

Minutes
Joint Legislative Program Evaluation Oversight Committee Meeting
August 19, 2013

Members Present

Senator Fletcher Hartsell, Chair
Senator Ben Clark
Senator Rick Gunn
Senator Neal Hunt
Senator Shirley Randleman

Representative Julia Howard, Chair
Representative Pat Hurley
Representative David Lewis
Representative Marvin Lucas
Representative Tim Moffitt
Representative Edgar Starnes

Call to Order

Representative Julia Howard, Chair, called the meeting to order.

Representative Moffitt moved to approve the June 17, 2013 *Minutes*. Motion carried.

Presentations and Appearances

Representative Howard recognized State Auditor Beth Wood, who presented findings from audits of the Rural Economic Development Center and the Department of Commerce Job Development Investment Grant Program:

(1) Rural Economic Development Center

Audit Purposes:

- To evaluate the grant monitoring practices.
- To evaluate management of administrative expenses charged to State grant funds.

Findings:

- Approximately \$20 million in interest earnings from undisbursed State funds is not available to the State.
- Job creation or other performance measures were not verified for at least five grants.
- Grant reporting requirements were not diligently enforced.
- Executive pay is not reasonable.

Auditor Wood noted that interest derived from invested grant funds have not been considered State funds and that only monies that are deposited in the State Treasurer's office have been considered State funds.

Relative to the Auditor's presentation on the Rural Center, Representative Starnes requested the Auditor to furnish a list of State entities that have interest in private banks.

Senator Hartsell requested the Auditor provide language and policies from the federal government on interest earned and federal grant cash handling for not-for-profits.

Senator Hartsell instructed staff to propose draft legislation to address deficiencies in State law relative to ownership of and interest earned on State grant funds; how monies will be disbursed to the Rural Center in the future; and how grantees may draw down State grant funds.

The Auditor continued with a second presentation.

(2) Job Development Investment Grant (JDIG) Program

Audit Purpose:

- To evaluate whether JDIG program project selection and payment processes are consistently applied and use complete and accurate information.

Findings:

- Incorrect grant payments may occur because job creation information is not independently confirmed by the State.
- Information about some potential projects is not provided to the Committee.
- Measureable criteria are needed to determine grant award amounts.

Representative Starnes noted that Commerce does not have an independent breakdown of jobs created. Commerce has its own auditors who can identify these numbers or they can be obtained from Employment Security or another agency that would be independent. Representative Howard asked if a check on Social Security numbers would not be way to verify new or transferred jobs.

The Chair recognized Special Deputy Attorney General Faison Hicks for an update on State complaints relative to Alcoa and submerged lands. The State filed against Alcoa Power Generating, Inc. on August 2, 2013. The State asserts that a 38-mile stretch of the Yadkin River bed is real property and belongs to the State. On August 5th Alcoa was served a request for a set of production of documents.

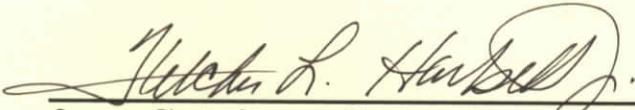
The Chair recognized John Turcotte, PED Director. Turcotte reported on the status of legislation recommended by the Joint Legislative Program Evaluation Oversight Committee. He also presented recommendations for amending the 2013–2015 work plan: (1) amend the plan to include an evaluation of prescription drug abuse prevention and to merge that project with existing PED projects on the Adult Drug Abuse Treatment Center and Veterans Programs; (2) amend the scope of PED projects as a result of S402 special budgetary provisions directing other agencies to perform similar studies on Community Care of NC and Duplicative IT Projects. Both amendments were approved.

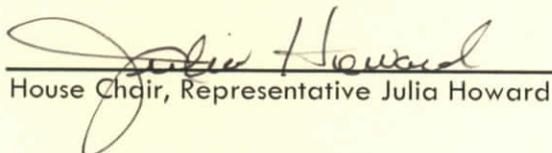
Director Turcotte also presented a draft summary of the pending PED review of Driver Education and noted that PED would issue a final report in late 2013 or early 2014.

Next meeting date: Monday, September 30, 2013

Adjournment

With no further business, the committee adjourned.


Senate Chair, Senator Fletcher Hartsell


House Chair, Representative Julia Howard