



# PROGRAM EVALUATION DIVISION

## NORTH CAROLINA GENERAL ASSEMBLY

August 2016

Report No. 2016-07

### Special Report: Common Findings and Recommendations

**The Program Evaluation Division.** The Program Evaluation Division (PED) is a central, non-partisan staff unit of the Legislative Services Office of the North Carolina General Assembly. PED evaluates whether public services are delivered in an effective and efficient manner and in compliance with law. PED conducts independent evaluations of topics assigned by the Joint Legislative Program Evaluation Oversight Committee (JLPEOC) or directed by state law, then reports findings and recommendations to JLPEOC, which may recommend legislation proposed by PED or developed by the committee itself.

**PED Reports.** Since 2008, the Program Evaluation Division, among other types of publications, has issued 68 evaluative reports, almost all of which have contained findings and recommendations for improving effectiveness and efficiency. In its eight-year history, PED has been tasked with studying a comprehensive range of state public institutions and sectors, including criminal justice, economic development, education, general government, health care, and transportation, as well as localities such as County Departments of Social Services and Local Education Agencies.

**Common Conditions Found.** PED looked back on its collective work and noticed commonalities among agencies and programs examined and potential root causes of concern that the General Assembly could address in partnership with agencies and local governments. It is important to note that these patterns may not be evident for agencies and programs that the General Assembly has not asked PED to evaluate. In addition, PED may have surveyed all agencies but in certain cases did not find the conditions of concern noted in this report.

However, for those entities PED examined or surveyed and found issues in need of attention, PED has noted repeated instances of avoidable maladies such as the following (see Exhibit 1 for specific examples):

- dysfunctional organization structures and operating procedures;
- under-performing programs and absence of performance targets and incentives;
- idle funds, surpluses, inefficiency, and waste;
- lax oversight of contractors, vendors, or state-funded entities;
- data paucity and lack of robustness of data collection systems;
- absence of strategic planning and lack of focus on funding and spending for program results; and
- persistent failures in contracting for services.

**Action Recommended.** PED is obligated after finding a problem to recommend how agencies or the General Assembly might take corrective action. Recommendation language reported by PED is specific and targeted, but in general the division most often advises one or more of the following courses of action (see Exhibit 2 for specific examples):

- develop and/or adhere to policies and procedures;
- enact or amend state laws;
- restructure an agency or its workflow;
- create an oversight entity or process;
- improve data collection;
- develop a strategic plan;
- issue a report; and/or
- generate cost savings and/or increase revenue.

**Illustrations and Examples.** Exhibits 3 and 4 show the prevalence of common findings and recommendations. PED hopes agencies and localities will use this report to help preempt potentially critical future evaluations.

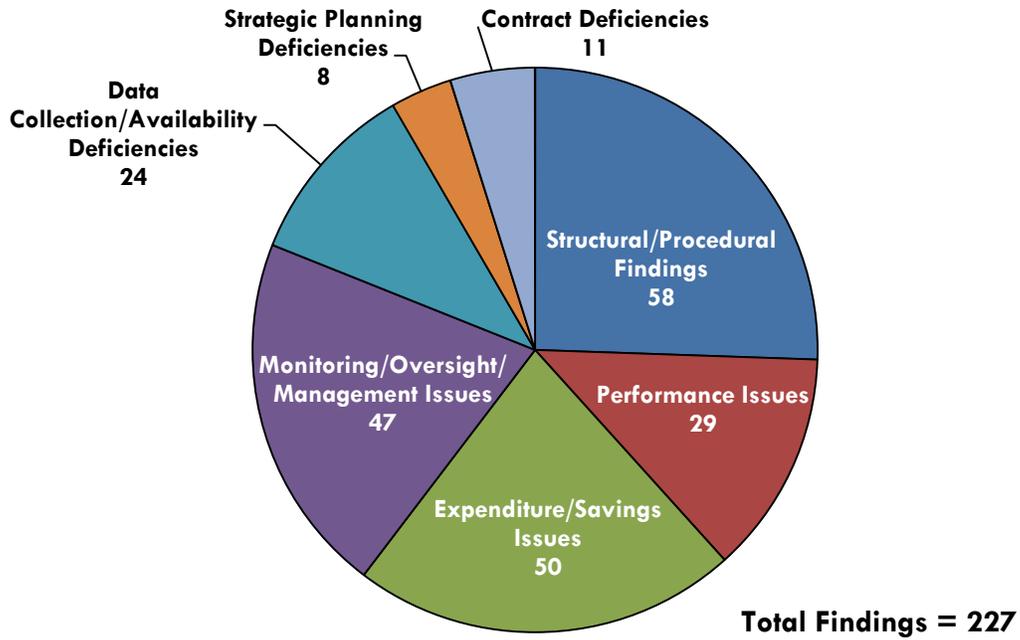
## Exhibit 1: Common Conditions Found in Agencies with Examples

<b>Common Conditions and Examples</b>
<p><b>Dysfunctional Organization Structures and Operating Procedures</b></p> <ul style="list-style-type: none"> <li>• The Department of Health and Human Services (DHHS) failed to implement a well-designed pilot program for the provision of overnight respite services by adult day care centers.</li> <li>• The Department of Public Instruction (DPI) failed to conduct a valid pilot project for testing the relative effectiveness of online versus traditional instructional approaches to driver education instruction.</li> <li>• Components of the current tiers system formula distort identification of county economic distress.</li> <li>• North Carolina lacks a process to systematically identify surplus real property.</li> <li>• Seven independent entities administered 22 State workforce programs that provided services at more than 500 local sites.</li> </ul>
<p><b>Under-Performing Programs and Absence of Performance Targets and Incentives</b></p> <ul style="list-style-type: none"> <li>• County Department of Social Services offices failed to meet North Carolina's timeliness standard for processing Medicaid applications in Fiscal Years 2013–14 and 2014–15.</li> <li>• Based on federal performance measures, the North Carolina Child Support Services program ranks only 24th among the 50 states.</li> <li>• North Carolina's teen accident and fatality rates have declined since the implementation of graduated driver licensing but remain high. From 2007–2013, 46% of teen high school driver education graduates failed the DMV driver license test.</li> </ul>
<p><b>Idle Funds, Surplus, Inefficiency and Waste</b></p> <ul style="list-style-type: none"> <li>• The State of North Carolina owns 100% of the stock of the North Carolina Railroad Corporation but received no annual dividends; requiring NCRR to pay a one-time dividend of \$15.5 million to the General Fund would still allow NCRR to maintain and improve railroad assets based on its committed capital improvement projects through 2017.</li> <li>• Disposing of unneeded real property and eliminating leases in favor of optimized use of state-owned property would generate an estimated one-time savings of \$14.3 million as well as \$2.6 million in future cost avoidance.</li> <li>• A Department of Insurance failure to compare actual to projected receipts for two grant programs resulted in an \$8 million surplus in the Volunteer Fire Department Fund.</li> </ul>
<p><b>Lax Oversight of Contractors, Vendors or State-Funded Entities</b></p> <ul style="list-style-type: none"> <li>• State-level monitoring of contractual services is not ensuring compliance with applicable state regulations. Weak oversight and management of supplemental insurance elections and payroll deductions by agencies and universities presents risks to public employees and the State.</li> <li>• DHHS delays in monitoring and identification of ineffective mental health services cost state and federal taxpayers a minimum of \$498.5 million before services could be terminated, of which \$177.4 million came from state general funds.</li> </ul>
<p><b>Data Paucity and Lack of Robustness of Data Systems</b></p> <ul style="list-style-type: none"> <li>• Although organizations affiliated with respite care have anecdotal evidence supporting the need for overnight respite services, none have empirical data on its demand.</li> <li>• Few veteran services programs track outcomes for veterans and their families.</li> <li>• DPI has not collected sufficient and reliable data to determine the efficiency and effectiveness of driver education.</li> </ul>
<p><b>Absence of Strategic Planning and Lack of Focus on Funding and Spending for Program Results</b></p> <ul style="list-style-type: none"> <li>• Until the Governor established a working group on veterans and the State created the Department of Military and Veterans Affairs, North Carolina lacked a coordinated and comprehensive strategy to support veterans and their families.</li> <li>• While comprehensive and responsive to most requirements of the 2011 reform law, DPI's strategic plan for driver education lacks objectives and quantitative performance indicators for measuring program activity and effectiveness.</li> <li>• Two years after its creation, the Department of Public Safety lacks a formal plan to guide the consolidation of its vehicle management and oversight.</li> </ul>
<p><b>Persistent Failures in Contracting for Services</b></p> <ul style="list-style-type: none"> <li>• In 2014-15, because of waivers from competitive selection, contract amendments and extensions, state agencies did not use full competition in the awarding of \$511 million (41%) of the \$1.24 billion awarded to private providers for high-value services.</li> <li>• State agencies do not consistently ensure compliance with the terms and conditions of high-value service contracts.</li> <li>• The contract for the DHHS' Controlled Substances Reporting System fails to incorporate internal controls for user access, lacks important features for security and data analysis, and costs the State more for less functionality.</li> <li>• Lack of a standardized, performance-based contract for all license plate agency contractors limits accountability and oversight.</li> </ul>

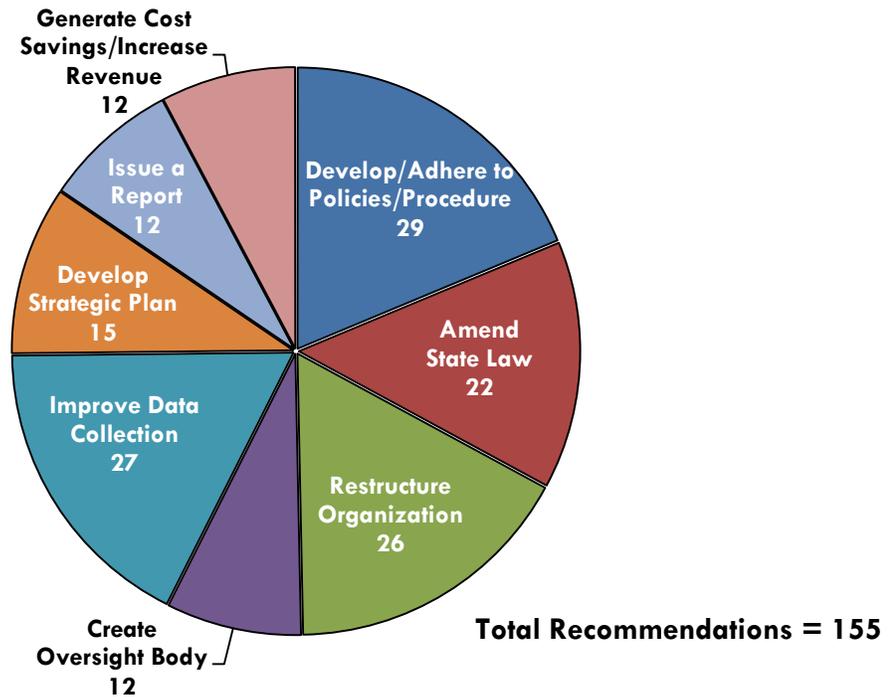
## Exhibit 2: Common PED Recommendations with Representative Examples

Common Recommendations Made to General Assembly and Examples
<b>Develop/Adhere to Policies and Procedures</b>
<ul style="list-style-type: none"> <li>Require state agencies and institutions initiating pilot projects at the direction of the General Assembly to adhere to standards established by the University of North Carolina at Chapel Hill's School of Government.</li> <li>Direct state health officials and the health care provider occupational licensing boards, to develop statewide opioid prescribing guidelines and direct health care provider occupational licensing boards to adopt those statewide guidelines.</li> <li>Direct the Department of Public Instruction to develop model loss prevention and return-to-work programs and require local school administrative units to implement programs based on the models.</li> </ul>
<b>Amend State Law</b>
<ul style="list-style-type: none"> <li>Enact legislation prohibiting agencies and institutions from using personal services contracts and to use existing alternatives.</li> <li>Amend state law to list all occupational licensing agencies in N. C. Gen. Stat. § 93B and define the criteria that agencies must meet in order to be listed.</li> <li>Amend N.C. Gen. Stat. § 58-87-1(b) to make fire department rating, as opposed to population served, a criterion for eligibility for the Volunteer Fire Department Fund.</li> </ul>
<b>Restructure Organization</b>
<ul style="list-style-type: none"> <li>Transfer staff from the Department of Commerce's Division of Employment Security to the Board of Review.</li> <li>Direct the Occupational Licensing Commission, in consultation with the affected occupational licensing agencies, to develop a plan to consolidate each of the ten identified occupational licensing agencies with another regulatory entity.</li> <li>Direct the Division of Motor Vehicles to outsource registration and titling services.</li> </ul>
<b>Create Oversight Body</b>
<ul style="list-style-type: none"> <li>Establish a commission to reexamine the State's strategy for identifying and assisting chronically distressed communities in the state.</li> <li>Establish a joint committee to determine other ways North Carolina could best address the \$25.5 billion unfunded liability of the Retiree Health Benefit Fund.</li> <li>Establish an Occupational Licensing Commission to improve the effectiveness of occupational licensing boards and assist with resolving disputes between boards.</li> </ul>
<b>Improve Data Collection</b>
<ul style="list-style-type: none"> <li>Direct the Division of Employment Security to work with the Board of Review to track and collect the data necessary to support appeals operations.</li> <li>Require all state agencies to collect, track, and report data on state-owned and leased space they occupy and maintain a current facilities management plan.</li> <li>Strengthen the accountability of the driver education program by requiring statewide performance measures to assess its effectiveness and efficiency.</li> </ul>
<b>Develop Strategic Plan</b>
<ul style="list-style-type: none"> <li>Direct the Secretary of the Department of Health and Human Services to develop a strategic plan and performance management system to monitor prescription drug abuse.</li> <li>Direct the Department of Public Safety to develop a strategic plan for implementation of a centralized fleet management program.</li> <li>Establish the North Carolina Public Health Council to develop a government-wide action plan for improving overall health in North Carolina and direct state agencies to participate in developing and implementing the plan.</li> </ul>
<b>Take Action and Report Progress</b>
<ul style="list-style-type: none"> <li>Direct the Department of Health and Human Services to report on the timeliness of Medicaid eligibility determinations performed by county DSS offices for Fiscal Years 2015–16 and 2016–17.</li> <li>Require the Department of State Treasurer to report annually on its progress to the House State Personnel Committee and the Senate Pensions &amp; Retirement and Aging Committee.</li> <li>Require the Civil Rights Division to report annually on its fair employment activities to the General Assembly, government agencies, and government employees.</li> </ul>
<b>Generate Cost Savings/Increase Revenue</b>
<ul style="list-style-type: none"> <li>Require the North Carolina Railroad Company to pay a one-time dividend of \$15.5 million to the General Fund from its reserve for future capital improvements no later than June 30, 2013.</li> <li>Direct the Department of Administration (DOA) to dispose of and allocate the Cultural Center parcels if these properties are repossessed by the State.</li> <li>Direct DOA to dispose of unused, unneeded, and underutilized property.</li> </ul>

### Exhibit 3: Prevalence of Common PED Findings



### Exhibit 4: Prevalence of Common PED Recommendations



For more information on this report, please contact John Turcotte at [john.turcotte@ncleg.net](mailto:john.turcotte@ncleg.net).

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