standards include specific criteria for assessing if an auditee’s “services are provided effectively, efficiently, economically, ethically, and equitably.”¹

Oregon faces numerous environmental quality challenges

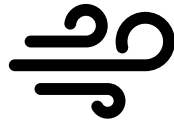
For decades, Oregon has faced serious air, water, and land pollution problems. High rates of carbon monoxide were recorded in Portland’s air in the early 1980s and raw sewage was dumped directly into the Willamette River until the 1950s. In the 1970s, the federal Clean Air Act and Clean Water Act led to fundamental changes in how states managed and dealt with air, water, and land pollution.² More federal and state protections were introduced in the years following the passage of these two acts.

Oregon now has comparatively robust regulatory protections and a complex network of rules and requirements in place to manage pollutants created by industrial, agricultural, transportation, and

¹ 2018 Auditing Standards for the U.S. Government Accountability Office with April 2021 Revisions. The Yellow Book provides standards and guidance for auditors and audit organizations, outlining the requirements for audit reports, professional qualifications for auditors, and audit organization quality control. Auditors of federal, state, and local government programs use these standards to perform their audits and produce their reports.

² EPA Overview of the [Clean Air Act](#) and of the [Clean Water Act](#)

residential sources. The state must continue to contend with the advancement of climate change. Ensuring air, land, and water resources are sufficiently protected to continue serving Oregon communities is a growing challenge. Scientists and experts anticipate natural disasters like wildfires and floods will significantly increase in the coming years, straining Oregon's ability to respond and adapt. Interviews conducted by a consulting firm in 2021 noted DEQ staff and other interested parties' biggest environmental concerns included poor air and water quality alongside the impacts of climate change.³



Air quality overall has improved since the 1970s, but critical incidents and changing climate conditions pose significant health risks

According to the World Health Organization, air pollution is contamination of the indoor or outdoor environment by any chemical, physical, or biological agent that modifies the natural characteristics of the atmosphere. Sources of air pollution can include pollutants generated by industrial facilities, motor vehicles, forest fires, and many more. Both indoor and outdoor air pollution can cause respiratory issues and shorten life expectancy for impacted communities.⁴ Air quality is determined by the presence and level of air pollutants that are hazardous to human health.

Thanks in part to DEQ's regulatory efforts, ambient air quality has improved dramatically in Oregon since the 1970s, preventing a number of premature deaths. Federal officials also estimate improved air quality has benefited the agricultural and forestry sectors.

Despite these improvements, some communities in the state have dealt with air pollution concerns that negatively affect local residents. The Bethel community in Eugene lived for years with air toxins emitting from the now-defunct JH Baxter facility. Community members issued complaints to state authorities starting in the late 1970s, which peaked in 2004 with over 700 registered complaints. In 2016, DEQ noted glass manufacturers in Portland were releasing unhealthy amounts of toxic metals into the air. The public outrage around this issue led to the creation of Cleaner Air Oregon.⁵

³ In 2021, DEQ brought in consulting firm BerryDunn to assist with strategic plan development. As part of its work the firm conducted an environmental scan, including several staff and other interested groups interviews, identifying areas of concern within the agency.

⁴ DEQ does not evaluate or regulate indoor air pollution.

⁵ Cleaner Air Oregon regulates emissions of toxic air contaminants from industrial and commercial facilities based on risks to health.
[Department of Environmental Quality: Cleaner Air Oregon](#)



Oregon's Lookout Fire in the Willamette National Forest in August 2023 | Source: Inciweb

The growing threat of wildfires in Oregon and neighboring states has also dramatically impacted air quality. In 2020, multiple wildfires in September broke 'bad air' records across the state, burned over 1 million acres across eleven Oregon counties, destroyed 5,000 homes and businesses and forced the evacuation of over 40,000 people, and took nine lives. Parts of the state are now routinely inundated with smoke during fire season; some areas that rarely experienced wildfire smoke in the past now expect to see it regularly. Unfortunately, managing and mitigating wildfire smoke is a complex multi-agency and sometimes multi-state undertaking. Smoke can move far and fast, overwhelming local efforts to control it.



Water quality issues have wide-reaching effects given its many uses in Oregon

Water pollution is the contamination of water sources by substances which can sometimes make the water unusable for drinking, cooking, cleaning, swimming, and other activities.⁶ Other factors can also impact overall water quality, such as temperature and turbidity, and each of these can have negative impacts on communities and ecosystems.⁷

Many of Oregon's rivers and streams are failing to meet federal water quality standards due to concerns such as increased temperature, agricultural or industrial run-off, or other pollutant sources and causes as shown in Figure 1 that follows. While humans are typically not directly impacted, many species of fish and other aquatic life are in steep decline, putting whole ecosystems around the state in peril.

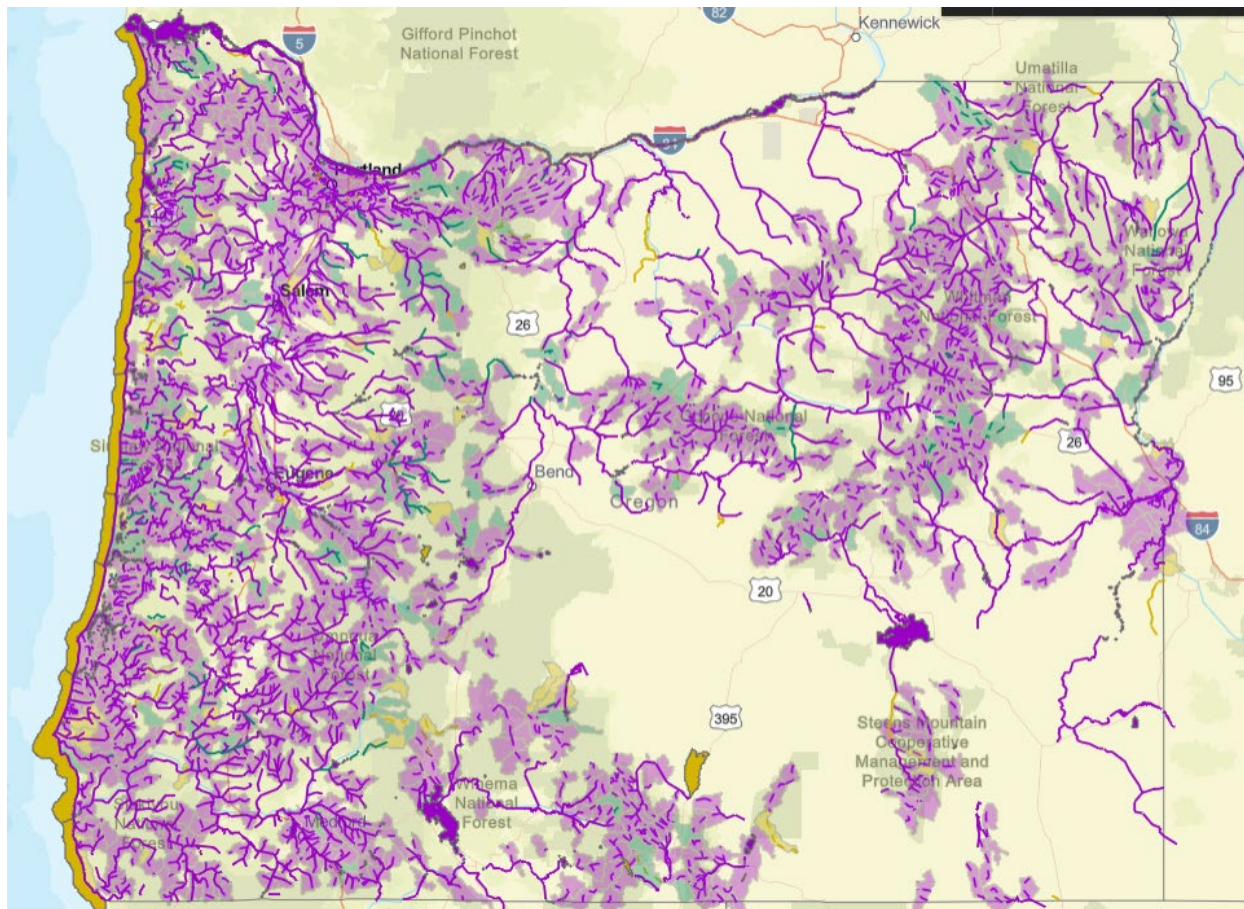
⁶ [Water Pollution](#) | EHEP | Harvard T.H. Chan School of Public Health

⁷ According to the United States Geological Survey, turbidity measures the relative clarity of a liquid. Cloudiness, or turbidity, is caused by suspended particles in water. High turbidity can indicate the presence of harmful microbes or create conditions needed for them to grow.

Oregon groundwater is also impacted in areas where there is significant water use from wells. A combination of drought and overuse of certain aquifers can lead to some wells drying up entirely, while other wells are heavily impacted by elements like arsenic and fail to produce clean, potable water.

Some Oregon communities face distinct water quality concerns that imperil their homes, health, and livelihoods. These include communities within Oregon's Groundwater Management Areas, such as Boardman and the surrounding areas, communities and Tribes in southern Oregon that are dependent on well water from quickly drying aquifers, and coastal communities with limited access to clean, reliable drinking water.⁸

Figure 1: DEQ's Oregon 2022 Integrated Report shows the majority of the state's assessed waterways are impaired by one or more pollutants (impaired waterways in purple)⁹



DEQ Oregon 2022 Integrated Report | Source: DEQ

⁸ [2023-04. Secretary of State Advisory Report: State Leadership Must Take Action to Protect Water Security for All Oregonians and Appendix](#)

⁹ [Oregon's 2022 Integrated Report](#)



Human activities that harm land quality can affect air and water

A number of human activities can also negatively impact the quality of land resources if proper measures are not taken, such as disposing of waste and old tires, putting in underground fuel tanks, handling oil spills, and removing asbestos from old buildings. These activities can have residual impacts on breathable air and potable water as well.

In 2016, a 96-car train carrying crude oil derailed in Mosier, just off Interstate 84, the Columbia River, and the Washington state border. Three of the train cars caught fire and four were found to be discharging oil, leading to 147 people being evacuated from a nearby neighborhood and the temporary closing of the freeway. This incident required a broad and immediate response from the federal Environmental Protection Agency (EPA), Oregon and Washington state agencies, and about two dozen other local and regional fire departments and emergency response teams.



Federal, state and local agencies respond to Oregon train derailment in Mosier in 2016 | Source: Coast Guard News, CC BY-NC-ND

The coordinated emergency response successfully prevented further destruction or contamination of local ground and water resources from the spill. While incidents such as these are irregular and often unpredictable, they can have far reaching, long-term negative consequences for local communities if the initial response is inadequate.

Air, water, and land quality are often intermingled, and their effective management is complex and requires significant resource investment. DEQ's work protecting air, water, and land from pollutants supports our quality of life and the welfare of the state's many ecosystems.

DEQ is a large, complex regulatory agency working to meet growing demands to protect Oregon's air, water, and land quality

DEQ is a large state agency with over 850 authorized positions and a broad scope of responsibilities. DEQ has a complex regulatory structure and deals with an array of air, water, and land quality concerns on a daily basis.

DEQ has a complex regulatory structure that supports a variety of functions across the state

Established in 1969, DEQ's current mission is to be a leader in restoring, maintaining, and enhancing the quality of Oregon's air, land, and water. DEQ establishes the standards for clean air, water, and land; determines whether these standards are being met; and takes action to enforce the standards when necessary. The agency manages the federally delegated Clean Air, Clean Water, and Resource Conservation and Recovery Act programs. In addition to the management of federal programs, DEQ administers the state environmental programs in the areas of solid waste management, planning, and recycling; groundwater protection; and environmental cleanup.

DEQ's work is closely tied to and reliant on federal laws and programs which are administered by the EPA. The EPA delegates much of its authority to state agencies like DEQ, which are accountable to the EPA for administering programs like Title V.¹⁰ The EPA is required to exercise oversight and supervision of these programs, which includes rulemaking and permitting. To maintain these federal programs, DEQ is obligated to provide adequate resources for implementation. According to state rule, DEQ regulates major and minor industry facilities through providing permits to source emitters for air, water, and land. It inspects these facilities to ensure permits are followed accordingly. The agency works closely with industry to ensure regulations can be met and partners with local governments and Tribal governments.

Public service and partnership are two values guiding DEQ's actions. Its private sector partners are an integral part of the agency's framework. For instance, it worked with a mid-sized printing and manufacturing company to implement changes to the company's hazardous material consumption and disposal process which produced meaningful results of positive environmental and economic impacts. DEQ has programs that commonly partner with others to develop and assist in implementing pollution prevention. The Ecological Business Program supports landscapers and automotive repair and auto-body industries. Additionally, many of DEQ's permitting staff are trained in pollution prevention techniques and can suggest best management practices and offer technical assistance.

DEQ is governed by a five-member board of commissioners, the Oregon Environmental Quality Commission (EQC). Board commissioners are Governor-appointed and confirmed by the Senate to serve a four-year term.¹¹ The EQC serves as DEQ's policy and rulemaking board, as well as establishing policies, issuing orders, judging fine appeals or other DEQ actions, and appointing the DEQ director. DEQ's leadership team works to develop and implement the agency's strategic planning and serves as the executives for the agency.

¹⁰ Title V permit holders are large source air pollution emitters, such as certain industrial sites and crematoriums — and have the potential to emit large amounts of hazardous air pollutants.

¹¹ Commissioners can serve two four-year terms.

During 2023-25 biennium, DEQ received authorization for more than 850 full-time equivalent staff with an adopted budget of \$730 million.¹² Around 82% of the agency’s budget is categorized as other funds, meaning revenue generally received from fees. Approximately 6% of the agency’s budget is federal funds, which are distributed evenly across agency programs, with the remainder sourced from the General Fund.

Figure 2: DEQ’s legislative budget has increased moderately over the past decade¹³

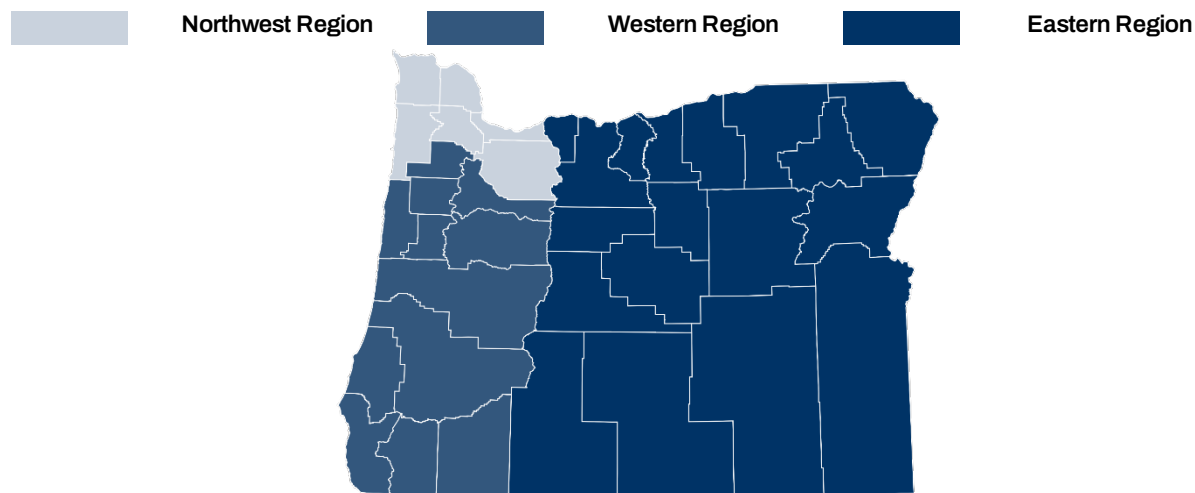
	2013-15	2015-17	2017-19	2019-21	2021-23	2023-25
Air Quality	\$74,619,402	\$82,604,682	\$124,655,666	\$139,969,093	\$217,511,763	\$156,563,717
Water Quality	\$78,185,670	\$84,411,153	\$85,372,963	\$90,206,904	\$119,940,289	\$111,385,800
Land Quality	\$83,494,691	\$85,000,029	\$93,825,734	\$100,552,558	\$113,505,982	\$115,809,134
Agency Management	\$29,262,106	\$33,291,238	\$40,076,587	\$47,918,074	\$50,072,874	\$44,537,260
Other	\$173,994,574	\$174,252,985	\$174,945,373	\$219,938,742	\$282,554,970	\$301,707,175
Total	\$439,556,443	\$459,560,085	\$518,876,322	\$598,585,371	\$783,585,879	\$730,003,086

Source: DEQ

Note: While most figures are legislatively approved, 2023-25 figures are legislatively adopted

DEQ operates within a regional structure. The agency is headquartered in Portland, with staff in three regions carrying out air, land, and water program responsibilities. The three regions are Northwest (including Portland), Western, and Eastern. Lane County’s Regional Air Protection Agency, LRAPA, handles air quality programming for Lane County and the cities of Eugene, Springfield, Cottage Grove, and Oakridge. Agency operations are also divided across three major divisions covering air, water, and land quality. These three program divisions are supported by a fourth, the Laboratory and Environmental Assessment Division.

Figure 3: DEQ is split into three regions



Note: Air quality regulation is performed by LRAPA in Lane County. | Source: DEQ

¹² 2023-25 Oregon Legislative Fiscal Office Budget Highlights

¹³ Adjusted for inflation, excluding 2023-25 biennium [BLS Budget Calculator](#)

DEQ's Air Quality program is responsible for compliance with federal and state air quality standards

DEQ monitors air quality to protect public health by developing and implementing pollution reduction strategies. Key sources of air pollution in Oregon include motor vehicles, slash burning in forests, woodstoves, industrial facilities, and field burning. DEQ is also responsible for statewide air quality monitoring, keeping an emissions inventory, pollution reduction planning, and issuing Title V permits for federally delegated large industrial sources and Air Contaminant Discharge permits for small to medium size sources.

The Air Quality program is funded primarily by permit and emission fees, supplemented by state General Funds and Federal Clean Air Act funds. Federal law requires the cost of the permit program for major industrial sources be fully paid from emission fees through the Title V Permit Fee.



Title V permitted Georgia-Pacific mill/Toledo, OR 2022 | Source: Don Barrett, CC BY-NC-ND

DEQ's Water Quality program protects and monitors Oregon's water quality

The Water Quality program sets and monitors water quality standards and assessments, controls wastewater through permits and certifications, provides financial and technical assistance, implementing the Oregon Plan to restore salmon populations and watersheds, and implements portions of the Safe Drinking Water Act.

The program has two permitting functions: the National Pollutant Discharge Elimination System, which is federally delegated and covers discharge into surface waters, and Oregon's Water Pollution Control Facility permit program, which covers discharges such as sewage lagoons and outgoing irrigation. It also operates Oregon's nonpoint source pollution program.¹⁴

¹⁴ Nonpoint source pollution is not attributable to a specific source point and can come from multiple locations.

DEQ's Water Quality program receives funding from several sources: the state General Fund, industrial and municipal fees, and federal funds. Fees include those collected from permits for industrial waste discharge, municipal wastewater, and subsurface sewage disposal. Federal funds are received primarily through the Clean Water Act and used for operational expenses and certain grants. The program receives dedicated Lottery Funds and relies more on state support than other program areas.

DEQ's Land Quality program provides environmental services not explicitly covered by Air and Water Quality programs

The Land Quality program focuses on preventing and reducing waste generation, assuring that waste generated is properly managed, responding to emergency spills, and cleaning up sites contaminated with hazardous substances and uncontrolled releases of toxic chemicals.

Land Quality encompasses five programs:

- Materials Management includes solid waste management and lifecycle programs;¹⁵
- The federally delegated Hazardous Waste program, which reduces hazardous waste generation and ensures its safe management;
- Environmental Cleanup for voluntary cleanup of industrial orphans and brownfields sites and the dry cleaners program;¹⁶
- Emergency Response includes oil spill contingency plans, 24/7 response and cleanup, emergency preparedness, and high hazard rail program; and
- Tanks Program for fuel tank seismic stability, heating oil tank, and underground storage.

DEQ's Land Quality program is mostly funded through dedicated other and federal funds. The Solid Waste program is supported by fee revenue from solid waste permitting and disposals. The hazardous waste management program also receives state General Fund dollars that provide the required 25% match from the state for the program to qualify for federal funding.

¹⁵ DEQ Materials Management program description: "Materials management takes a holistic view of environmental impacts across the full life cycle of materials, as well as actions that can be taken to reduce those impacts. It includes resource extraction and use of recovered materials, the design and production of materials, their use, and end-of-life management, including solid waste disposal and recovery."

¹⁶ A "brownfield" is generally defined in federal and state law as real property where expansion or redevelopment is complicated by the actual, potential, or perceived presence of environmental contamination. Orphan sites are Contaminated sites where the owner is unknown, unable, or unwilling to pay for cleanup costs. Dry Cleaners program: Oregon rules require all dry cleaners to implement waste minimization measures to reduce the amount of dry-cleaning solvent emitted to the air and reduce the potential for spills of solvent to soil and groundwater.



Formosa Mine Superfund Site 2018 | Source: Bureau of Land Management Oregon and Washington, CC BY

DEQ's Agency Management and Laboratory support and collaborate with the Air, Water, and Land Quality divisions

Agency Management provides leadership, coordination, and support for DEQ and staff assistance for the EQC. Agency Management includes the Office of the Director, the Office of Policy and External Affairs, Office of Enforcement, and the Central Services Division. The program is funded through the agency's indirect rate, which mainly pays for accounting, human resources, information technology, training development, health and safety, internal policy development, records management, and procurement.

Agency Management is funded through indirect cost revenues.¹⁷ The indirect rate is calculated as a percentage of personal services from the agency's divisions to support a variety of management and administrative functions. The rate is negotiated annually with the EPA after the agency's budget has been determined. In recent biennia, it generally makes up around 21% of all fund types in use.

The Laboratory monitors, assesses, and analyzes Oregon's environment. Laboratory staff are budgeted through the divisions and work collaboratively across the agency, as well as with other state and federal agencies.

¹⁷ According to the National Institutes of Health, "...indirect costs are those costs not readily identified with a specific project or organizational activity but incurred for the joint benefit of both projects and other activities. Indirect costs are usually grouped into common pools and charged to benefiting objectives through an allocation process/indirect cost rate."

DEQ is taking steps to meet the Governor's strategic planning expectations and adopt anti-racist principles

DEQ intends to use strategic planning to become an anti-racist organization. The agency is also following the guidance set by the Governor and the Department of Administrative Services (DAS). Strategic planning has many clear benefits for regulatory agencies, including aligning agency work with a mission and meeting long-term goals. Adopting and integrating principles of anti-racism, which is discussed in more detail in the following sections, can support and enhance the agency's focus on protecting environmental quality and supporting environmental justice for Oregon communities.

This report uses terms like anti-racism and environmental justice. Please refer to the definitions provided below for further context into how these and other terms are used.

Key definitions used in this report

Anti-Racism: According to the Center for the Study of Social Policy, "Anti-racism is the active process of identifying and challenging racism, by changing systems, organizational structures, policies and practices, and attitudes to redistribute power in an equitable manner." This definition is also used in the 2021 State of Oregon DEI Action Plan. DEQ uses the definition of anti-racism provided by Engage to Change LLC, which differentiates between anti-racist individuals and ideas:

- **Anti-racist individual:** Someone who is supporting an anti-racist policy through their actions or expressing anti-racist ideas. This includes the expression of ideas that racial groups are equals and do not need developing, and supporting policies that reduce racial inequity.
- **Anti-racist ideas:** Any idea that suggests the racial groups are equals in all of their apparent difference and that there is nothing wrong with any racial group. Anti-racists argue that racist policies are a major cause of racial injustices.

Racism is discrimination or prejudice based on race or ethnicity. Racism is complex and pervasive, and can have structural, institutional, interpersonal, and individual components that influence organizational systems of power as well as individual actions and behaviors.

Strategic Planning: According to the United Nations, strategic planning "is a process of looking into the future and identifying trends and issues against which to align organizational priorities of the Department or Office." On a smaller scale, it involves aligning divisions, sections, units or teams to higher-level agency strategies. Good strategies are designed to achieve goals in an effective and efficient manner.

Environmental Justice: In 2022 the Oregon State Legislature passed HB 4077, which defines environmental justice as "the equal protection from environmental and health risks, fair treatment and meaningful involvement in decision making of all people regardless of race, color, national origin, immigration status, income or other identities with respect to the development, implementation and enforcement of environmental laws, regulations and policies that affect the environment in which people live, work, learn and practice spirituality and culture."

Governor Kotek set new expectations around strategic planning for Oregon state agencies

Governor Kotek released a memo in January 2023 outlining her expectations and requirements for state agencies in her first term. One of the key expectations listed is for agencies to “support strategic planning and measure agency performance” through “developing and following a strategic plan using goals outlined by the Governor’s office.”

According to the memo, all state agencies with strategic plans older than 36 months are required to begin a new planning process with a goal of completing them by June 2024. After this first strategic plan is adopted, the Governor’s Office and DAS require a reviewed and updated strategic plan be adopted every three years.

DAS has developed guidance and outlined expectations and outcomes for agency strategic planning. The “agency strategic plan outline” provides agencies with the core components that must be included in their strategic plans, including:

- **Vision:** Determine your agency vision and what you want to achieve in the long term;
- **Mission:** Determine your mission and what your agency purpose is;
- **Values:** Determine what your agency’s values are;
- **Equity Statement:** Determine how your agency will advance equity in your work and craft an equity statement;
- **PESTLE Analysis:** Identify the political, economic, sociological, technological, legal, and environmental (PESTLE) circumstances your agency is operating within;
- **SWOT Analysis:** Identify your agency’s strengths, weaknesses, opportunities, and threats (SWOT);
- **Goals & Objectives:** Set specific, measurable, achievable, relevant, and time-bound (SMART) goals and objectives. Include at least one goal related to Oregon Tribes and one goal related to achieving Diversity Equity and Inclusion;
- **Develop strategies:** Determine the best course of action to achieve your agency’s goals and objectives;
- **Create an action plan:** Develop an action plan that outlines the specific steps your agency will take to implement strategies;
- **Allocate resources:** Determine the resources, including financial, human, and technological, required to implement your agency’s action plan; and
- **Monitor and evaluate:** Determine how your agency will continuously monitor your progress and evaluate the effectiveness of your strategies to determine if they need to be adjusted.

The criteria DAS provided for mission statements include the statement be clear, simple, concise, and unambiguous. The mission statement should “illustrate the importance of what we do for Oregonians,” and be achievable. Agencies are expected to use staff survey results and brainstorming sessions to develop mission statements. DAS also provided a template to assist in the development of a PESTLE analysis.¹⁸ This analysis is an exercise agency staff can use to identify relevant trends under each respective category: political, economic, social, technological, legal, and environmental.

¹⁸ [Department of Administrative Services: Strategic Planning Resources: State of Oregon](#)

In the June 2023 report, DAS also reported on the baseline status of the Oregon Executive Branch to gauge how many agencies have already engaged in some of the required strategic planning work.¹⁹ After surveying agency directors, DAS found many agencies will be engaging in work “they either haven’t done in the past or haven’t adopted systems to support.” As it relates to strategic planning, as of June 1, 2023, a total of 32 out of 77 agency directors reported their agency had completed a strategic plan within the last 36 months.

Oregon Department of Transportation 2021-2023 Strategic Action Plan excerpt:

Equity Priority: Prioritize diversity, equity, and inclusion by identifying and addressing systemic barriers to ensure all Oregonians benefit from transportation services and investments.

(Example) Goal - Culture, Workforce, Operation, and Policy: Build a diverse workforce, supported by equitable operations and policies, and establish an informed culture that delivers authentic inclusivity.

Strategic Outcome: Increase ODOT’s workforce diversity. Changes in recruitment processes, hiring practices, promotions, and workplace culture are central to diversifying our workforce. [...]

Implementing Actions:

Year	Actions
2021	Establish metric baseline and define time-bound targets.
2021	Implement new hiring practices.
2022	Train job interview panels.
2022	Adopt agencywide engagement survey and data use practices.
2024	Strengthen ODOT training and intern programs.

Metric: By the end of 2025 ODOT will materially increase the hiring and retention of minorities, women, and people who live with disabilities at all levels of the organization.

Among the agencies that have completed a strategic plan is the Oregon Department of Transportation (2021-2023 Strategic Action Plan). The department included only three main “strategic priorities” with four to six goals associated with each priority. Each goal includes associated “strategic outcomes” to keep the agency accountable for making measurable progress toward achieving each priority, and each strategic outcome has several “implementing actions” that list specific deadlines and metrics for tracking.

State agencies can use strategic planning to align agency work with their missions and meet long-term goals

Successful strategic planning involves aligning day-to-day operations, processes, and resources of an organization to support mission-related outcomes. Strategic planning can be a great tool for linking an agency mission to a strategic narrative that mobilizes staff and other interested parties.

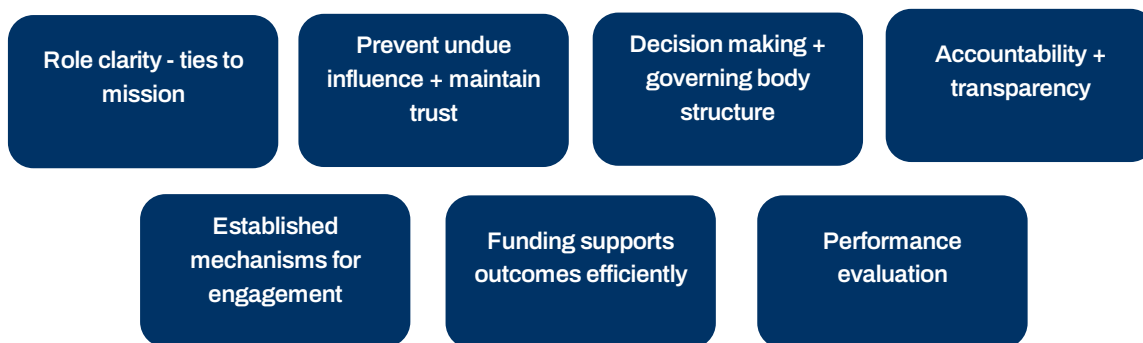
¹⁹ [Department of Administrative Services June 1, 2021 Baseline Report](#)

Federal agencies have been required to engage in strategic planning for over 30 years. The Government Performance and Results Act (GPRA) of 1993 (modified in 2010)²⁰ was designed to improve program management throughout the federal government. Federal agencies are required to develop a five-year strategic plan outlining their mission, long-term goals for the agency's major functions, performance measures, and reporting results. These plans should cover a period of “not less than four years following the fiscal year in which it is published.” The GPRA also requires each agency to submit an annual performance plan and an annual performance report. Agencies are currently operating under their FY 2022-2026 required to issue a strategic plan and are required to publish their revised plans in February 2026, concurrent with the release of the President’s FY 2027 Budget.

The U.S. Office of Management and Budget (OMB) provides direction to federal agencies on “preparation, submission, and execution of the budget” and provides guidance to agencies specific to strategic planning requirements under the GPRA.²¹ According to the OMB, a strategic plan should “define the agency mission, long-term goals and objectives to achieve those goals, strategies planned, and the approaches it will use to monitor its progress in addressing specific national problems, needs, challenges, and opportunities related to its mission.” A strategic plan “explains the importance of the goals, appraises the agency’s capabilities, assesses the operating environment and provides for evaluations and other studies to inform agency actions.”

Many of the principles of good regulatory governance can be addressed through strategic planning. The Organisation for Economic Cooperation and Development (OECD) determined seven good governance principles (see Figure 4).²² In an international review of 20 different regulators’ strategic plans, the value of strategic planning for regulators is explained as an opportunity for agencies to “rethink the purpose of their rulemaking, enforcement, outreach, monitoring, and other activities — and try to fit them together into a coherent program in service of goals they may have latitude to set and refine.”

Figure 4: OECD principles support good regulatory governance of regulators



Planning can enhance regulatory effectiveness, ensure consistency, and promote transparency in regulatory rulemaking.

Setting clear strategic priorities can be challenging. In our own review of agency strategic plans, we found strategic plans vary greatly in scope – some are more vision-based or aspirational in nature, while others

²⁰ [Performance Framework | Performance.gov](#)

²¹ [OMB Circular A-11 | The White House \(archives.gov\)](#)

²² [OECD Best Practice Principles on the Governance of Regulators - OECD](#)

are more technical and specific. While DEQ should consider the more technical and specific operational challenges and incorporate key performance tasks and measures to help address these, there are risks associated with a strategic plan that tries to include everything.²³ Instead, an effective strategy should be focused on a limited set of the most important issues to the agency. Regulatory agencies like DEQ offer a broad set of services and programs led by multiple divisions. It is unlikely that even a more technical and specific plan would cover everything the agency does.

A comprehensive plan may also require resources the agency does not have. Instead of developing a comprehensive plan, agencies may wish to focus on a limited set of the most important issues. Framing the inherent tensions and tradeoffs among various priorities is important for the development of an effective strategic plan. Each priority should include a consideration of the constraints, risks, and the operating environment in which the plan will be released and implemented. In this sense, strategic planning can be used to foster a strong risk management culture, where risks and challenges can be identified and integrated into each step of the decision-making process.

DEQ has begun to develop an agencywide strategic plan in line with anti-racist principles

Prior to Governor Kotek's memo setting new strategic planning expectations and requirements, DEQ was engaged in a lengthy strategic planning process that is ongoing as of this report. According to DEQ steering committee staff and leadership, the agency intends to become an anti-racist organization. Among other efforts, the agency has chosen to utilize the strategic plan development process to support achieving that purpose.

Adopting anti-racist principles aligns with DEQ's long-term goal to practice and promote environmental justice. DEQ adopted an environmental justice policy in 1997²⁴ with the stated intent of making environmental equity inherent in the way DEQ does business. In the years that followed, the state of Oregon created the Environmental Justice Task Force, which was formalized into the Environmental Justice Council²⁵ housed under the Governor's Office in 2022. DEQ serves as a key support to the council.

This effort also aligns with the objectives of the 2021 State of Oregon DEI Action Plan.²⁶ These include:

- **Normalize** the concepts of racial justice in the state government enterprise — acknowledge history, prioritize and make urgent efforts to put racial equity at the forefront.
- **Organize** efforts and build organizational capacity across departments for connected, cohesive, and amplified impacts. Foster both internal and external partnerships.

²³ The Government Finance Officers Association 2022 report, *Rethinking Strategic Planning*: The assumption that strategies should cover everything the organization does and drive all department actions can be risky. "A strategic plan that tries to include the whole organization risks producing a bad strategy [...]" The association represents public finance officials throughout the United States and Canada. [Rethinking Strategic Planning \(gfoa.org\)](https://www.gfoa.org/rethinking-strategic-planning)

²⁴ [DEQ 1997 Environmental Justice Policy](#)

²⁵ [Governor of Oregon: Environmental Justice Council: Policies: State of Oregon](#)

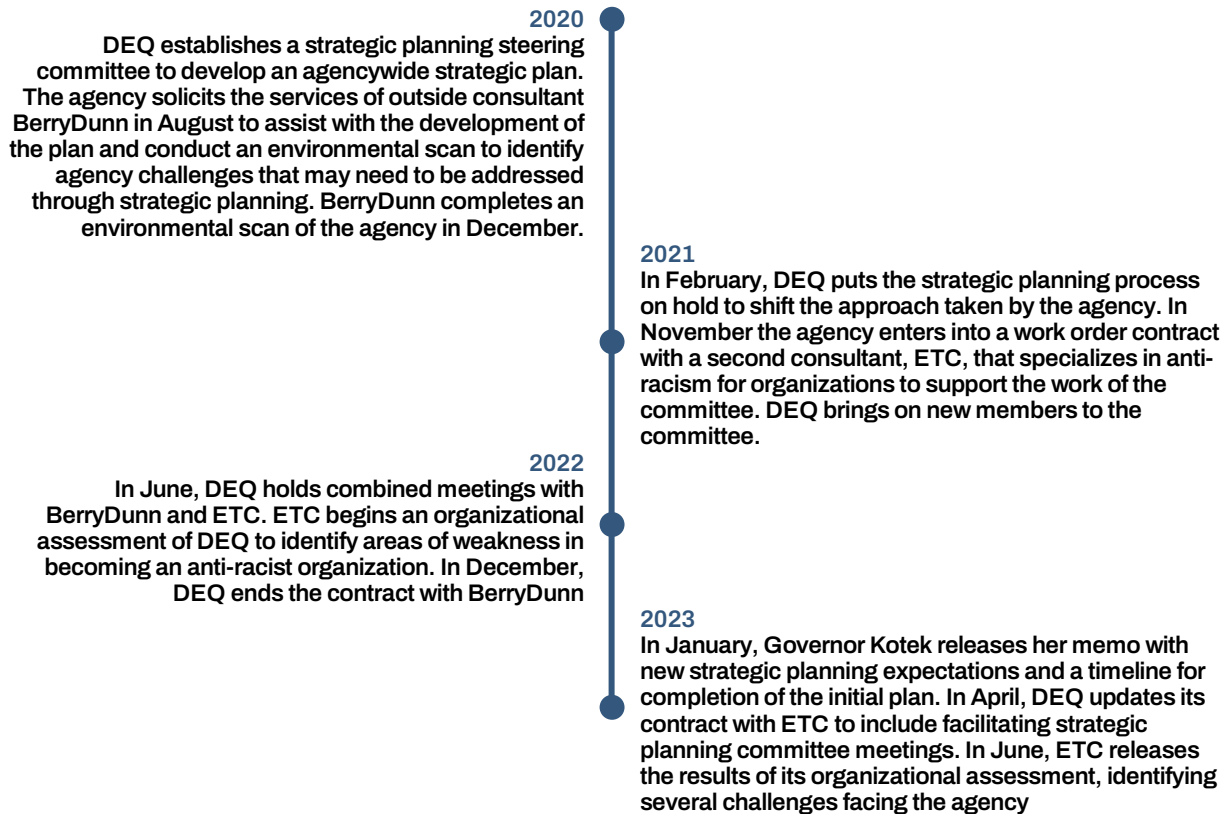
²⁶ Under the [State DEI Action Plan](#), the following definitions are used: Diversity, honoring and including people of different backgrounds, identities, and experiences; Equity, acknowledging that not all people start from the same place due to historic and current systems of oppression and making an effort to provide different levels of support appropriate to different needs; and Inclusion, when persons of different backgrounds, experiences, and identities are valued, integrated, and welcomed equitably. The plan also defines several related terms.

- **Operationalize** and embed racial equity into every part of state government putting DEI strategies into practice.
- **Guide** and direct enterprise-level operationalizing of racial equity and DEI work.
- **Inspire** expansion of equity by sharing and collaborating to build on what is already happening.

The DEI Action plan acknowledges that Oregon’s state agencies are all at different points in the process of advancing diversity, equity, and inclusion initiatives, and that these efforts will look different in every agency.

In 2015, prior to its strategic plan development, DEQ adopted five strategic goals to guide agency work. One of these goals is to “sustain a diverse, outcome-oriented workforce and culture.” While it is unclear whether DEQ began initial development of its strategic plan with the intent of becoming an anti-racist organization, the agency has shown interest in building a supportive and diverse work culture. Since that time, the agency has engaged the services of two separate consultants to support its strategic planning efforts — BerryDunn and Engage to Change LLC (ETC) — the second of which was brought in specifically to assist the agency in becoming an anti-racist organization.²⁷

Figure 5: DEQ Strategic Plan Development Timeline



²⁷ Engage to Change LLC, provides anti-racist and DEI trainings, meeting facilitation, strategic planning and change management support. They have provided consulting support around anti-racist strategic planning to DEQ. [Engage 2 Change – Anti-racism Training That Transforms People and Organizations](#)

Both consultants reviewed DEQ’s programs and identified challenges similar to those identified by the audit team (explored in more detail in Audit Results). ETC has also provided ongoing support to DEQ’s strategic planning steering committee as they progress with plan development.

As of September 2023, DEQ’s strategic planning steering committee was working to identify and seek out additional resources to assist with the development of an anti-racist strategic plan. Significant key steps, including conducting broader outreach to staff and other interested parties, were tentatively planned for later in the year. Committee members noted while they intended to use the environmental scan performed in 2021, developing an anti-racist plan required taking an anti-racist approach to the work performed to develop the plan. This would require additional work with staff and other interested parties.

DEQ provided an update to the Environmental Quality Commission on their strategic plan development progress in January 2024. The committee was in the process of revising DEQ’s mission and value statements and developing strategic goals and had met with the DEI Council and BIPOC staff and manager affinity groups. The committee planned to hold more affinity group meetings and were reviewing the work performed by BerryDunn and ETC.

According to ETC, embracing equity and anti-racism “is a creative and relational process that requires work with individuals and teams, as well as organizational culture, practices, and policies” and will lead to important changes in organizations. Working to embrace and adopt anti-racist principles is critical but may be very difficult work.

Note

Key to the audit process is finding relevant and applicable criteria to support our audit recommendations and conclusions. Most of the criteria addressing the confluence of anti-racism and strategic planning highlighted in this report were provided by the DEQ Strategic Planning Steering Committee per auditor request. While applying anti-racist principles to strategic planning is still an emerging area, the provided criteria are supported by a number of external sources identified by the audit team.

Anti racist principles aim to actively oppose and eliminate racism through, among other things, fostering a culture that prioritizes belonging and community, thoughtfulness over speed, appreciation and open mindedness toward the learning process, accountability through understanding one’s own limitations of knowledge, and a culture that works toward shared goals. Specific principles include (but are not limited to) education, making an effort to learn more about racism; courage, reckoning with feelings of discomfort; allyship, a willingness to engage in dismantling injustice; and intention, being mindful about what is said and done. As the 2021 State of Oregon DEI Action Plan states, “embedding anti-racism in all that we do” helps ensure that “disproportionate outcomes experienced by communities of color” are minimized. As DEQ works toward their mission to be a leader in restoring, maintaining, and enhancing the quality of Oregon’s air, land and water — proactively incorporating anti-racist principles into this work, both internally and externally, will help produce more equitable outcomes for all the communities they serve.

As it relates to strategic planning, an anti-racist planning process places an emphasis on amplifying the voices of historically underrepresented staff and communities. Creating safe spaces for individuals to discuss their awareness, perspectives, and experiences can help agencies identify actions they can take to prevent and address systemic racism.

How the U.N.'s anti-racist strategic plan addresses different types of racism through "change areas"

One way the U.N. approached anti-racist strategic planning was to identify actions that address the myriad aspects of racism: personal, interpersonal, structural, and institutional. The U.N. categorized its anti-racist plan into four "change areas," illustrated below. To develop its anti-racist strategic action plan, the U.N. identified "the context and preconditions for change, assessed and analyzed evidence-based data, carried out a review of benchmarking with comparable entities and institutions, undertook consultations to obtain additional qualitative information, engaged with staff representatives of different constituencies in various duty stations" and reviewed best practices and existing policies related to diversity, equity, and inclusion.

Throughout this process, the strategic plan task force ensured there was ample internal communication and promoted employee engagement. They organized "global webinars, town halls, conversations, articles and other activities to engage staff [...] and provide insights into how staff feel about race and racism" in their workplace.



Wellcome, a U.K.-based health nonprofit, points out it is also important to respect when some individuals are unwilling to share their personal experiences and to find other ways to involve underrepresented staff and communities throughout the planning process. It can be emotionally draining for people of color to share lived experiences of racism. According to Wellcome, it is not the responsibility of people of color to teach others, it is every individual's responsibility to educate themselves on how to be anti-racist and bring these principles into the planning process.

Another planning practice centered in anti-racist principles is ensuring managers and people in positions of power are prepared to take responsibility for addressing racist comments or behavior, bullying or harassment, and other incidents where an individual from a minority group feels uncomfortable. Third-party organizations like ETC, can assist in addressing and redirecting conversations or comments that are potentially harmful to both individuals and the strategic planning process as a whole.

Developing an anti-racist strategic plan is an effort to dismantle some of the impacts of white supremacy culture on a specific organization or group. It is not a straightforward or simple process. Considering the potential complexity of the changes required for an agency like DEQ to become anti-racist, it may take several years for DEQ to develop and fully implement its intended plan. Beyond that, anti-racist work is a continual process with no specific end date.

Audit Results

The focus of this real-time audit is DEQ's strategic planning development process. This strategic planning process can help DEQ address several areas of concern that came to light during the audit. Some of these areas of concern are outlined at a high level in the following sections.

DEQ faces a number of internal and external obstacles that challenge the agency's ability to fully achieve its mission. These include a broad scope of work and growing public demand for services, limited funding, staffing difficulties, barriers to coordination and communication needed to carry out programs, and a work environment that is still in the process of integrating the principles of anti-racism in support of the agency's work. Anti-racism work is by its nature ongoing and iterative, so the agency will need to commit to adopting these principles over a course of several years.

DEQ must develop and finalize a strategic plan by June 2024. While the agency does not yet have an agencywide strategic plan, it is in the process of developing one. These efforts align with the Governor's requirement and are intended to help guide the agency toward fully integrating anti-racist principles in its work. DEQ should use the strategic plan and planning process to address its ongoing challenges. Strategic planning best practices can provide critical context and guidance to applying strategic planning to a variety of agency needs, while allowing the agency to apply a long-term strategic view to long-term concerns.

As stated previously, this report does not assess whether DEQ is a 'racist' agency. The purpose of this audit is to provide the agency with real-time feedback and recommendations regarding how its ongoing challenges can be better addressed through the strategic planning process.

DEQ faces internal and external challenges to meeting its mission and needs a long-term strategic plan that addresses agency needs

To successfully carry out its goal of becoming an anti-racist organization and continuing to meet its mission, DEQ will need a strategic plan that integrates anti-racist principles. Additionally, the plan will need to guide the agency in successfully navigating growing and changing public demands, complex funding difficulties, and the demands of internal and external coordination and communication. The agency will also have to contend with static staffing levels and increasingly complex program requirements.

DEQ's growing scope of work and demand for services should be addressed in the agency's strategic plan

DEQ has a very broad and highly technical work portfolio. Within each of its separate divisions, numerous distinct and critical environmental programs operate simultaneously. For air quality, these include Air Quality Permits, Air Quality Monitoring through DEQ's Laboratory and Environmental Assessment Division, the Asbestos Program, the Vehicle Inspection program, and many more.

The Water Quality and Land Quality divisions are similarly broad and complex, with DEQ in charge of regulating nonpoint source and industrial water pollutants, working with the Oregon Health Authority to implement drinking water protections, assessing and monitoring statewide water quality, and running emergency response and environmental cleanup programs for oil and other hazardous substances, among many others.

Demand for the agency's services and time has also grown with the relatively recent introduction of the Cleaner Air Oregon and Climate Protection programs and providing direct support to the Environmental Justice Council. According to DEQ management, rules and regulations have also grown more complex and demand more staff resources across numerous individual programs. The consulting firm BerryDunn also noted in 2021 agency staff and other interested parties were concerned about growing and changing demands on the agency alongside continuing budget constraints.²⁸

DEQ Division Workload Snapshot

Air Quality: In addition to the Title V and state permitting programs, Air Quality also houses the Cleaner Air Oregon program, Green House Gas Reporting program, Vehicle Inspection Program, Electric Vehicle Rebate Program, and the Volkswagen Settlement Distribution Program. AQ manages over 2,500 permits both Title V and Air Contaminant Discharge. In the last biennium, it issued over 700 Notices to Construct and, provided around 16,000 Electric Vehicle Rebates. Additionally, in 2022, AQ issued over 595,000 vehicle emissions compliance certificates.

Water Quality: In 2022, Water Quality managed more than 700 permits for large onsite septic systems and almost 700 onsite septic system installers and pumpers. It had 314 active municipal and industrial individual National Pollutant Discharge Elimination System wastewater permits and almost 1,600 state Water Pollution Control Facility permits.

Land Quality: The program achieves its goals by permitting, inspections, and compliance; cleanup and emergency spill response; and waste prevention and toxics reduction. In 2022, it permitted over 300 solid and hazardous waste facilities, responded to 1,600 spills, and conducted 884 ship and facility inspections. Annually, Emergency Response and Cleanup receives about 2,000 reports of spills, big and small.

Office of Enforcement: Housed in Agency Management, the Office of Enforcement is DEQ's enforcement arm for the law and focuses its compliance resources on the most serious environmental violations. DEQ issues approximately 200 penalties per year based on more than 2,000 inspections. According to the agency, most violations seen at DEQ do not result in civil penalties. DEQ does technical assistance, to notify, work, and communicate with all their entities before they are in a situation to receive a civil penalty. A big part of their work is known as "inform enforcement."

Laboratory: The Laboratory employees across all the program divisions collect air, water, and soil samples from more than 1,500 locations annually, which produces more than 300,000 individual results. These results are used to determine whether remediation measures are needed.

As of the 2023-25 biennium, DEQ has position authority for just over 850 staff. While no direct comparison can be made, other state agencies with broad scopes in Oregon tend to have substantially more staff presence. For example, the Oregon Department of Human Services had position authority for almost 11,000 full-time equivalent staff in 2023-25, more than twelve times the number of staff authorized for DEQ.

²⁸ Information in the DEQ Division Workload Snapshot was provided by DEQ and the Legislative Fiscal Office. The snapshot shares several examples of DEQ's responsibilities but is not a full and comprehensive list.

Other natural resource agencies, namely the Department of Fish and Wildlife and Department of Forestry, also have more staffing than DEQ.

External challenges should be considered alongside the agency's large scope and the demand for services. According to BerryDunn, this includes a general mistrust of government, entrenched interest groups that are "opposed to DEQ authority," and pressure from regulated industries to minimize changes to regulation.

DEQ will need to address its scope and the growing demand for its services in its strategic planning work. Without performing an extensive capacity assessment across the agency, DEQ may not have a clear picture of how much staff support the agency really needs. Even with more staff, the breadth of functions performed by the agency may be difficult to adequately oversee and guide in a clear direction.

Strategic Planning Considerations: Scope of work and demand for services

DEQ should assess staffing and other resource constraints to help focus and prioritize their strategic goals. Strategic planning allows agencies to assess risks, develop processes, and identify opportunities related to workforce planning. Auditors found in a 2017 report titled "Department of Administrative Services Should Enhance Succession Planning to Address Workforce Risks and Challenges" at agencies often lack formal processes to assess workforce needs, and do not "thread their workforce development actions to their agency strategic planning goals."

The GFOA suggests agencies consider and include constraints in their plan. For example, every major objective in the US EPA's 2022-2026 Strategic Plan contains a detailed discussion of "external factors and emerging issues" highlight limitations and potential risks associated with each objective. Among the risks and limitations mentioned were changing technological and fiscal trends, pending legislation, and other factors might affect the agency's ability to deliver on its ambitions. These types of risks and limitations should be considered during plan development and implementation, and possibly included in the final version of the plan.

Strategic planning can help DEQ take steps to clarify its funding and staffing needs and pursue solutions to capacity constraints

BerryDunn identified budget limitations and lack of adequate staffing as a key obstacle for DEQ in achieving its vision. Interviewees considered resizing staff capacity, capital, and operations as some of the most important things to be accomplished in the coming years.

The audit team received similar feedback from agency staff and other interested parties during interviews. DEQ receives a relatively small proportion of General Fund dollars, which some interviewees stated contributes to a rigid, fee-based funding structure. Fees must be assessed and collected by the agency and may not always be a stable or reliable source of funding. This structure may also inhibit the agency from working across program lines and moving money where it is needed. Some of DEQ's key functions, including administration and laboratory services, receive little or no direct funding and are dependent on funds moved from other divisions to sustain operations.

Some fee amounts are set in statute and can only be changed by the Legislature – these include the fees for the Title V program. In 2023, DEQ attempted to increase Title V fees by 83% to maintain service delivery within the program. The Legislature amended the statute and allowed for a 43% fee increase in 2023 and a 40% fee increase in 2024. Through 2023, the Title V program operated with significantly reduced staffing and service. According to DEQ, outside of consumer price index increases, Title V fees had not had an increase in fees since 2011. The 83% increase reflects resources needed to maintain existing staffing levels, not increase them.²⁹

The agency's funding has increased about 27% since 2009 when factoring in inflation.³⁰ Despite the increase in funding, both agency staff and other interested parties voiced concerns about the agency's budget and how overstretched agency staff were to perform their jobs. Some agency interviewees noted a lack of appropriate budgetary support as the primary barrier to meeting specific program goals. Representatives from federal agencies and local jurisdictions echoed this observation, noting DEQ seemed to have "far less money" than similar entities in other states, and that low level staff in comparable agencies might be paid more than managers at DEQ. BerryDunn's 2021 environmental scan also noted "budget limitations and lack of adequate staffing" as one of the biggest obstacles for the agency in achieving their mission.

Other concerns include cost recovery in some programs. Up to 20% of DEQ's other funds are procured through a cost recovery system. For example, most of Land Quality's work is funded through cost recovery, which is a large part of the other funds received by the program. DEQ provides oversight to environmental cleanup work performed by liable external parties, recovering funds from that entity upon providing that service. This funding mechanism is completely voluntary for the liable party, meaning that DEQ is dependent on that entity's decision to self-report. Therefore, if a company fails to notify and request help from DEQ, the cleanup might not happen and DEQ would not be able to recover the funds. Funds recovered using this mechanism are highly variable.

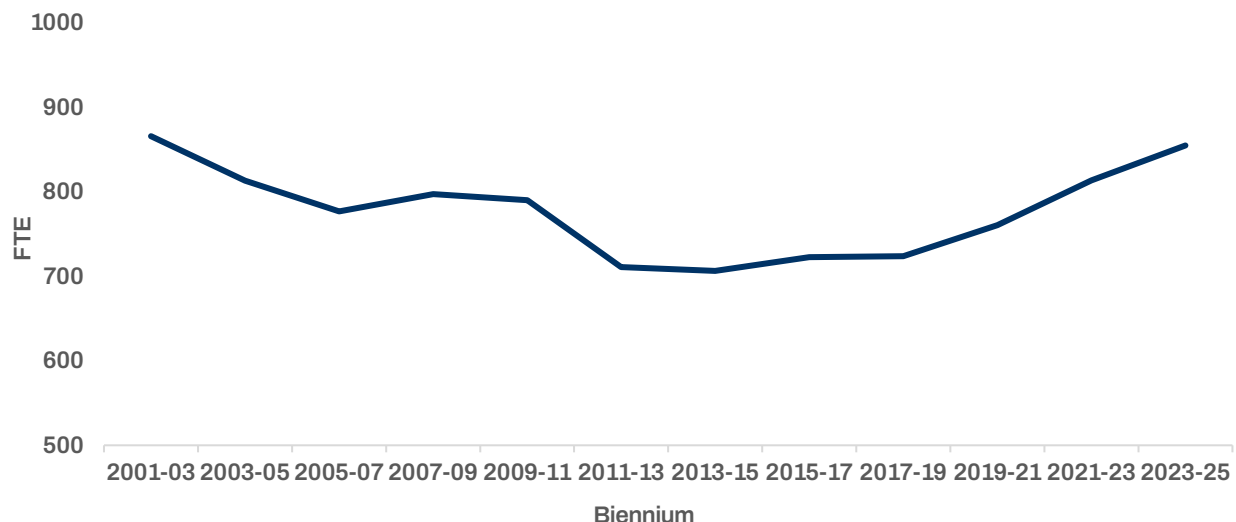
Increases to DEQ's position authority have not grown alongside its overall funding. Staffing levels have only increased by about 8% since 2009, with most of that growth in administrative services. While the agency has gained some staff since then, it has only recently returned to the staffing levels it held in 2000.

Due at least in part to funding challenges, some programs have struggled with perennial understaffing that risks severely curtailing their functionality. For example, DEQ's Clean Up program housed under Land Quality faced difficulties when responding to the 2016 Mosier train derailment. According to the EPA, DEQ was initially only able to send about six people to respond, though more came in the following days. By comparison, the State of Washington sent roughly 70 trained first responders to perform cleanup. 28 nearby fire departments also responded. According to DEQ, it has difficulty funding its emergency response program, and as of spring 2023 only had 11 FTE dedicated to emergency response statewide.

²⁹ Title V program: "A decrease in permitted sources plus more stringent federal emissions standards have lowered revenues and increased costs (there were 114 permitted sources 2013-2015 and 102 in 2022). [...] Oregon permitting revenue decreased 11.4% since 2013-2015 but staff demands remain the same." As a result, the Title V program was at risk of losing 11 FTE. To maintain those 11 FTE and catch-up to current revenue trends, DEQ requested an 83% increase in the 2023 legislative session. [HB 3229 Public Hearing Presentation](#) The [amended bill](#) increased program fees using a tiered approach with a 43% increase in 2023 and 40% increase in 2024.

³⁰ Inflation was calculated using [Bureau of Labor Statistics](#) at the rate of increase from July 2009 to September 2023 at 42%.

Figure 6: DEQ has recently returned to staffing levels held in the 2001-2003 biennium



Source: LFO Adopted Budget for Authorized FTE

Other staffing issues noted by agency staff and external parties during interviews include potentially high turnover in some roles, challenges recruiting and retaining experienced staff, and lower pay than competitors.

The audit team was unable to verify or confirm all these concerns due to lack of available data. Through the Workday payroll system, certain metrics around agency turnover and recruitment may be difficult to accurately capture. For example, turnover rates for DEQ only include staff that have left state employment entirely and do not capture those who leave DEQ for other state agencies, since the system counts the state as a single employer. Recruitment and retention metrics are similarly difficult to capture, as one individual may be tracked multiple times when shifting from one position to another or changing their employment status (such as taking on a part-time role in the same position after retirement).

Most positions in the State of Oregon are included in the state's classification system managed by DAS, which also limits how much flexibility DEQ has in offering competitive pay. The agency also voiced concerns about the state's pay equity process, which agency leadership believe may have a depressing effect on wages the agency is able to offer to potential candidates. In a 2023 report, auditors found that despite the state's efforts, wage gaps still exist and recommended that the Department of Administrative Services "review existing pay equity processes to determine the causes of systemic wage gaps in state government and if adjustments are needed for future pay equity studies."³¹

According to DEQ managers, expectations placed on current agency staff have become increasingly complex and burdensome. Federal standards are complicated, and rule changes impacting agency programs are more frequent. Legislative demands have grown as the science informing program needs continually evolves. When localized issues occur, like the JH Baxter contamination issue in Eugene or the Bullseye glass air contamination issue in Portland, DEQ staff are pulled in to assist, which can hinder their

³¹ For a full analysis of Oregon's 2017 Pay Equity bill, see [OAD Report 2023-11: Oregon Must do More to Close Persistent Wage Gaps for Women and People of Color in State Government](#)

ability to perform other critical duties.³² Prior reports by the audits division and separate consultants specializing in water quality permitting have also noted growing demands and increased complexity and the difficulties it creates for agency staff.³³

Factoring these and other funding and staffing limitations into DEQ's strategic planning efforts will be critical to taking steps to manage and mitigate their effects. This work may also inform legislative requests for funding and guide the agency's efforts to efficiently use the funding and staff capacity available to them. For example, agency management told auditors they look at capacity for specific programs when developing policy option packages for the Legislature but have not performed any agencywide capacity assessments. A broader assessment tied to the agency's strategic goals could further inform budgetary requests to the Legislature. The agency's broad scope of work, funding limitations, and the variety of positions held may make undertaking such an assessment a particular challenge. However, such an assessment may also provide critical support and context for agency funding decisions.

Strategic Planning Considerations: Funding and staffing

Strategic plans can provide long-term perspective on budgeting and connect an agency's mission, vision, and goals to resource needs when budget decisions are made. The GFOA asserts that a strategic plan should be used to provide a long-term perspective on service delivery and budgeting, "establishing logical links between authorized spending and broad organizational goals." Several best practices indicate strategic plans can be used as a valuable tool for addressing chronic funding issues. Through a comprehensive look at funding streams, agencies may be able to better identify alternative revenue streams, cost-cutting opportunities, and prioritize initiatives that have the greatest 'bang for the buck.'

In addition, a strategic plan can be a powerful tool for connecting agency mission, vision, goals, and programming to resource needs during legislative session when budget decisions are determined. The legislature, i.e., appropriations, budget, and oversight committees, have an interest in ensuring the successful implementation of strategic plans because these plans may provide valuable information that help them make decisions. A strategic plan can provide transparency around funding processes for external parties as well.

A strategic plan can support and enhance DEQ's efforts to strengthen its internal and external coordination and communication work

DEQ faces several challenges in its internal and external communication work, some of which are structural. DEQ's siloed structure allows the agency to focus on specific aspects of air, land, and water quality. However, the agency's broad scope and having four separate divisions, each with dozens of unique programs, and a regional structure layered underneath can make it more difficult to coordinate and communicate on cross-division and cross-program concerns. Several agency staff and other interested

³² [Register Guard. 2022. With a long history of pollution, J.H. Baxter to end operations Monday](#) and [Portland Mercury. 2016. Bullseye Glass Took a Risky Bet on Toxic Lead](#)

³³ [2018-01. Secretary of State Audit Report. DEQ Environmental Quality Should Improve the Air Quality Permitting Process to Reduce Its Backlog and Better Safeguard Oregon's Air.](#) and [MWH and DEQ 2016 Water Permitting Program Review](#)

parties told auditors about the challenges of siloed divisions and programs within the organization and the impacts on both internal and external communication.

DEQ has attempted to change its structure in the past. In 2014, DEQ's then-director initiated an overhaul of its structure in an attempt to break down the division silos and align the core work map around process, technical administration, and policy development. The reorganization split the agency into two primary divisions. It did not clarify who was in charge of air, land, and water quality and was considered by some to make communication struggles at the agency worse. When the administration changed in 2016, the agency opted to return to the current resource-focused structure. The agency's past attempts to find a structure that allowed divisions to focus on their programs while supporting necessary cross-communication indicate this has been a concern for several years. Issues with fragmentation reportedly date back to the 1990s.

Some staff told auditors decisions are siloed within "cylinders of excellence," which leads to difficulties for staff that need to negotiate decisions with all program divisions. Staff stated cross-division positions don't have the funding or support to lead successful cross-division decision-making. Siloing may also inhibit the kind of broad coalition building that can inform agency decisions, leaving these decisions in the hands of relatively small groups of agency managers and administrators that may lack broader input. Similar concerns were noted by ETC's organizational assessment and BerryDunn's environmental scan.

Within the separate divisions, DEQ staff stated that even distinct programs can become very siloed. Due in part to how some programs are funded, program staff must make extra effort to coordinate and communicate externally. Fee structures set in statute sometimes allow for very narrow and focused use of funds. Positions dependent on that funding source may have little flexibility when it comes to working across program lines. Distinct regulatory requirements may also contribute to difficulties coordinating with other programs that have different rules in place.

Staff mentioned other barriers to communication, including cultural issues that can lead to "information hoarding," the desire of newer staff to communicate directly with each other rather than go through more traditional hierarchical communication channels, and a general lack of cross-program support that could potentially improve internal communications. Some efforts that should include broad staff input, such as environmental justice work, are noted to take place "in a vacuum" with limited cross communication. Staff shared that improved communication between programs and divisions could help the agency shift toward becoming more proactive in addressing high risk environmental concerns and working more effectively with environmental justice communities.

Coordination and communication were also mentioned in BerryDunn interviews as areas for needed improvement. These include the need for better cross-program connections and better collaboration with other state agencies and local governments; being able to communicate scientific information more effectively to the public; improving the timeliness of and allowing for more decentralized decision-making; and applying a more consistent focus on the agency's core mission.

External groups also shared their frustrations with DEQ's approach to increasing Title V fees with the Legislature in February 2023. Industry representatives indicated they had received little or no communication from the agency regarding the proposed fee increase in the months prior to the bill being considered, which could impact businesses. Others voiced frustrations with the agency's perceived reactivity and risk aversion and how this affected communications. One interviewee noted their organization struggled with "how we can best interact with DEQ — even with innovative ideas," stating they

did not think the agency “valued innovative work.” Another noted that DEQ could be excessively strict with who external parties could communicate with at the agency. Interviewees also took note of potentially strained relationships between DEQ’s Headquarters and regional offices, and confusion over who was in charge of making key decisions, with some calling the agency’s approach to communication “byzantine” and unreceptive to those outside the agency.

Representatives from regional and local jurisdictions gave mixed reviews of DEQ’s communications — some noted that DEQ was very responsive and professional, others noted it could be difficult to find the right person at the agency to speak to, and voiced concerns about high turnover that impacted communication and relationships in some regions. Fixing communication difficulties was identified as a top priority.

DEQ is aware of some of these communication challenges and dedicates time and effort to maintaining open lines of communication. This includes tools like social media, an agency podcast, and a listserv for getting information out to the public. The agency also has teams like the Office of Policy and Analysis in the Director’s Office, which communicates across all divisions and to some extent supports broader cross-division communication. DEQ works with numerous agency partners, legislators, local and federal entities, communities, and other groups on a broad spectrum of environmental quality concerns. Some interviewees spoke highly of specific communication efforts and agency staff, such as the establishment of the core team working on the JH Baxter situation in Eugene. Others noted that DEQ was very supportive of other state agencies, such as allowing programs like Oregon Department of Geology and Mineral Industries to use its online customer portal for its program needs.

DEQ’s communication difficulties do not speak to a lack of effort. However, the agency may need enhanced funding support for its communication efforts and to examine where and why barriers to communication and coordination exist (structural and otherwise) that might undermine aspects of program implementation. Incorporating the agency’s communication and coordination needs into the development of its strategic plan can help DEQ pinpoint areas of needed improvement.

Strategic Planning Considerations: Structure, Coordination, and Communication

Strategic planning and the adoption of communication goals and priorities can be used to break down silos and foster cross-functional collaboration. The United States Office of Budget and Management explains strategic planning “encourages organizational communication to avoid the ‘silo effect,’ in which problems are viewed in isolation.” And when exercised in conjunction with effective strategy development, “agencies can understand and shape the future environment as opposed to merely reacting to it.”

For example, by including managers and staff from across agency divisions, and gathering input from staff, Tribes, community organizations, and other interested parties through a series of interviews and online surveys, the Oregon Department of Energy utilized their strategic planning process to break-down silos and internal-external communication barriers. The process of preparing a strategic plan can be used to educate external parties, i.e., community groups, regulated parties, etc. about the agency’s mission and vision and through forming partnerships, they are more likely to gain cooperation. Internally, strategic planning can be an opportunity for DEQ to unify management and employees and create structures that promote interdepartmental cooperation.

According to the Government Finance Officers Association, for strategic planning to be successful, it must be collaborative. Commitment to the plan will be “half-hearted at best” if managers and employees were not engaged in its development. The exercise of strategic planning is an act of ‘silo-busting,’ but organizational siloing can also be addressed long-term through adoption of specific goals, priorities, outcomes, or actions. For example, one of the key principles listed in the Washington Department of Ecology’s 2023-25 Strategic Plan is to “create and support opportunities for integrated cross-program work.” One of the actions listed under this principle is to ensure their Climate Resiliency Team continues to facilitate internal information sharing to “improve consistency and coordination in agency approaches to climate change.”

DEQ is working on promoting a healthy work environment and implementing anti-racist principles in the face of staffing challenges

DEQ has made some progress to address work environment concerns and is making some of the necessary changes to adopt anti-racist principles. However, according to ETC and some audit interviews, DEQ is still early in the process of learning how these principles need to be integrated into their work.

The agency created two full-time staff positions devoted to internal DEI work, established a DEI Council that supports staff across the state, and ordered the ETC Organizational Assessment to determine what steps the agency needs to make to fully integrate anti-racist principles. According to DEQ, the DEI Council includes a subcommittee focused on evaluating agency policies, practices, and procedures through an equity lens to help move the agency toward a more equitable, diverse, and inclusive framework. The agency’s 2023-25 Affirmative Action Plan focuses on improving recruitment practices and staff retention, particularly among people of color. The plan states that DEQ “is committed to being an organization grounded in principles of diversity, equity, inclusion and belonging to ensure people feel safe and protected while working for the agency, and as well as being their full, authentic selves.” Since the previous biennium, DEQ has established five staff affinity groups for LGBT+, BIPOC staff and managers, veterans of the

Armed Services, and racial justice allies. The Affirmative Action plan does note that the agency does not have sufficient tracking systems or metrics in place to document progress for all its strategies.

According to interviewees, while a greater focus on community interests was a shift away from how DEQ was used to operating, the agency is making an effort to be more balanced and take steps to meet staff and community needs. The JH Baxter situation was cited by an interviewee as an example of DEQ working well not only with marginalized communities but across agency programs. A core team was developed that included multiple DEQ programs, state and local representatives, and members of the local community. This representation helped to break down communication silos within DEQ and between the agency and other key entities.



Brownfield site, The Old Blue Heron Paper Mill at Willamette Falls, Oregon City, OR| Source: Gary Halvorson, Oregon State Archives, CC BY

DEQ also supports the Environmental Justice Council housed within the Governor's Office. Both overarching concerns of diversity, equity, and inclusion and DEQ's role in promoting environmental justice are receiving much more attention than in years past.

The agency has made notable progress toward developing an anti-racist strategic plan. However, there continue to be areas for needed improvement. Audit interviews with agency staff along with feedback on the ETC Organizational Assessment and the BerryDunn environmental scan suggest DEQ struggles with supporting a healthy work environment for all staff. Issues with employee morale were also noted in interviews from our 2018 audit of DEQ's air quality permitting, indicating work environment concerns are an ongoing challenge. Staff mentioned issues such as high workloads, an isolated work environment, and rocky relationships with management.

In general, people of color can experience these kinds of workplace issues more profoundly. Stresses stemming from the direct or indirect effects of racism on the personal lives of people of color can compound work environment issues, where similar concerns may also be present.

ETC's Organizational Assessment identified some key work environment and cultural concerns at DEQ. They include:

- A lack of transparency and accountability within the agency, particularly around staff and management relationships and the chain of command;
- Perfectionism, identified in one example as an overreliance on quantifiable data and excluding anecdotal evidence;
- Defensiveness;
- Lack of support for employees of color and protecting “bad actor” employees close to retirement; and
- Isolation through the siloing of the agency, which inhibits trust building and cultivates a sense of “us vs them.”

According to ETC, DEQ is not unique, and meaningful change takes time. This assessment is also a snapshot of where the agency stands now and is subject to change. Without performing similar assessments across other agencies, it is very difficult to determine where DEQ stands in relation to Oregon state agencies generally. Neither this audit nor ETC attempted to make such a determination.

However, ETC concluded much more work needs to be done for DEQ to fully integrate anti-racist principles into the organization. ETC's assessment uses multiple criteria to assess where their clients fall on the continuum to becoming an anti-racist organization. They determined that DEQ is “somewhere between passive and symbolic change” — fairly low on the continuum.

ETC's findings — lack of transparency, perfectionism, defensiveness, and more — point to aspects of the agency's work environment that may need adjustment. Shifting to a more inclusive approach may provide staff with ongoing and meaningful support as they carry out their work.

CULTURE OF EXCLUSION ³⁴	CULTURE OF INCLUSION
Fear. Fear is used to drive disconnection across racial identities and within us and our communities, living in fear we are not enough, driven to divide and conquer in service of profit and power.	Belonging and community. Emotional maturity, responsibility, mutual accountability and support, self-care balanced with community need, naming fear and working to avoid letting it drive our beliefs and actions, and cultivating practices to meet and sit with our fear.
Perfectionism. Characterized by little direct appreciation for work done, mistakes being personalized and used to justify punishment, believing there is only one right way to do things, those holding power control decision making and those without are cut off from decision making.	A culture of appreciation and learning. Work and effort are openly appreciated, mistakes are embraced as learning opportunities and are not personalized, individuals are empowered to guide their own personal growth, understand every decision has trade-offs, accept there are many ways to achieve one goal.

³⁴ Examples of characteristics selected from White Supremacy Culture: Still Here, by Tema Okun. 2021. Tema Okun's work is included in the anti-racism resources in use at DEQ currently. This is one of many resources on anti-racism. More information on the concepts outlined above can be found [here](#).

<p>Qualified. Assuming people raised in middle and owning-class white culture are qualified and duty bound to fix, save, and set straight the world, ignoring and erasing other cultures while seizing land, labor, music and food to commodify for profit, an impulse to help or control without understanding the other person or culture, questioning people of color in “white” spaces.</p>	<p>Understanding limits of personal knowledge. Prioritize relationships over being ‘right,’ lean into collective action and accountability, let go of the need to fix, save, and set straight, claiming one’s own wisdom without dismissing that of others.</p>
<p>A sense of urgency. Inhibits democratic or thoughtful decision-making needed to think in the long-term and consider consequences, can result in sacrificing potential allies for quick results, and reinforced by funding proposals expecting too much work for too little money.</p>	<p>Emphasis on thoughtfulness over speed. Realistic workplans, leadership understanding timelines and learning from the past, avoiding rushing decisions, include people in decision-making even if it takes more time.</p>
<p>Defensiveness and denial. Energy is spent trying to prevent abuse and protect power through the organizational structure, criticism of those in power is viewed as threatening or inappropriate, new ideas are greeted with defensiveness, energy is focused on sparing feelings and defending against charges of racism.</p>	<p>Encouraging openness to new ideas. Understand link between defensiveness and fear, working on your own defensiveness, name it as a problem when appropriate, trust people can learn, recognize how defensiveness inhibits new ideas and mission achievement.</p>
<p>Individualism. Uncomfortable working on a team, believe in solving problems alone, accountability not broadly considered, work for individual recognition and credit, competition valued over cooperation.</p>	<p>Cooperation and teamwork. Teamwork considered an important value, organization emphasizes working toward shared goals, ability to work together as a team in addition to doing tasks evaluated, credit is shared with all who participate, accountability is shared, problems are discussed and solved as a group.</p>

According to the ETC assessment, many work environment concerns were outlined in a letter to agency management from an internal staff group in August 2021. The letter “detailed some of the real harms BIPOC staff were experiencing (i.e. discrimination, unclear performance measures, common fatigue and strain) and listed several recommendations for DEQ leadership...” The assessment also states that staff considered a prior director’s response to the letter at the time to be “inadequate and also didn’t lead to requisite action that would resolve some of the issues BIPOC staff were experiencing.” In December 2021 following the receipt of the letter, DEQ hired a DEI Coordinator. However, DEQ acknowledged in its 2023-25 Affirmative Action Plan it “had not structured the position for success and the incumbent left the agency in January of 2023 due to frustration with power dynamics, lack of positional authority and clarity, lack of support, and the agency’s overall conflict-averse culture.”

Staff noted the agency needed strong leadership and to build an environment of trust. Others stated agency management and leadership had, until recently, generally not been ready to have some of the difficult conversations around anti-racism and DEI principles. The DEI initiative was considered primarily staff-driven and a relatively recent endeavor. The agency’s 2023-25 Affirmative Action Plan notes the

agency's concerns retaining people of color on staff. External impacts include significant barriers to a greater legal consideration of environmental justice in the permitting process, along with the need for greater structural supports within DEQ to consider disproportionate air, land, and water pollutant impacts on communities.

Overall, it is evident that progress has been made and the agency has made their intent to continue with anti-racism work clear, though concerns remain. DEQ's efforts around anti-racism — bringing on dedicated staff and participating in the assessment in an effort to identify and incorporate anti-racist principles into its functions as well as its strategic plan — may ultimately benefit the agency's efforts to achieve its mission and environmental justice goals and could help guide other agencies that intend to pursue similar anti-racist strategic planning.

Strategic Planning Considerations: Work Environment and Anti-Racist Principles

Improving work environment and successfully adopting anti-racist principles through strategic planning involves several key steps: leadership buy-in and communication, ongoing anti-racist education, demonstrating commitment to principled change, decentralizing and sharing power, meaningful engagement, and factoring in distributive justice, among other steps. ETC recommended among other things that DEQ enhance transparency, accountability, dedication of resources and prioritization of DEI and environmental justice work, develop better communication between leadership and the DEI Council, and continue ongoing equity and anti-racism education “to increase employee understanding and connection to equity efforts and minimize expected resistance to organizational change centered around anti-racism.” Leadership should communicate that the plan to become anti-racist is a high priority and they can use the development and implementation of the strategic plan as one tool to communicate this priority to staff agencywide.

Similarly, the United Nations Strategic Action Plan on Addressing Racism (2021) points out that developing an organization-wide “shared vision and common narrative” around the organization’s commitment to anti-racism avoids agency siloing and agency management “working at cross purposes with one another.” To avoid the risk that this anti-racist strategic plan is perceived as performative or a short-term intervention, this process could be used as an opportunity for DEQ agency management to demonstrate their commitment to anti-racist principles through continuous monitoring, evaluation, and reviews. Anti-racist work should also be prioritized similarly to mission critical work. Sufficient resources should be made available to support implementation of the plan.

The DEQ Materials Management 2022 Strategic Plan for the Built Environment includes elements of anti-racist principles. In this plan, it is emphasized that decision-making power has historically been held by a few, even as these decisions impact all communities and disproportionately burden communities of color, low-income, rural, and other frontline communities. This DEQ programmatic plan has elements in it that could be drawn upon in developing an agencywide anti-racist strategic plan. Priorities like protecting time to build relationships and trust through meaningful engagement are highlighted in this plan. They assert that centering the well-being of people in conversations about environmental stewardship “creates a framing that reveals the complex connections between a person, their immediate and broader community, the global society, and the living Earth.”

Similarly, the GFOA points to decentralizing of power as a better way to approach the strategic planning process. The “traditional” strategic planning assumption is that it is a top-down process, performed only by certain people like executive leadership — and this can result in compartmentalization of planning. They explain that a plan executed in a black box may result in goals, strategies, etc., that are irrelevant to frontline staff and citizens that have a better understanding of on-the-ground realities. GFOA says that, to ensure planning is fair, distributive justice must be considered, which refers to how resources are allocated fairly among members of a society. As it relates to strategic planning, GFOA says this may come into play when deciding what community issues and strategies to consider and focus on in the plan.

DEQ needs a long-term agencywide strategic plan to help navigate its challenges

Without a strategic plan, DEQ may not be able to manage air, land, and water quality in a holistic and integrated manner. It may struggle to address complex, large-scale environmental problems, carry out a shared long-term vision and meet its mission, or effectively implement the anti-racist principles it seeks to embody in its work.

Prior to setting up the strategic planning steering committee in 2020, DEQ did not have an agencywide strategic plan and appears to have not engaged in agencywide planning in over a decade. The agency and staff that the team interviewed were not aware of any prior agencywide strategic plan. The most recent version of an agencywide strategic plan the audit team was able to identify was last updated in 2006.

Several small programs within DEQ, such as Materials Management, have drafted their own strategic plans in recent years. However, program level strategic planning has not been consistently performed across all the divisions and programs. These documents provide more specific guidance to the program than an agencywide plan would provide but are not tied to an overarching strategy or goal. An agencywide plan could help the agency ensure program level plans are aligned with the agency's mission and vision.

DEQ's lack of a prior agencywide strategic plan or planning process means both the plan and process need to be developed from the ground up. To achieve this, DEQ set up a strategic planning steering committee and hired a consultant to assist the agency with the plan's development in 2020 (see timeline on page 17). The committee has faced several challenges in the development of the plan, including transitioning to a new consultant, being put on a lengthy pause in 2021 and 2022, and experiencing significant turnover among committee members.

DEQ is expected to develop and release a strategic plan by June 2024 in accordance with the Governor's January 2023 memo. According to the agency, with their intent to become an anti-racist organization, the focus of the work may be distinct from that done at many other state agencies. Strategic planning best practices will still need to be integrated into the plan and process in order for the plan to be actionable and act as a sufficient guiding document for the agency in the years ahead. Consideration of the agency's ongoing challenges should also be factored into the plan's focus and implementation.

Recommendations

For DEQ to develop a robust agencywide strategic plan that effectively guides their environmental work and embodies anti-racist principles, the agency will need to dedicate time and resources to the process for the foreseeable future. Anti-racism work is by its nature ongoing. Similarly, strategic planning, when done appropriately, is an ongoing and iterative process that guides the agency forward and informs how it can and should respond to changing circumstances.

While the agency intends to release the first version of its strategic plan by June 2024 in accordance with the Governor's expectations, the Audits Division does not anticipate that the bulk of strategic planning work be completed by that time. Addressing this audit's recommendations, alongside those delivered by the ETC Organizational Assessment, will likely take several years to accomplish following the release of the initial plan. We would also like to acknowledge that DEQ is well underway in developing its strategic plan and these recommendations should in no way slow or impede its progress.

To address DEQ's ongoing challenges through strategic planning, DEQ should:

1. Develop a long term, agencywide strategic plan that:

- a. Clearly ties to the agency's chosen mission and links to an ongoing planning process.
- b. Is informed by frequent and open communication and collaboration with agency staff, Tribes, regulated entities and businesses, community partners, and other interested parties and supports ongoing internal and external participation.
- c. Highlights agency limitations and constraints and considers resource needs in support of strategic goals.
- d. Can be used as a device for guiding internal and legislative efforts to identify and utilize possible alternative revenue streams to further support agency needs.
- e. Provides a roadmap for aligning the agency's mission, vision, policies, and programming with anti-racist principles.
- f. Communicates agency priorities around anti-racism and environmental justice.

To develop a robust long-term strategic planning process that demonstrates the agency's commitment to the plan, DEQ should:

2. Implement an iterative process that:

- a. Receives active support and regular engagement from executive leadership and the Environmental Quality Commission.
- b. Encourages and supports the development of division and/or program level strategic plans linked to and aligned with agencywide strategic goals.
- c. Includes monitoring and review mechanisms in alignment with the Governor's recommendations.
- d. Includes outcome-based anti-racist performance measures to help assess the strategic plan.

- e. Incorporates anti-racist principles throughout strategic planning and other work processes.
- f. Allows for continual, regular updates through a phased-in approach to planning.
- g. Includes regular legislative engagement to support the agency's strategic planning resource and implementation needs.
- h. Includes establishing a strategic planning oversight body devoted to monitoring, strategic planning updates, and implementation guidance.
- i. Incorporates conducting formal equity reviews to identify and address systemic or institutional racism within the agency's policies, procedures, and practices.

Objective, Scope, and Methodology

OBJECTIVE

The objective of the audit was to determine how DEQ can enhance its strategic planning efforts to proactively address challenges that could impede the agency from meeting its mission and environmental equity goals.

SCOPE

The audit focused on DEQ's efforts to draft and prepare to implement an agencywide strategic plan, historical planning efforts, and growing program demands. It also focused on general themes of risk identified at the agency, which included work environment and staffing concerns, internal and external communication, and funding challenges. This audit was conducted in real-time with the intent of informing the ongoing development of DEQ's agencywide strategic plan and related processes in alignment with the Governor's expectations and the agency's stated goal to become an anti-racist agency.

METHODOLOGY

To address our objective and gain an understanding of DEQ, we:

- interviewed the majority of DEQ leadership and other key staff, as well as the director and some commissioners;
- interviewed industry representatives, county and city governments, federal partners, a DEQ consultant, the Governor's Office, and analysts from the Legislative Fiscal Office and the state's Budget and Management section;
- reviewed related ORS and OARs, OAD reports and past audit material, DEQ-generated documentation, agency budget and legislative documentation, and relevant legislative testimony and materials;
- reviewed and analyzed relative material related to environmental quality;
- reviewed and analyzed consultant contracts and SFMA, the state's financial records, transactions;
- reviewed criteria relevant to strategic planning, including best practices around strategic planning, and other state agencies, states, and federal strategic planning documentation;
- reviewed and assessed DEQ's strategic planning efforts and current timeline;
- reviewed governor, state, and other guidance related to strategic planning;
- reviewed agency, state, and other relevant material related to DEI, anti-racism, and environmental justice work and policies; and
- reviewed and analyzed documents relevant to DEQ's workforce planning, staffing, coordination and communication.

DEQ engaged with two consultants to assist in the strategic plan development: BerryDunn and Engage to Change, LLC. We reviewed and analyzed consultant prepared strategic planning and organizational assessment reports.

- [BerryDunn](#), as part of its work, conducted an environmental scan, including several internal and external interviews, identifying areas of concern within the agency. BerryDunn is included in the Department of Administrative Services list of strategic plan vendors they contract with under the Master Price Agreements for Business & Strategic Planning Services.

- [Engage to Change LLC](#), provides anti-racist and DEI trainings, meeting facilitation, strategic planning and change management support. They have provided consulting support around anti-racist strategic planning to DEQ.

INTERNAL CONTROL REVIEW

We determined that the following internal controls were relevant to our audit objective.³⁵

- **Control Environment**
 - We reviewed the oversight body management of internal controls.
 - We considered management's establishment of an organizational structure, responsibilities, and delegation of authority to achieve DEQ's mission.
 - We reviewed management's commitment to recruit, develop, train, and retain competent staff.
- **Risk Assessment**
 - We interviewed staff and other interested parties, reviewed statutes, administrative rules.
 - We considered whether management identifies, analyzes, and responds to risks related to achieving the defined objectives.
 - We considered whether management identified, analyzed, and responded to significant changes that could impact the internal control system.
- **Information and communication**
 - We considered whether management used quality information and whether internally and externally management communicated the necessary quality information.
- **Monitoring activities**
 - We evaluated DEQ's role in monitoring compliance, performance, funding, and spending.
 - We considered whether management has established and operated monitoring activities to monitor the internal control system and evaluate the results.
 - We considered whether management remediates identified internal control deficiencies on a timely basis.

Deficiencies with these internal controls were documented in the results section of this report.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We sincerely appreciate the courtesies and cooperation extended by officials and employees of DEQ during the course of this audit.

³⁵ Auditors relied on standards for internal controls from the U.S. Government Accountability Office, report [GAO-14-704G](#).

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ABOUT THE SECRETARY OF STATE AUDITS DIVISION

The Oregon Constitution provides that the Secretary of State shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The division has constitutional authority to audit all state officers, agencies, boards and commissions as well as administer municipal audit law.



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April 12, 2024

Kip Memmott, Director
Secretary of State, Audits Division
255 Capitol St. NE, Suite 180
Salem, OR 97310

Dear Mr. Memmott,

This letter provides a written response to the Audits Division's final draft audit report titled Ongoing Strategic Planning Can Help DEQ Address Obstacles to Achieving its Goals.

The Oregon Department of Environmental Quality appreciates the auditor's work to understand and evaluate our strategic planning process. We agree that the agency's broad responsibilities will only grow in the face of climate change and other emerging environmental issues. We also agree with the auditor that developing an agency-wide antiracist strategic plan is key to directing our limited resources in a way that will benefit everyone in Oregon.

Below is our detailed response to each recommendation in the audit.

RECOMMENDATION 1

To address DEQ's ongoing challenges through strategic planning, DEQ should:

1. Develop a long term, agencywide strategic plan that:
 - a. Clearly ties to the agency's chosen mission and links to an ongoing planning process.
 - b. Is informed by frequent and open communication and collaboration with agency staff, Tribes, regulated entities and businesses, community partners, and other interested parties and supports ongoing internal and external participation.
 - c. Highlights agency limitations and constraints and considers resource needs in support of strategic goals.
 - d. Can be used as a device for guiding internal and legislative efforts to identify and utilize possible alternative revenue streams to further support agency needs.
 - e. Provides a roadmap for aligning the agency's mission, vision, policies, and programming with anti-racist principles.
 - f. Communicates agency priorities around anti-racism and environmental justice.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
Agree	June 1, 2024	Charles Judd DEQ Internal Auditor 971-275-8755

DEQ agrees with Recommendation 1 and is in the process of developing an agencywide strategic plan and a Diversity, Equity and Inclusion plan, to be adopted and submitted to the Governor's Office by June 1, 2024. The items under this recommendation will either be included in these plans or were discussed in previous evaluations of the agency and used to inform the Strategic Plan and DEI Plan.

RECOMMENDATION 2

To develop a robust long-term strategic planning process that demonstrates the agency's commitment to the plan, DEQ should:

2. Implement an iterative process that:

- a. Receives active support and regular engagement from executive leadership and the Environmental Quality Commission.
- b. Encourages and supports the development of division and/or program level strategic plans linked to and aligned with agencywide strategic goals.
- c. Includes monitoring and review mechanisms in alignment with the Governor's recommendations.
- d. Includes outcome-based anti-racist performance measures to help assess the strategic plan.
- e. Incorporates anti-racist principles throughout strategic planning and other work processes.
- f. Allows for continual, regular updates through a phased-in approach to planning.
- g. Includes regular legislative engagement to support the agency's strategic planning resource and implementation needs.
- h. Includes establishing a strategic planning oversight body devoted to monitoring, strategic planning updates, and implementation guidance.
- i. Incorporates conducting formal equity reviews to identify and address systemic or institutional racism within the agency's policies, procedures, and practices.

Agree or Disagree with Recommendation	Target date to complete implementation activities	Name and phone number of specific point of contact for implementation
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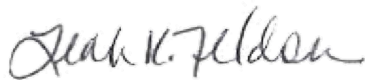
Agree	June 1, 2027	Charles Judd DEQ Internal Auditor 971-275-8755
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Per Governor Kotek's guidance, agency strategic plans are meant to span three years. During that time, DEQ will accomplish or advance each of the items under this recommendation through implementation of the Strategic Plan and DEI Plan.

Again, DEQ strongly concurs with these recommendations and is committed to implementing its antiracist Strategic Plan and DEI Plan, and recognizes doing so will benefit all of Oregon and its environment.

Please contact Charles Judd, DEQ Internal Auditor, at 971-275-8755 with any questions.

Sincerely,



Leah Feldon
Director



Oregon Secretary of State
Audits Division

This report is intended to promote the best possible management of public resources.

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