

Program Evaluation Division

Division Activities and Accomplishments: 2008 - 2014



**Report to the
North Carolina General Assembly**

March 23, 2015



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PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

Division Activities and Accomplishments: 2008–2014

March 2015

Dear Honorable Members of the General Assembly,

We are a permanent non-partisan legislative staff unit of the Legislative Services Office established by law in 2007 to determine if programs of state government are returning sufficient benefits to justify continued taxpayer investment.¹

We have been very active during our first seven years, producing 75 reports with several having legislative action. We include recommendations in our reports for increasing the efficiency and effectiveness of North Carolina government. This publication follows up on those recommendations to determine what actions have been taken by the General Assembly or the agencies that were the subject of our evaluations.

Sincerely,

John W. Turcotte
Director

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Co-Chairs of the Joint Legislative Program Evaluation Oversight Committee, 2015



Senator Fletcher Hartsell, Jr.



Representative Craig Horn

Cost-Benefit Analysis of the Program Evaluation Division

From 2008 through December 2014, the Program Evaluation Division (PED) has recommended \$79.6 million in recurring savings and \$101 million in non-recurring savings to the State. Though agencies and the General Assembly have the option to implement or reject recommendations, those that have been implemented demonstrate that the division’s work is cost beneficial. At present, division recommendations adopted by its directing committee, the Joint Legislative Program Evaluation Oversight Committee (JLPEOC), and implemented by agencies or the General Assembly save the State \$25.2 million annually. An additional \$30.9 million in non-recurring savings also have been implemented based on PED’s recommendations.

Outcomes at a Glance

- The General Assembly has enacted legislation based on 29 PED reports.
- PED was selected as the recipient of the 2014 Excellence in Evaluation Award from the National Legislative Program Evaluation Society (NLPES). The Excellence in Evaluation Award is presented to an office that is determined to have made significant contributions to the field of legislative program evaluation during a four-year period. The Excellence in Evaluation Award is awarded to only one state’s office in a given year.
- PED hosted the annual Professional Development Seminar for the National Legislative Program Evaluation Society in 2014.
- PED reports have won five NLPES Impact Awards and seven National Conference of State Legislatures (NCSL) Notable Document Awards.

¹ Session Law 2007-78.

2015 Joint Legislative Program Evaluation Oversight Committee (JLPEOC)

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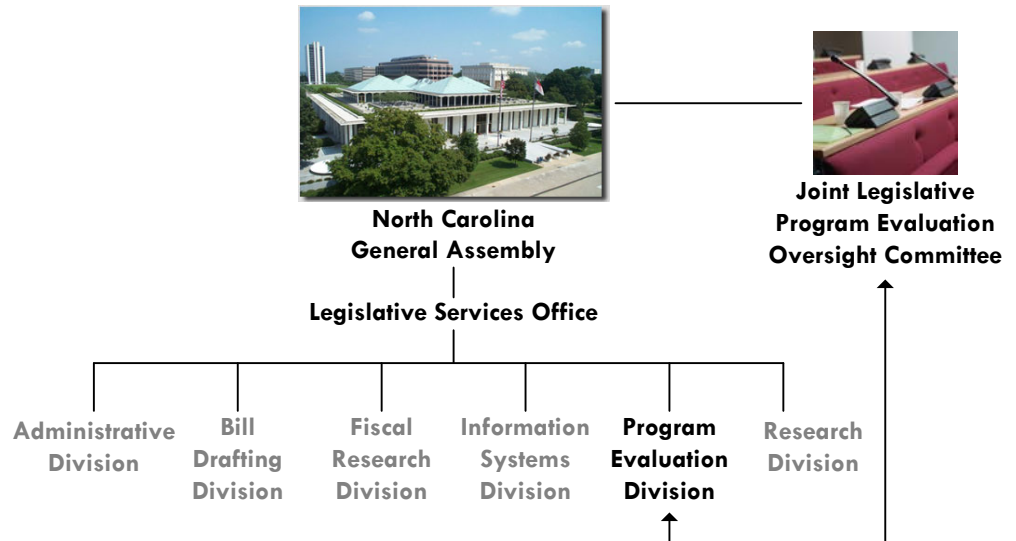
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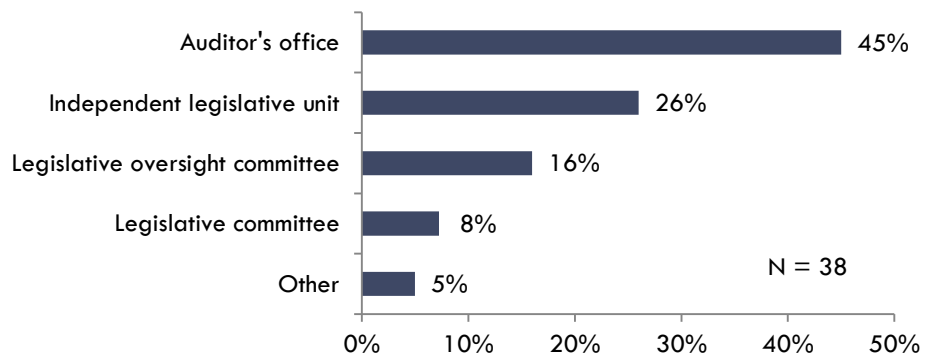
Legislative Oversight Organization in North Carolina

The Program Evaluation Division (PED) assists the General Assembly in fulfilling its responsibility to oversee government functions. PED primarily supports legislative oversight by conducting independent evaluations of state government as directed by the Joint Legislative Program Evaluation Oversight Committee (JLPEOC). As legislators perform their oversight function, they often have questions about how policies are being implemented, how money is being spent, and what results are being achieved. PED addresses those questions from an unbiased perspective through program evaluations.



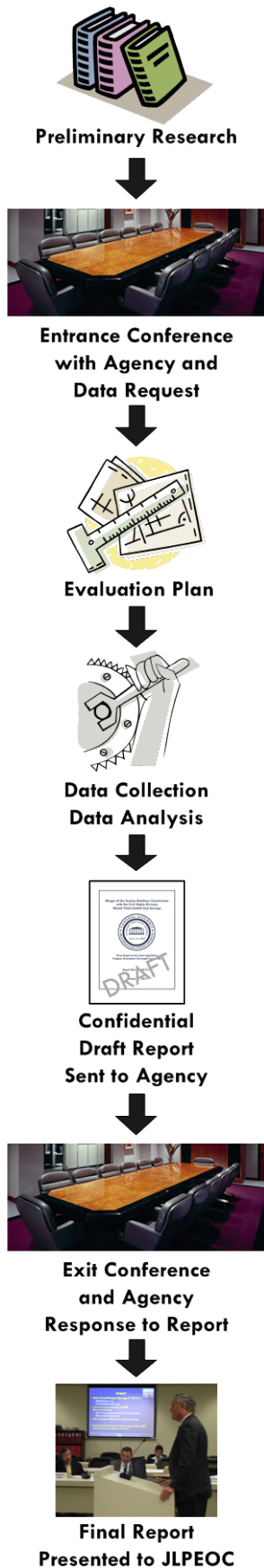
Legislative Oversight Organization Across the Country

North Carolina was one of the last states to create a legislative program evaluation unit. The organizational placement of legislative evaluation units varies across the country (see figure below).² About one-quarter of states, including North Carolina, have evaluation offices that operate as independent legislative units. Almost half of states have evaluation offices that are part of the legislative auditor's office, whereas only a few states have evaluation offices within a legislative oversight or other committee. About two-thirds of states have a separate office that also conducts audits, typically a state auditor that conducts mainly financial audits as part of the executive branch.

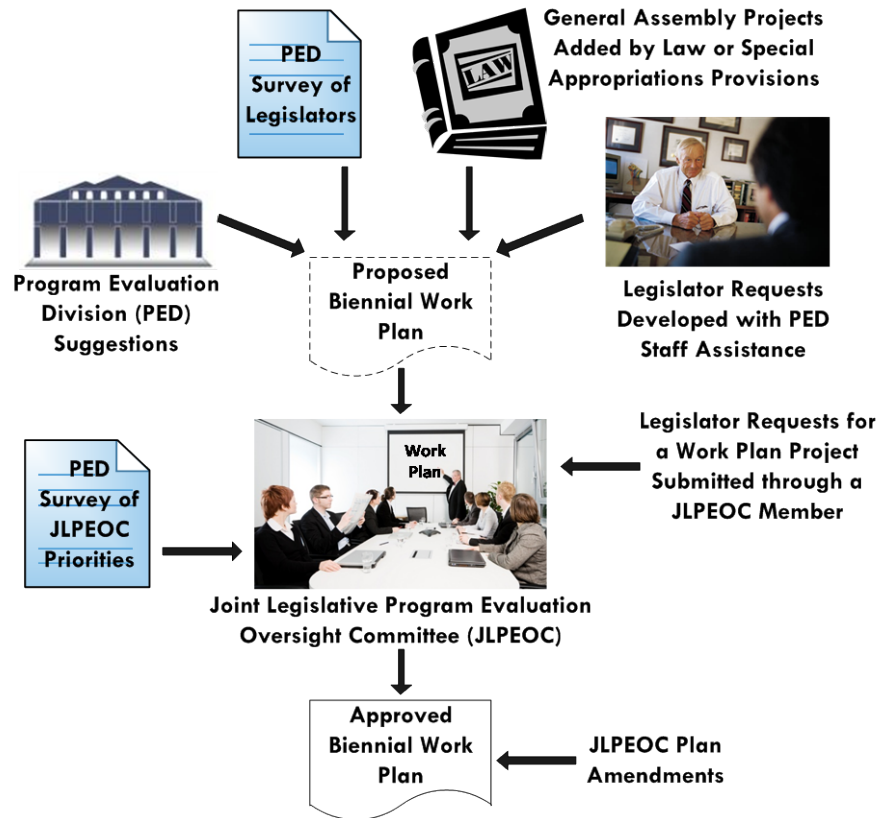


² Ensuring the Public Trust 2012: Program Policy Evaluation's Role in Serving State Legislatures. Retrieved from <http://www.ncsl.org/legislative-staff/nlps/survey-ensuring-the-public-trust.aspx>.

Program Evaluation Process



Process for Determining Report Topics



Summary of PED Reports Released to Date

Year	Report Directed By	Number of Reports Released
2008	Act of General Assembly	2
2008	JLPEOC Work Plan	7
2009	Act of General Assembly	1
2009	JLPEOC Work Plan	6
2010	Act of General Assembly	6
2010	JLPEOC Work Plan	4
2011	Act of General Assembly	8
2011	JLPEOC Work Plan	3
2012	Act of General Assembly	9
2012	JLPEOC Work Plan	4
2013	Act of General Assembly	3
2013	JLPEOC Work Plan	7
2014	Act of General Assembly	3
2014	JLPEOC Work Plan	12
Total Reports Released to Date		75

Upcoming PED Reports

- Management of Real Property
- Supplemental Post-Tax Benefits

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2014 Reports

Volunteer Fire and Rescue Finances

Summary: The 2013–15 Program Evaluation Division work plan directed the division to review state-administered funds related to fire, rescue, and emergency management services departments, including the eligibility criteria for these funds, benefits received, and oversight of funds. During this evaluation, the Program Evaluation Division issued four reports.

The General Assembly enacted legislation to strengthen oversight and management of state-administered funds for volunteer fire and rescue departments.

- **Local Boards and Associations Administer Firefighters' and Rescue Squad Workers' Relief Funds with Limited State Oversight.** The Firefighters' Relief Fund (which has a state and local component) and the Rescue Squad Workers' Relief Fund provide benefits to firefighters and rescue personnel. Relief fund money is not being spent by local boards and non-profit associations at the rate intended by the General Assembly, has been spent on non-permitted uses, and is being invested without regulation. The General Assembly should either consolidate the state and local firefighters' relief funds and make administration of that consolidated fund along with the Rescue Squad Workers' Relief Fund the responsibility of the Department of Insurance (DOI) or improve oversight of all relief funds under their current administrative structures.
- **Revenue and Cost Trends Indicate Deficit in Volunteer Safety Workers' Compensation Fund in FY 2020–21.** The Volunteer Safety Workers' Compensation Fund provides workers' compensation benefits to emergency first responders for compensable injuries or deaths. Without an increase in the revenue base, annual Fund expenditures will exceed total assets beginning in Fiscal Year 2020–21. To help maintain the long-term health of the Fund, the General Assembly should direct the State Fire and Rescue Commission to increase annual member premium income, modify DOI's actuarial responsibilities with regard to the Fund, require the commission to enhance the Fund's cost-containment efforts by using a more data-driven approach, and amend statute to clarify Fund eligibility conditions.
- **Department of State Treasurer Should Strengthen Its Oversight of the Firefighters' and Rescue Squad Workers' Pension Fund.** The Firefighters' and Rescue Squad Workers' Pension Fund provides \$170 per month in retirement benefits. The Pension Fund is adequately funded, but the State's annual required contribution now exceeds the amount of property insurance premium tax proceeds going to the General Fund. The Department of State Treasurer overstated appropriation requests due to overly conservative actuarial assumptions; accepted delinquent member contributions without collecting additional costs to compensate for lost investment earnings; and minimally enforced the prohibition against paying benefits to members still working as firefighters or rescue workers. The department is taking steps to address these issues, and the General Assembly should require annual reports on its progress.
- **Improved Oversight of Volunteer Fire Department Fund and Volunteer Rescue/EMS Fund Needed; \$8 Million Surplus Found.** The Volunteer Fire Department Fund and Volunteer Rescue/EMS Fund provide matching grants for fire and rescue departments to purchase equipment and make capital improvements. DOI's failure to compare actual to projected receipts for both grant programs has resulted in an \$8 million surplus in the Volunteer Fire Department Fund. Additionally, DOI's oversight of the grant award and distribution process could be improved. The General Assembly should determine how to apply the surplus in the Volunteer Fire Department Fund and direct DOI to improve its oversight of both grant programs.

As a result of this study:

Legislation

- **Relief Funds.** Session Law 2014-64, Section 1 provided guidance on minimum and maximum local relief fund balances, required local relief fund boards and statewide associations to act as prudent trustees of relief funds and report to DOI, and required DOI to create a new database of relief fund expenditures and to provide annual reporting.
- **Workers' Compensation.** Session Law 2014-64, Section 2 required DOI to conduct an annual actuarial study of the workers' compensation fund; provided a list of requirements for the State Fire and Rescue Commission to include in its contract with the third-party administrator of the workers' compensation fund, including data on cost-containment efforts and the minimum weekly compensation provision; and amended statutes to correspond to practice by removing the requirement that an "eligible unit" be a volunteer unit and by adding certain statewide associations to the list of eligible units.
- **Pension Fund.** Session Law 2014-64, Section 3 required the Department of State Treasurer to report on its progress toward building appropriate lapse assumptions into the State's annual required contribution to the pension fund and collecting timely member contributions to the pension fund. The session law also reduced the percentage of the insurance premium tax going to the Volunteer Fire Department Fund by 5% to allow the Firefighters' and Rescue Squad Workers' Pension Fund to make pension distributions to all participants aged 55 and over regardless of whether they have retired from firefighting or rescue squad work.
- **Grant Funds.** Session Law, 2014-64, Section 4 allowed fire departments with less than \$50,000 of income to match Volunteer Fire Department Fund grants on a lower 25/75 match rate; required DOI to annually report the fund balance at the beginning of the grant cycle, cash receipts through the grant cycle, cash disbursements through the grant cycle, and the fund balance at the end of the grant cycle; changed an eligibility standard to receive grants from the Volunteer Fire Department Fund from serving a response area with a population of 12,000 or less to having a national fire suppression rating of five or higher, regardless of district size; and required that a dissolved department transfer all equipment purchased with grant funds to a successor department and that a department reimburse a fund if the department disposes of equipment purchased with grants.

Actions

- **Pension Fund.** The Department of State Treasurer's Retirement Systems Division has undertaken a multi-year effort to improve the Firefighters' and Rescue Squad Workers' Pension Fund in the following areas: lapse assumption, operational compliance, and business processes.
- **Grant Funds.** DOI will expend excess funds to all eligible fire departments through the Volunteer Fire Department Fund grant program within two to three years. DOI is also currently comparing actual receipts rather than projected receipts as of the 2014 Rescue/EMS grants. Annual reporting to the General Assembly on these grants includes information on fund revenue as required by Session Law 2014-64, Section 4. Lastly, an internal document that describes how grant points are determined will be written in conjunction with the creation of the new database program, and a written policy addressing grant equipment audits will be developed when additional resources are available.

Improved Administrative Program Monitoring by DPI Can Save Over \$19 Million Annually

Summary: In Fiscal Year 2012–13, the State spent \$12 billion to provide a system of free public education. To ensure these funds are effectively used, the Department of Public Instruction (DPI) provides administrative services that indirectly support the achievement of student outcomes. The cost to provide these services could be reduced by \$19.3 million annually by changing the formula to allocate funds for school bus operations and by reducing textbook warehouse staffing. An additional \$6.1 million of non-recurring savings could be realized by reducing the statewide fleet of spare school buses and the inventory of replacement parts. Currently, DPI's performance management system does not ensure the effectiveness of its administrative support programs. The General Assembly should direct DPI to take specific actions to improve administrative efficiency and require the department to implement an effective performance management system.

The Appropriations Act of 2014 reduced the allotment supporting transportation personnel and the maintenance of yellow school buses, generating \$4.6 million in recurring savings.

As a result of this study:

Legislation

- Session Law 2014-100, Public Education Sections 19, 22, and 31 reduced the allotment supporting the purchase of replacement school buses to reflect lower-than-expected bus prices and departmental operational efficiencies, reduced by approximately 1% the total budget for the allotment, which supports the salaries of transportation personnel and the maintenance of yellow school buses, and reduced State General Fund support for DPI by 10%.
- Senate Bill 753 (2013–14) directed DPI to increase the efficiency of school transportation services; revise the state inspection process for county school bus maintenance operations; reduce the operational requirements of the Textbook Services program; jointly develop a plan with the Department of Administration to reallocate unneeded textbook warehouse space to other state agencies; develop and implement a process for monitoring time and resources required for Plant Operation and School Planning services; develop model loss prevention and return-to-work programs; and develop a performance management system. This legislation was not enacted.

Actions

- DPI Transportation Services is evaluating spare buses in each county to determine how many spare buses are needed to facilitate proper maintenance and which buses can be sold. Instruction has been sent to all bus garages describing the process for eliminating school bus part inventories that are not needed.
- DPI Transportation Services has prioritized this year's sampling of school bus inspections to focus first on those counties with the poorest inspection records during the past two years.
- Workers' compensation issues have been addressed and are before the State Board of Education for discussion and approval in implementing policies on loss prevention and return-to-work.
- The SBE adopted its new goals in April 2014, and DPI has updated its Operational Plan accordingly.

North Carolina Needs to Strengthen Its System for Monitoring and Preventing the Abuse of Prescribed Controlled Substances

Summary: In North Carolina, there are four mechanisms to monitor and prevent the abuse of prescribed controlled substances: oversight of prescribers and dispensers, the Controlled Substances Reporting System (CSRS), Medicaid lock-in, and law enforcement. Currently, prescribing guidelines and continuing education requirements for prescribers are insufficient. The CSRS is underutilized and lacks important features for security and data analysis. Meanwhile, the lock-in program has been non-operational since July 2013, costing the Medicaid program an estimated \$1.3 million to \$2 million. The General Assembly should direct the development and adoption of statewide prescribing guidelines and require continuing education. The General Assembly also should direct the Department of Health and Human Services (DHHS) to modify the contract for the CSRS to improve performance, improve the effectiveness of the Medicaid lock-in program, and develop a strategic plan and performance management system.



As a result of this study:

Legislation

Senate Bill 749 (2013–14) proposed requiring development and adoption of statewide opioid prescribing guidelines; continuing education on the abuse of controlled substances for practitioners; improvements to the Controlled Substances Reporting System; modifications to the existing Medicaid lock-in program; and creation of the Prescription Drug Abuse Advisory Committee. This legislation was not enacted.

Actions

- In June 2014, the North Carolina Medical Board adopted more comprehensive opioid prescribing guidelines that provide specific clinical guidance and information about Board expectations for patient management.
- The North Carolina Medical Board considered requiring continuing education for prescribers of controlled substances but decided not to implement this standard.
- DHHS is working to improve access and utilization by exploring options for a statewide service call interface between the CSRS and electronic health records and has developed memorandums of understanding to implement interstate connectivity by early 2015.
- DHHS amended its contract with the CSRS vendor to implement account updates and prescriber validation, facilitate data retention, and enhance reporting.
- DHHS is leading an effort to develop the North Carolina Statewide Strategic Plan to Reduce Prescription Drug Abuse.

Performance Measurement and Monitoring Would Strengthen Accountability of North Carolina's Driver Education Program

Summary: In response to a 2010 review by the Program Evaluation Division, the General Assembly passed reforms in 2011 that reaffirmed the responsibility of the Department of Public Instruction (DPI) to administer the driver education program. While generally responsive to the 2011 reform law, DPI's strategic plan lacks objectives and quantitative performance indicators. In addition, DPI does not have a uniform method to deliver driver education statewide, performs no monitoring of Local Education Agency (LEA) instructors, and failed to conduct a valid pilot project for testing the effectiveness of online versus traditional instruction. The General Assembly should require statewide performance measures and a data-driven outcome monitoring system for driver education as well as a feasibility study on offering uniform online classroom driver education.

As a result of this study:

Legislation

Senate Bill 751 (2013–14) proposed requiring the State Board of Education to establish and utilize performance indicators; DPI to establish a follow-up information management system; the Department of Transportation to study the cost and feasibility of delivering driver education through electronic means; and the School of Government at the University of North Carolina to establish standards for use by all departments, agencies, bureaus, divisions, and institutions of the State when conducting and completing pilot projects requested by the General Assembly. This legislation was not enacted.

Actions

- DPI established baseline driver education program and expenditure data for 2013–14 for all 115 LEAs. DPI will collaborate with the Division of Motor Vehicles (DMV) and the UNC Highway Safety Research Center in developing the LEA driver education assessment for 2014–15 to ensure all program performance data needs are captured.
- DPI and DMV staff discussed capturing driver education completion information data at the time of licensure. The location of the course taken could be gathered from the driver education certificate at DMV, put into the driver record data, and used to determine if particular programs or methods are more effective than others.
- DPI is monitoring the LEAs who participated in the driver education online pilot project and continued to use online classroom instruction to determine overall classroom effectiveness and any significant cost savings.

Revising State Child Support Incentive System Could Promote Improved Performance of County Programs

Summary: North Carolina's child support program operates under a state-supervised, county-administered model. Based on federal performance measures, the program ranks only 24th among the 50 states. The Child Support Services (CSS) State Office does not effectively use its federal incentive award to promote improved county program performance. Additionally, the CSS State Office has not established specific spending guidelines and does not track incentive payment expenditures. The General Assembly should direct the CSS State Office to retain 25% of federal incentive money to improve centralized services and provide employee incentive bonuses and should direct counties to report how incentive payments are being reinvested and maintain their level of expenditures.

As a result of this study:

Actions

- The Joint Legislative Program Evaluation Oversight Committee appointed a Child Support Subcommittee that met twice in 2014. The subcommittee recommended that the Child Support Services (CSS) State Office retain up to 15% of annual incentives. The remaining award would go to local child support offices. The retained incentives would be used for services that enhance county performance. If legislation is passed as a result of the subcommittee's recommendation, CSS is prepared to revise the federal incentive formula to reflect the new 85/15% allocation and to phase in the alternative formula for distributing funding as suggested by the counties.
- CSS will provide counties with guidance on the use of incentives. CSS is in agreement with the recommendation to require county programs to report how they are using their incentive funds to improve Child Support program performance, and CSS plans to work with the General Assembly to implement this oversight measure if legislation is passed in the 2015–16 legislative session.
- The Child Support Subcommittee did not adopt the Program Evaluation Division's recommendation to use part of the federal incentives to award employee incentive bonus payments to county child support programs and did not adopt PED's recommendation to implement a Maintenance of Effort for counties to track their use of incentives.

North Carolina Needs a Coordinated Strategy to Guide the Changing Landscape of Veterans Programs

Summary: In State Fiscal Year 2013–14, North Carolina state agencies and public higher education institutions operated 23 programs for veterans, 11 of which spent \$53.9 million solely on veterans and their families. However, few of these programs track outcome data, and therefore the State cannot determine the extent to which they improve the lives of their intended beneficiaries. Although the Governor recently created a Working Group on veterans via executive order, North Carolina lacks a coordinated and comprehensive effort to support veterans in the State. The General Assembly should establish the Task Force on Veterans, Service Members and their Families in statute, direct this group to develop and implement a statewide strategic plan to track and improve services for veterans and their families, direct state entities to track and report information to the Task Force, and create a legislative oversight committee to monitor and oversee the implementation of this plan.

As a result of this study: The committee accepted the report and directed staff to draft legislation based on its recommendations.

Overnight Respite Pilot at Adult Day Care Facilities Perceived as Favorable, but Lacked Objective Measures of Success

Summary: Session Law 2011-104 authorized the Department of Health and Human Services to pilot an overnight respite program in four facilities that provide adult day care and directed the Program Evaluation Division to evaluate its success. Stakeholders perceive the pilot as successful, but only one of the facilities consistently provided overnight respite. PED found the legislative mandate for the pilot and its implementation by DHHS only met two of ten recommended components of a well-designed pilot program. In addition, the legislative prohibition against using state or Medicaid funding for the pilot hindered its effectiveness. Furthermore, no organization affiliated with respite care maintains data on the need for the service. The General Assembly should allow the pilot program authorizing overnight respite at adult day care facilities to expire on June 1, 2015, and require state agencies and institutions initiating pilot projects to adhere to standards established by UNC's School of Government.

As a result of this study: The committee accepted the report and directed staff to draft legislation based on its recommendations.

DHHS Should Integrate State Substance Abuse Treatment Facilities into the Community-Based System and Improve Performance Management

Summary: North Carolina's public system for adult substance abuse treatment has two primary components—the community-based system of Local Management Entities/Managed Care Organizations (LME/MCOs) and the three state-operated Alcohol and Drug Abuse Treatment Centers (ADATCs). Separation of the ADATCs from the community-based system creates operational silos which impose challenges to utilization management and continuity of care and limits the State's ability to address service gaps and manage costs. North Carolina also lacks an adequate performance management system that tracks long-term outcomes of public substance abuse treatment. The General Assembly should require the Department of Health and Human Services to integrate the ADATCs into the community-based system by transitioning funding to LME/MCOs and requiring LME/MCOs to pay for services at the ADATCs. The General Assembly should also direct the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services to strengthen its performance management by tracking long-term outcomes of treatment.

As a result of this study: The committee accepted the report and directed staff to draft legislation based on its recommendations.

Occupational Licensing Agencies Should Not be Centralized, but Stronger Oversight is Needed

Summary: Occupational licensing agencies (OLAs) are state agencies that regulate the licensure of persons within a particular profession or occupation but that receive no state general revenue and are not subject to legislatively mandated spending restrictions. PED found that transferring regulatory authority or administrative responsibilities from OLAs to a central state agency may not result in improved performance and would likely entail significant implementation costs. PED also determined that there is insufficient state-level oversight to ensure OLAs are efficiently and effectively protecting the public. The General Assembly should establish an Occupational Licensing Commission to assist the General Assembly and OLAs in improving effectiveness and resolving disputes; ensure that the OLAs required to comply with reporting requirements are clearly defined and listed; ensure the complaint process used by OLAs includes specified capabilities and attributes; and assign a legislative committee to evaluate the continuing need for licensing authority for 12 identified OLAs.

As a result of this study: The committee accepted the report and referred it to the Joint Legislative Administrative Procedure Oversight Committee.

The UNC System Needs a More Comprehensive Approach and Metrics for Operational Efficiency

Summary: The University of North Carolina (UNC) is a public, multi-campus university with 16 higher education institutions that differ in size, complexity, and scope. Since 2006, the UNC system has engaged in 11 operational efficiency projects that have saved \$101.2 million to date. Despite these savings, the UNC system lacks important characteristics of a comprehensive approach to operational efficiency. The system also does not use specific metrics that measure the operational efficiency of its constituent institutions and lacks a reliable funding source for these efforts. In addition, most campuses do not track savings from operational efficiency efforts. The General Assembly should direct the UNC system to develop a more comprehensive approach to operational efficiency, including adopting a board policy stating its commitment and goals for these efforts, adopting metrics to track operational performance, and improving chancellor accountability.

As a result of this study:

Actions

- In August 2014, the UNC Board of Governors adopted a Policy on Efficiency and Effectiveness for the UNC system.
- Effective April 1, 2014, an organizational realignment was completed at General Administration to enable UNC to increase its focus on efficiency and accountability efforts. This change will better enable the successful transfer of efficiency project results and accountability reporting in the future.
- UNC is transitioning from a campus funding model focused solely on enrollment changes to a model that also considers campus performance on key measures. The goal is to directly incentivize and reward improved performance on those key measures, in addition to and independent of enrollment changes.
- In August 2014, the UNC Board of Governors adopted efficiency metrics to use in funding decisions and improve transparency. General Administration, in collaboration with the campuses, is currently identifying a process for establishing and monitoring the metrics on an ongoing basis.
- A new chancellor evaluation paradigm is under review by the President. The evaluation update included input from a cross-campus committee. Once the President indicates any final changes, a final draft will be provided to the Board of Governors for consideration because the related Board policy will have to be changed accordingly. This new evaluation is targeted to go into place effective July 1, 2015.
- The five-year Strategic Plan, 2013–15 state budget request, and 2015–17 state budget request call for the creation of incentives for campus efficiencies through performance funding and carry-forward reform.

Overview of School Choice Options Provided by Colorado's Douglas County School District

Summary: The Joint Legislative Program Evaluation Oversight Committee directed the Program Evaluation Division to examine Colorado's Douglas County School District (DCSD) to determine whether its approach to school choice can inform state education policy-making in North Carolina. PED identified strategies that DCSD has taken to improve school choice in Douglas County, including expanding home education enrichment services, developing the Choice Scholarship Program, and enhancing partnerships with locally authorized charter schools. The General Assembly should consider several factors in determining whether to implement aspects of the DCSD approach to school choice, including: limited student performance data, demographic differences, and statutory changes that would be necessary for implementation. A statewide community engagement and strategic planning process could assist in determining whether the Douglas County approach provides opportunities for improving and expanding school choice options in North Carolina.

As a result of this study:

- Senate Bill 748 (2013–14) proposed codifying the North Carolina Virtual Public School Program and providing for a limited tuition waiver for nonpublic school students. This legislation was not enacted.
- Senate Bill 752 (2013–14) proposed clarifying and amending the procedures for application as a North Carolina Charter School. This legislation was not enacted.
- Senate Bill 754 (2013–14) proposed amending the process for the approval of a charter school application. This legislation was not enacted.

Options for Creating a Separate Department of Medicaid Require Transition Planning

Summary: The Department of Health and Human Services (DHHS) is the single state agency responsible for the Medicaid Program and must operate within federal guidelines. DHHS has broad flexibility to manage the Medicaid Program and has delegated Medicaid administrative functions to the Division of Medical Assistance, other DHHS divisions and offices, other state agencies, and local government agencies. Based on experiences in other states, options exist for changing the organizational structure of the North Carolina Medicaid Program including creating a Department of Medicaid, a Medicaid Program Authority, or a Department of Health Services. Creating a new Medicaid agency in North Carolina has implications for the Medicaid Program, DHHS, and statewide business functions and would require a 12 to 18 month transition period.



As a result of this study: The Joint Legislative Program Evaluation Committee approved the report and appointed a Medicaid and Health Administration Subcommittee to discuss options for creating a separate Department of Medicaid. The subcommittee recommended legislation, but JLPEOC took no action.

Centralized Fleet Operations Will Improve Management and Oversight of Department of Public Safety Vehicles

Summary: The General Assembly directed the Program Evaluation Division to evaluate fleet management among major law enforcement agencies. This report focuses on the 2,398 law enforcement vehicles owned and operated by the Department of Public Safety (DPS). The management and oversight of law enforcement vehicles in DPS is fragmented, decentralized, and does not meet best practices. Furthermore, despite a directive to consolidate, DPS has yet to formalize a plan for centralized fleet management operations. The General Assembly should direct DPS to develop a plan and proposal for the implementation of a centralized fleet management program that meets best practice standards.

As a result of this study:

Actions

- DPS developed a comprehensive fleet management plan, hired a fleet manager, and established an internal fleet steering committee.
- The department presented its plan for motor fleet management to the Joint Legislative Oversight Committee for Justice and Public Safety in 2013. In response, the General Assembly authorized DPS to utilize up to \$9 million to plan and implement the Enterprise Resource Planning (ERP) system for centralized fleet management, grant management, and financials. However, in early 2014, DPS learned that the Department of Transportation did not have resources to devote to the project. The Office of Information Technology Services (OITS) set up a study to make recommendations on this project, which took place in the fall of 2014. OITS has not communicated the conclusion of the study to DPS as of this time.
- In the meantime, DPS worked to integrate internal law enforcement fleet information into the ERP operated by the NC Highway Patrol.

North Carolina Does Not Track Lands Submerged Under Navigable Rivers or Know the Extent of Private Claims

Summary: The Department of Administration (DOA) is charged with managing and controlling the State's submerged lands. DOA does not have a comprehensive inventory of lands submerged under navigable rivers, so the extent to which private parties may hold title to these lands is unknown. Whereas DOA grants and tracks certain types of easements, it does not require easements for many structures built on lands submerged under navigable rivers and does not exercise its authority to lease or convey mineral deposits for most mining on submerged lands. The General Assembly could consider requiring DOA to improve its management and tracking of submerged lands and creating a submerged lands claims process based on a process North Carolina used for 25 coastal counties in the past.

As a result of this study: House Bill 13 (2013–14) proposed requiring improvement of the oversight and management of state-owned submerged lands, including initiating a process to inventory claims on state-owned submerged lands. This legislation was not enacted.

The Division of Public Health Should Remain in the Department of Health and Human Services

Summary: North Carolina's public health system is an intricate network of partnerships between the Division of Public Health and local health departments, state agencies and universities, and other entities. North Carolina's public health system is seen as a model, but the State ranks in the bottom half of states for health outcomes because of high risk factors. The General Assembly should establish the North Carolina Public Health Council to develop a government-wide action plan and direct the Division of Public Health to explore ways to increase regionalization, improve the use the data, and strengthen quality improvement activities.

As a result of this study:

Actions

- Although the General Assembly has not established a government-wide NC Public Health Council, North Carolina has developed an action plan for improving the overall health of the State, entitled *Health North Carolina 2020: A Better State of Health*. This plan was developed by the NC Institute of Medicine, the Division of Public Health, and a wide array of stakeholders.
- The Division of Public Health and local health departments utilize the Center for Public Health Quality, formerly the North Carolina Center for Public Health Quality, for quality improvement initiatives throughout the NC public health system. The Division continues to explore ways to increase regionalization and has successfully regionalized certain services such as the Community Transformation Grant.

2013 Legislation Enacted Based on PED Reports

Summary: During its 2013 legislative session, the North Carolina General Assembly enacted six Session Laws derived from reports published by the Program Evaluation Division. This publication briefly summarizes those reports and lists PED's recommendations as well as the resultant enacted legislation. This publication also lists four other PED reports with recommendations that generated legislation that was not enacted in 2013.

How North Carolina Compares, 2013

Summary: The third edition of this compendium ranks North Carolina relative to other states on areas including population, health, education, taxes, and expenditures. This publication was designed as a quick reference that allows state comparisons across indicators and may be useful when evaluating outcomes of state government programs. Data were extracted from the U.S. Census Bureau and other national databanks to assure uniformity of measurement across states.

Division Activities and Accomplishments: 2008 – 2012

Summary: The Program Evaluation Division includes recommendations in our reports for increasing the efficiency and effectiveness of North Carolina government. This publication follows up on those recommendations to determine what actions have been taken by the General Assembly or the agencies that were the subject of our evaluations. This publication also includes information about the program evaluation process and legislative oversight organization in North Carolina and across the country.

State and Local Improvements Needed for Workforce Development System Integration and Accountability

Summary: North Carolina's workforce development system is a complicated array of 22 programs administered by seven entities that provide services at more than 500 local sites. In addition, state and local program coordination of workforce programs have failed to create an integrated, effective workforce development system. Services offered at local JobLink sites and the level of integration varies, and centers do not take full advantage of technology. State-level leadership by the Commission on Workforce Development has been insufficient to ensure an integrated workforce development system. Further, despite investments in a data system to track

participants, there are no statewide performance measures for the workforce development system. The General Assembly should streamline the workforce development system, enhance accountability, strengthen the JobLink system, require increased use of technology, and create a legislative oversight committee to oversee the reforms.

The General Assembly strengthened the workforce development system by streamlining programs, enhancing accountability, strengthening the JobLink Career Center system, and directing agencies to use technology.

As a result of this study:

Legislation

- Session Law 2012-131 streamlined the workforce development system, enhanced accountability by requiring statewide performance measures, strengthened the JobLink Career Center system, directed agencies to use technology to integrate programs and improve access to services, and created a legislative oversight committee to oversee reform.
- Senate Joint Resolution 837 (House Joint Resolution 1004) (2011–12) encouraged the reduction of the number of local workforce development areas from 23 to 16 by aligning them with Councils of Governments. This legislation was not enacted.

Actions

- When PED conducted its evaluation in 2012, the workforce development system consisted of 22 programs administered by seven state agencies. Currently, the system has 17 programs administered by five state agencies.
- In streamlining the workforce development system, the General Assembly eliminated state funding for workforce development programs provided by the Rural Economic Development Center and eliminated state funding for the Displaced Homemakers Program provided by the Department of Administration.
- The Governor transferred the Apprenticeship Program from the Department of Labor to the Division of Workforce Solutions in the Department of Commerce. PED had recommended transferring the Apprenticeship Program from the Department of Labor to the Community College System Office, but the Joint Legislative Program Evaluation Oversight Committee did not accept this recommendation.



Follow-Up Report

In June 2014, PED issued a follow-up report to its evaluation of the workforce development system, illustrating how the system had been streamlined and strengthened as a result of legislation enacted in response to PED's recommendations.

Key Ideas from Five Program Evaluation Division Reports on State-Owned Vehicles and Permanent License Plates

Summary: The General Assembly directed the Program Evaluation Division to study the effectiveness and efficiency of state fleet management in North Carolina. During this evaluation, the Program Evaluation Division issued three reports on the status of state-owned vehicles and two follow-up reports on the status of permanent license plates for state and non-state entities.

The General Assembly enacted legislation to limit eligibility for permanent license plates to governmental entities and reform the issuance process.

- **Inadequate Data and Fleet Information Management Weaken Accountability for North Carolina’s Vehicles.** This report provided an overview of the number, use, and cost of motor vehicles across state government and found North Carolina lacked adequate information to determine the appropriate size and mix of state-owned motor vehicles for state government needs.
- **Motor Fleet Management Uses Best Practices, but Needs Telematics to Strengthen Accountability.** This report focused on the management of passenger vehicles by the Department of Administration’s Motor Fleet Division and found fleet management and accountability could be improved through technology and other enhancements.
- **Ineffective Policies and Diffuse Oversight Result in Inefficient Use of State-Owned Vehicles.** This report described the management of vehicles owned by state agencies and institutions and found weak oversight and limited accountability result in inefficient use of vehicles because no single entity is responsible for ensuring appropriate and efficient use of state-owned vehicles.
- **Follow-up Analysis of Permanent License Plates Owned by State and Non-State Entities.** This report analyzed the registration and oversight of permanent license plates owned by state and non-state entities.
- **Follow-up Report: Reviewing Eligibility for Permanent License Plates would Strengthen State Oversight.** This report addressed concerns about permanent license plates registered to entities not identified as eligible by statute and the many different types of non-state entities eligible for silver license plates.

State-Owned Vehicles. These reports found North Carolina does not have complete vehicle information and has not used telematics; weak and decentralized oversight by state agencies and institutions causes lapses in accountability and inefficient use of state-owned vehicles; and technology offers opportunities to improve management and oversight. The General Assembly should require all state agencies and institutions to report complete vehicle information to a statewide fleet management information system; direct the Department of Administration (DOA) to install basic telematics services on state-owned passenger vehicles; authorize DOA to supervise the management and operation of state-owned vehicles; and recodify and clarify relevant state laws.

Permanent License Plates. These reports found state law allows certain non-state entities to receive permanent license plates and several obstacles limit the State’s ability to ensure whether non-state entities qualify for permanent plates. The General Assembly should consider limiting eligibility for permanent license plates to governmental entities; review the basis for issuing permanent license plates to non-governmental entities; and make statutory changes to ensure entities receiving permanent license plates can be properly identified in Division of Motor Vehicles (DMV) registration records and to ensure vehicles with permanent plates receive safety and emissions inspections.

As a result of this study:

Legislation

- Session Law 2012-159 limited eligibility for permanent license plates to governmental entities and reformed the process by which eligible entities apply for and are issued permanent license plates. As of December 2012, DMV reported a 54% reduction in the number of permanent license plates registered to eligible entities. The Highway Fund will receive additional recurring non-tax revenue from the non-governmental entities that must apply for the standard North Carolina license plate for each vehicle and pay the \$28 annual registration fee.
- Session Law 2013-360 directed the Office of the State Chief Information Officer (CIO) to develop an implementation plan for establishing a statewide motor fleet management system and to study the feasibility of implementing a tracking system for state vehicles.
- House Bill 1204 (2013–14) authorized the Division of Motor Fleet Management of DOA to develop and implement a pilot project to test the effectiveness and efficiency of using telematics in state-owned motor vehicles. This legislation was not enacted.

Actions

- **Vehicle inventory management.** DOA expanded Motor Fleet Management's fleet management information system to incorporate vehicle ownership information for vehicles owned by executive cabinet agencies; established procedures to ensure that license plates and vehicle titles are removed from DMV systems when a state-owned vehicle is sold or disposed; established a standard naming convention for registering vehicles with DMV; and maintains title and registration for all cabinet agency vehicles.
- **Telematics.** DOA conducted two small telematics studies to evaluate the effectiveness of telematics to strengthen accountability for the use of state-owned vehicles. After reviewing study results, Motor Fleet Management may expand the telematics pilot.
- **Vehicle Coordinator training.** DOA trained most vehicle coordinators in the new procedures for correct titling and requesting titles when disposing of vehicles.
- **Vehicle replacement.** DOA purchased 492 vehicles during Fiscal Year 2011–12 to replace aging vehicles with mileage exceeding the 125,000-mile replacement threshold or with excessive maintenance costs.
- **Motor Pool utilization.** DOA reduced the number of vehicles in the Motor Pool by 30 vehicles to increase usage of temporary fleet. It retained 15 vehicles for use in emergency operations for Emergency Management in a disaster situation.
- **Passenger vehicle ownership.** DOA has reviewed the passenger vehicles owned by state agencies and institutions identified by the Program Evaluation Division and is determining whether these vehicles should be transferred to Motor Fleet Management as required by state law.
- **Rate structure monitoring and vehicle replacement.** DOA continues to monitor rates to confirm that the current rates provide enough income to support Motor Fleet Management's budget.

Follow-Up Report

In November 2014, PED issued a follow-up report documenting legislative and agency actions undertaken in response to its 2012 report, *Follow-up Report: Reviewing Eligibility for Permanent License Plates Would Strengthen State Oversight*. The report specified which entities gained, maintained, or lost eligibility for permanent license plates as a result of legislation enacted in 2012 and 2014 and also highlighted concerns that persist in the issuance and regulation of permanent plates.

Operational Changes for State Attractions Could Yield \$2 Million Annually and Reduce Reliance on the State

Summary: The General Assembly directed a review of the management of state historic sites, museums, state parks, aquariums, and the North Carolina Zoo to determine whether administration could be consolidated and to suggest optimal operating schedules for sites. Cost savings and efficiency of site operations could be increased by restructuring site-level management, closing sites partially or entirely, expanding fees, and adopting public-private partnerships with non-profit entities. Analyses indicated consolidating attractions under one of the existing agencies would not enhance effective management nor result in cost savings. The General Assembly should direct coordinating site management at historic sites and parks, adopting a five-day schedule for most historic sites, closing two sites, recording daily visitation data at all parks to determine potential savings from daily or seasonal closure, adopting public-private partnerships with non-profits for the operations of the zoo and aquariums, and expanding public-private partnerships with non-profits and fees to reduce reliance on state funds.

The General Assembly directed the departments to study coordinated management, operating hours, fees, sponsorships, and the potential cost savings of public-private partnerships with non-profits.

As a result of this study:

Legislation

Session Law 2012-93 required the Department of Cultural Resources to study coordinated management; reduced schedules; more reliable mechanisms for counting visitors; an appropriate operating schedule for Richard Caswell Memorial; and potential savings from admissions fees, corporate sponsorships, or transferring operations at state historic sites. It also required the Department of Environment and Natural Resources to study coordinated management; daily or seasonal reduced schedules; the reliability of visitor calculations; potential savings from admissions fees, corporate sponsorships, or transferring operations at state parks; and anticipated savings of public-private partnerships with non-profits for operations of the zoo and aquariums.

Actions

- The Department of Cultural Resources implemented a mandatory public operating schedule of 9:00 am-5:00 pm from Tuesday-Saturday for all its sites, thus closing sites on Mondays and Sundays; reduced the operation schedule at the Richard Caswell Memorial to two days per week (the resultant savings have been applied to the expanded CSS Neuse Civil War Interpretive Center); charged all sites with implementing a minimum of one revenue-generating program per year (as a result, the percentage and amount of non-appropriated support for most sites has increased); and required each institution to conduct one survey per year to solicit feedback from visitors in order to identify ways to improve. In addition, efforts are underway to evaluate costs of individual programming to understand the return on the investment.
- The Department of Environment and Natural Resources raised the fees at aquariums from \$8 to \$10.95 (effective December 1, 2014).

North Carolina Should Require NC Railroad Company to Pay an Annual Dividend and Strengthen Reporting

Summary: The North Carolina Railroad Company (NCRR) has benefitted from its unique relationship with the State, the corporation's sole shareholder, but the State has not benefitted financially from this relationship. Selling NCRR or the railroad corridor may not be in the best interest of the State because these valuable rail assets and their long-term earnings potential would be lost. The State has limited mechanisms for oversight of NCRR but changing its corporate structure requires a lengthy and complicated process. The General Assembly should amend state law to strengthen reporting by NCRR; require NCRR to pay a one-time dividend of \$15.5 million and, thereafter, an annual dividend to the General Fund; and require NCRR to convey to the State properties not directly related to the railroad corridor so these properties can be sold and the proceeds deposited into the General Fund.

The General Assembly required the North Carolina Railroad Company to issue an annual dividend to the State.

As a result of this study:

- Session Law 2013-360 required NCRR to prepare and maintain a strategic plan, develop and implement a performance management system, issue an annual cash dividend to the State, issue a one-time cash dividend of \$15.5 million, and issue a one-time real property dividend.
- Session Law 2014-100 directed the Department of Administration to dispose of four former NCRR parcels located in Carteret County.

Merger of the Human Relations Commission with the Civil Rights Division Would Yield Limited Cost Savings

Summary: The General Assembly directed PED to evaluate the Department of Administration's Human Relations Commission and the Office of Administrative Hearing's Civil Rights Division to determine whether there is duplication of services. Although both entities investigate discrimination claims, there is no duplication of duties and services between them. Moving the Commission's fair housing activities to the Division could generate recurring savings, but these savings may be offset by transfer costs. The General Assembly should require the Commission and Division to report annually on their activities and should amend two employment discrimination laws to clarify each entity's enforcement authority.

As a result of this study:

Actions

- The Human Relations Commission has not reported annually to the General Assembly or to the general public on its community relations and fair housing activities. However, in July 2013 the Human Relations Commission began tracking community relations inquiries and responses in a spreadsheet posted on its shared network drive. Staff members populate fields, including name of inquirer, nature of inquiry, response, and agency referral, as a means of capturing the commission's Community Relations performance metrics. Also, as part of its programmatic requirements in the Department of Housing and Urban Development's Fair Housing Assistance Program, the Human Relations Commission submits annual performance reports.
- The Office of Administrative Hearings is prepared to report the results of its fair employment activities to the General Assembly. The Office of Administrative Hearings will make this information available to government agencies and government employees on its website.

Stronger Reporting and Management Structure Would Improve State Bureau of Investigation Vehicle Management

Summary: The State Bureau of Investigation (SBI) in the North Carolina Department of Justice (DOJ) operates 384 motor vehicles. SBI's vehicle management generally followed best practices, but this report identified inconsistent oversight associated with the division's decentralized vehicle management and with internal controls. In addition, the division has not established clear criteria to guide vehicle replacement planning, assignment, and maintenance. Although SBI collects electronic fleet management information, the division does not use the data to optimize fleet management. Based on these findings, DOJ should implement a fleet-management approach for SBI law enforcement vehicles. Elements of implementation should include using electronic vehicle data to enhance business decisions; conducting annual internal vehicle audits that test internal controls and data validity; and revising policies and procedures related to vehicle replacement planning, assignment, and maintenance to make them more explicit.

As a result of this study: The Joint Legislative Program Evaluation Oversight Committee requested preparation of draft legislation to encompass all PED recommendations from vehicle management reports.

Options for the Indian Cultural Center Will Allow the Site to Meet Its Cultural, Recreational, and Economic Development Intent

Summary: The North Carolina Indian Cultural Center has not become what was once envisioned. The site's geography, condition, and size have constrained development, and the current lease structure is problematic. As separate parcels, the site can still serve its initial intent. However, the need to preserve and promote North Carolina American Indian culture remains. The General Assembly should direct the Department of Administration to terminate the leases and dispose of and allocate the four parcels comprising the site and direct the Commission of Indian Affairs to develop a strategic plan for the promotion and preservation of North Carolina American Indian culture.

The General Assembly directed the sale of the Indian Cultural Center property; the State received \$350,000 when the property was sold in 2014.

As a result of this study:

Legislation

Session Law 2013-186 terminated leases at the Indian Cultural Center site and directed the sale or allocation of certain portions of the property.

Actions

The Department of Administration sold Parcel 1 to the Lumbee Tribal Administration on April 30, 2014, for \$350,000. The State Property Office completed the reallocation of Parcels 2, 3, and 4 to the Department of Environment and Natural Resources (DENR), and Lumber River State Park is now managing the property. As directed by the General Assembly, \$81,506 of the proceeds from the sale of Parcel 1 were allocated to DENR.

Follow-Up Report

In October 2014, PED issued a follow-up report on the Indian Cultural Center that provided an update on the current and proposed usage of the four parcels as well as a timeline for the sale of Parcel 1 to the Lumbee Tribal Administration.

Contract Agency Vehicle Registration and Titling Services Are Cost Efficient, but Contracts Need Performance Terms

Summary: The report determined the cost-effectiveness of using license plate agency (LPA) contractors to provide vehicle registration and titling services and evaluated the oversight of these contractors by the Division of Motor Vehicles (DMV). Contractors are a cost-efficient way for the State to provide registration and titling services. However, DMV's oversight of contractors is hindered by lack of coordination, communication, and a standardized, performance-based contract. The report recommended the General Assembly direct DMV to implement a standardized, performance-based contract; improve oversight and communications; and outsource registration and titling services provided at the two state offices.

As a result of this study: The Joint Legislative Program Evaluation Oversight Committee (JLPEOC) appointed a subcommittee to hear from DMV and an advisory group representative of LPA contractors on issues raised by the report and other issues related to providing vehicle registration and titling services. JLPEOC moved to continue the suspension of the Commissioner of Motor Vehicles' ability to cancel or amend any commission contracts for any reason other than malfeasance, misfeasance, or nonfeasance until final recommendations have been acted upon by JLPEOC. DMV has long-term plans to establish an extranet site for LPAs.

A Three-Year Emissions Inspection Exemption Would Save North Carolina Motorists \$9.6 Million

Summary: This report is a follow-up to a March 2012 joint study by the Department of Transportation's (DOT) Division of Motor Vehicles and the Department of Environment and Natural Resources's (DENR) Division of Air Quality. This joint study was a result of a recommendation made in the Program Evaluation Division's 2008 report *Doubtful Return on the Public's \$141 Million Investment in Poorly Managed Vehicle Inspection Programs*. This follow-up found a three-year exemption would not affect the State's compliance with federal regulations and would save North Carolina motorists \$9.6 million annually. However, an exemption would require changes to General Statutes and to the State's Clean Air Act implementation plan. The exemption could take effect as early as January 1, 2014.

As a result of this study: Session Law 2012-199 exempts motor vehicles of the three most recent model years or 1996 or later models with fewer than 70,000 miles from annual emissions inspections and requires DENR to submit for approval the emissions inspection program changes to the United States Environmental Protection Agency as an amendment to the North Carolina State Implementation Plan under the federal Clean Air Act.

By implementing a three-year emissions inspection exemption, the General Assembly will save North Carolina motorists \$9.6 million annually.

Further Reductions to Aviation Programs Are Possible and an Aviation Management Authority is Needed

Summary: The Department of Transportation's (DOT) helicopter and the State Bureau of Investigation's (SBI) airplanes are underutilized. Alternatives should be explored to eliminate the helicopter and reduce the SBI fleet. In addition, the SBI facility could be eliminated and their airplanes could be moved to the DOT facility. This evaluation also found consolidation of passenger air service would not result in an improved level of service. Despite improvements in fleet management practices since 2010, central oversight is still needed to ensure efficient and effective use of state aircraft. As recommended in the April 2010 report, the General Assembly should direct the establishment of an Aviation Management Authority in DOT to oversee management of all aircraft owned or operated by the State.

The General Assembly directed the Department of Transportation to sell the Sikorsky S-76C helicopter.

As a result of this study:

Legislation

Session Law 2014-100 directed the Department of Transportation to sell the Sikorsky S-76C helicopter.

Actions

DOT has undertaken a fleet study review to ensure the State has safe, cost-effective aircraft that meet the needs of the department's flight missions. In addition, the department is working to have a shared asset with the State Highway Patrol. The University of North Carolina Area Health Education Centers program is sharing its flight schedule with DOT to encourage flight sharing when possible.

North Carolina Should Weigh Continued Investment in the Global TransPark Authority and Consider How to Repay the Escheat Fund Loan

Summary: The General Assembly directed the Program Evaluation Division to conduct a comprehensive program and financial review of the Global TransPark Authority and assess the Authority's ability to become self-sustaining and repay an Escheat Fund loan. The evaluation found the Authority has made progress towards meeting its mission and goals; however, administrative practices limit its ability to demonstrate results. Current operations do not allow the Authority to be self-sufficient or repay the Escheat Fund Loan; thus, responsibility for this debt falls to the State. Moving forward, the General Assembly should establish a repayment schedule for the Escheat Fund debt and choose between two options for the future of the Global TransPark.

The General Assembly has addressed a portion of the State's outstanding debt and strengthened the administrative capacity of the Global TransPark Authority.

As a result of this study:

Legislation

Session Law 2011-340 appropriated \$17.5 million to the Escheat Fund as payment on the outstanding loan to the Global TransPark Authority. The law also reconstituted the governing board to include representation from the Global TransPark's target industries. Lastly, the law more closely aligned the Department of Transportation with the Global TransPark Authority.



Actions

The Global TransPark has revised its strategic plan; the revised draft plan was presented to the Authority's Board of Directors on May 1, 2012. As part of the integration of the Global TransPark into the Department of Transportation's Division of Statewide Logistics, the Authority's revised strategic plan is being incorporated into the overall strategic plan for the Logistics Division.

Programs for Children, Youth, and Families Need Guiding Framework for Accountability and Funding

Summary: Directed by Session Law 2009-126, this inventory of programs for children, youth, and families identified 93 programs operated by 18 state agencies and universities in Fiscal Year 2009-10. Total expenditures from all sources were \$3.3 billion; six different appropriations committees oversaw state funding. Despite their disparate characteristics, inventoried programs could be grouped under seven domains: child care/prekindergarten; child and maternal health; education and life skills; family support; mental health, substance abuse, and early intervention; child safety and welfare; and juvenile justice. The report recommended authorizing the Legislative Study Commission on Children and Youth to create a strategic plan for North Carolina's children, youth, and families.



As a result of this study: The Joint Legislative Program Evaluation Oversight Committee requested a follow-up report on which programs had verifiable outcome measures. The follow-up categorized programs into three groups: programs that reported they did not collect outcomes; programs that claimed to collect outcomes but did not provide documentation of measurement; and programs for which the Program Evaluation Division was able to confirm outcome measures. Among state agencies, the Department of Justice had the largest proportion of programs with verified outcome measures (75%).

Statutory Changes Will Promote County Flexibility in Social Services Administration

Summary: North Carolina is one of 11 states providing social services programs through a state-supervised and county-administered system. Five alternative structures for administering social services programs could improve efficiency and reduce administrative costs for counties, but statutory and perceived barriers inhibit counties from considering different structures. Administering programs at the county level is considered a major strength of North Carolina's social services system. The General Assembly should eliminate the population threshold to establish a consolidated human services agency, authorize district departments of social services, and direct the Department of Health and Human Services to develop a plan to simplify and streamline supervision of county departments of social services.

The General Assembly enacted legislation eliminating the population threshold to establish a consolidated human services agency.

As a result of this study:

Legislation

Session Law 2012-126 eliminated the population threshold to establish a consolidated human services agency. In response, several counties made changes to how they organize and govern their local human services agencies, executing one of three DHHS consolidation authority options.



Follow-Up Report

In August 2014, PED issued a follow-up report on its evaluation of social services administration, illustrating how 24 North Carolina counties had taken advantage of the statutory elimination of the population threshold to establish a consolidated human services agency by executing one of three DHHS consolidation authority options.

Purchasing Consortiums and Merging Community Colleges Could Save \$26.2 Million Over Seven Years

Summary: North Carolina's 58 quasi-independent community colleges were established to meet community needs. Colleges range in size from 624 to 16,200 student full-time equivalents (FTE), and campuses are often located close to one another. This study examined the most efficient and effective way to administer the community college system and considered whether colleges should be consolidated. Findings indicated college independence challenges administrative efficiency, small colleges have higher administrative costs than larger ones, and colleges have not taken full advantage of their combined purchasing power. The General Assembly should consider merging small colleges and creating a purchasing unit. Adopting both recommendations could yield potential cumulative savings of \$26.2 million after seven years.

As a result of this study: The North Carolina Community College System Office has negotiated contracts for student assessment testing and data analysis capabilities for the colleges. In addition, the system office has initiated a partnership to simplify financial aid verification and processing. This partnership will be tested at five colleges. If the pilot is successful, colleges would be able to join a consortium that would enable elimination of significant hours of duplicative paper processing on local campuses, free up personnel to engage in financial aid counseling (loans, grants scholarships, etc.), and facilitate access to higher education by students. As resources permit, the system office enters into system-wide contracts benefiting the colleges. The largest such contract is the System's contract with Ellucian for the licensing of the Computer Information System used by all 58 colleges. Other examples include contracts supporting the System's distance learning infrastructure. Regarding the financial aid verification effort, 12 colleges participated in this initiative in FY 2014-15.

Child Nutrition Programs Challenged to Meet Nutrition Standards, Maintain Participation, and Remain Solvent

Summary: The viability of Child Nutrition Programs operated by North Carolina's 115 school districts depends on a delicate balance of cost, nutritional value, and student participation. Despite federal reimbursements for school meals, on average schools lose money on each meal sold and must generate revenue to cover costs. Indirect costs may threaten program solvency, and there are no formal guidelines for their assessment at the local level. Thirty-two other states provide supplemental funding beyond the required state-federal match to alleviate financial pressure and promote higher quality meals. This report recommended the General Assembly consider limiting indirect cost assessment among programs that were not financially solvent and supporting the North Carolina Procurement Alliance to provide program directors greater access to savings on food and equipment.

The General Assembly prohibited local school administrative units from assessing indirect costs to insolvent child nutrition programs.

As a result of this study:

Legislation

Session Law 2013-235 prohibited local school administrative units from assessing indirect costs to a child nutrition program unless the program is financially solvent and promoted optimal pricing for child nutrition program foods and supplies.

Actions

- The Department of Public Instruction (DPI) strengthened language in their annual Child Nutrition Program agreement with school districts to prohibit indirect cost charges to programs that had less than one month's operating balance on hand.
- DPI provided written guidance, technical assistance, and training for Local Education Agency (LEA) officials in the proper implementation of Session Law 2013-235, advised local Boards of Education of the statutory requirement, and incorporated it into the annual agreement renewal between the LEA and the DPI/State Board of Education, the federally-mandated Administrative Review, and the Compliance Supplement.
- The State Board of Education has requested \$80,000 in its budget for the 2014–15 school year after the \$80,000 appropriation for the North Carolina (Child Nutrition) Procurement Alliance was eliminated by the Finance Committee in 2013.

Compared to Other States' Retirement Plans, TSERS is Well Funded and Its Plan Features Are Typical or Less Generous

Summary: This report compared the North Carolina Teachers' and State Employees' Retirement System (TSERS) to other state retirement systems. The General Assembly determines the features of the retirement benefit and how much employees and the State contribute to TSERS. TSERS's plan features are either typical or less generous than other states' plans. The Program Evaluation Division ranked plans based on three key measures of funding status in 2009, and TSERS ranked as the sixth best funded state retirement plan out of 84 plans. The report had no recommendations.



How North Carolina Compares, 2011

Summary: The second edition of this compendium of state statistics ranked North Carolina relative to other states on areas including population, health, education, taxes, and expenditures. This publication was designed as a quick reference that allows state comparisons across indicators and may be useful when evaluating outcomes of state government programs. Data were extracted from the U.S. Census Bureau and other national databanks to assure uniformity of measurement across states.

Division Activities and Accomplishments: 2008 – 2010

Summary: The Program Evaluation Division includes recommendations in our reports for increasing the efficiency and effectiveness of North Carolina government. This publication followed up on those recommendations to determine what actions had been taken by the General Assembly or the agencies that were the subject of our evaluations. This publication also includes information about the program evaluation process and legislative oversight organization in North Carolina and across the country.

Selling 25 Underutilized Aircraft May Yield Up to \$8.1 Million and Save \$1.5 Million Annually

Summary: Eight North Carolina aviation programs operated 72 aircraft and cost \$10.8 million in Fiscal Year 2008–09. Findings revealed 79% of these aircraft flew less than 200 hours per year and fractured management contributed to inconsistent practices, policies, and inefficiencies. This report recommended the General Assembly establish the Aviation Management Authority to oversee all aircraft management and recommended eliminating 25 aircraft and 5 hangars. Estimated proceeds are \$8.1 million and could save \$1.5 million annually.

The General Assembly eliminated aircraft and reduced aviation budgets to generate \$1.8 million and save \$808,095 annually.

As a result of this study:

Legislation

- Session Law 2010-31 directed the Department of Environment and Natural Resources to purchase software to record flights and maintenance and to report on the management of state aircraft and implementation of consultant recommendations. The legislation also directed the Divisions of Forest Resources and Marine Fisheries to share mechanics, sell 13 aircraft, and reduce personnel and budgets.
- Session Law 2010-31 directed the Department of Commerce to transfer the Executive Aircraft Division to the Department of Transportation, eliminating two positions and associated expenses of \$300,000.
- Senate Bill 1168 (2009–10) directed the creation of the Aviation Management Division to oversee all state aircraft, the sale of underutilized aircraft, and the consolidation of passenger transport programs. This legislation was not enacted.
- House Bill 1823 (2009–10) directed the sale of underutilized aircraft. Legislation included savings of \$808,095 in recurring funds and \$1,778,098 in non-recurring funds. This legislation was not enacted.

Actions

- The Department of Transportation discussed interagency agreements that proposed providing maintenance for agencies without a maintenance program and sharing aircraft. The department also will study its aircraft fleet size and configuration to determine if it meets the State's needs. They also plan to coordinate with other state aviation departments to look at a common flight management system.
- The Department of Commerce transferred equipment and personnel and eliminated two positions, saving \$300,000 annually.
- The Department of Environment and Natural Resources' Division of Forest Resources (currently the North Carolina Forest Service in the Department of Agriculture and Consumer Services) signed an agreement to perform aircraft maintenance on all Division of Marine Fisheries aircraft; purchased aviation software to monitor flight logs, maintenance records, scheduling, inventory, aircraft costs, and maintenance costs and addressed safety and training issues; and eliminated six employee positions, two leases, and 11 aircraft. The Division of Forest Resources, through sales and budgetary reductions, saved \$1.5 million in non-recurring and \$482,877 in recurring costs.
- The Department of Environment and Natural Resources's Division of Marine Fisheries eliminated two helicopters for \$105,999 and \$172,099.
- The State Bureau of Investigation eliminated one single engine aircraft to reduce expenditures and has implemented an electronic flight and data management tracking system.

Addressing Deficiencies in State Purchasing and Contracting: \$2.9 Billion Spent on Service Contracts in 2011

Summary: In July 2009, the State Auditor reported serious deficiencies in state purchasing and contracting to the Joint Legislative Program Evaluation Oversight Committee. The Attorney General's Office did not review the State Health Plan's \$103.4 million contract with Blue Cross and Blue Shield. Even though the State paid Blue Cross and Blue Shield on a "cost plus percentage of cost" basis, the contract restricted access to cost records by the Plan and the State Auditor. In addition, because the Department of Administration's Purchasing and Contracting Division did not monitor a statewide term contract with Office Depot, agencies overpaid \$294,413. Finally, the Department of Health and Human Services did not sufficiently monitor a Medicaid prior authorization contract.

The General Assembly established the Contract Management Section in the Division of Purchase and Contract and directed the Department of Administration to report on improvements to state procurement laws.

As a result of Joint Committee action:

Legislation

- Session Law 2010-194 prohibits "cost-plus percentage of cost" contracts and requires prior legal review of certain contracts of \$1 million or more. The Department of Administration must issue regulations, develop an extensive contract and purchasing training program, and implement an ISO 9001-2008 or equivalent quality management system. Agencies otherwise exempt from state purchasing provisions must submit contracts for legal review. Finally, the University of North Carolina's School of Government must study state procurement laws including the feasibility of conforming to the American Bar Association's *Model Procurement Code*.
- Session Law 2011-326 clarified that all state contracts for \$1 million or more require review.
- Session Law 2013-234 established the Contract Management Section in DOA's Division of Purchase and Contract and directed the Secretary of Administration to report to the Joint Legislative Commission on Governmental Operations and the Program Evaluation Division by June 30, 2014, on improvements to state procurement laws, including the feasibility of adopting the provisions of the American Bar Association Model Procurement Code.

Actions

- Deficiencies persisted in spite of reform enacted by Session Law 2010-194 and the 2011 Technical Corrections Bill. The State Auditor reported delays in coordination between the Office of the Attorney General and the Purchasing and Contract Division on providing agencies written guidance.
- As required by Session Law 2010-194, the Department of Administration provided a progress report to the Joint Legislative Program Evaluation Oversight Committee during a September 2012 hearing. The department had developed an interagency Procurement Transformation Initiative. The Purchasing and Contract Division and Office of State Personnel provided a compliance timeline for a contract management career path and certification program for state employees. The School of Government described their certification of local purchasing officers.
- Review of state procurement processes is ongoing. The lack of full implementation of an ISO 9001-2008 or equivalent quality management system remains an issue. There still is no Office of State Personnel contract manager certification program beyond the planning phase, and the School of Government has not reported on state procurement laws.
- The Joint Legislative Program Evaluation Oversight Committee will continue hearings and may recommend additional legislation if necessary and may direct the Program Evaluation Division to follow up on actions by the Department of Administration, Attorney General's Office, and Office of State Personnel.

High School Graduation Project Requirement Should Remain a Local School District Decision

Summary: The State Board of Education required that all public high school students, starting with the class of 2010, complete a senior project. The North Carolina Graduation Project assesses students' ability to integrate knowledge, skills, and performance within a topic area of their choosing. Session Law 2009-60 suspended the statewide requirement until July 1, 2011 (starting with the class of 2015) and directed the Program Evaluation Division to evaluate the cost and effectiveness of a statewide high school graduation project requirement. This evaluation found that although there was anecdotal support for senior projects, there was no compelling empirical evidence that completing a project achieved intended student outcomes. The investment—estimated at \$6.6 million—and effort that would be required for statewide implementation of the Graduation Project could not be justified. The report recommended the State Board of Education delegate authority to school districts to decide whether to implement a high school graduation project requirement.

The General Assembly permanently suspended the statewide high school graduation project requirement.

As a result of this study: Session Law 2010-33 permanently suspended the statewide high school graduation project requirement. The State Board of Education continues to encourage high schools to require the project.



UNC Enrollment Change Funding Formula Needs Documentation and a Performance Component

Summary: The General Assembly directed the Program Evaluation Division to evaluate the University of North Carolina's (UNC) student credit hour enrollment change funding formula to examine its accuracy. This evaluation found the formula was complex, relied on inaccurate enrollment growth estimates, and, as a result, yielded inaccurate funding requests. The Program Evaluation Division recommended the General Assembly require UNC System administrators to thoroughly examine and modify the enrollment change funding formula, standardize the enrollment projection process, and hold officials accountable for sizeable projection errors. Second, the UNC System should develop policies and guidelines for enrollment growth funding decisions. In addition, the Program Evaluation Division recommended the General Assembly direct UNC to submit annual reports of indicators to hold the system accountable to the public. Finally, UNC should implement performance-based funding.

As a result of this study: In January 2011, the UNC Board of Governors rescinded its policy of "hold harmless" when a campus does not meet budgeted levels of enrollment. Starting with the 2013–14 academic year, enrollment change funding has been reduced for campuses that have not achieved their enrollment goals.

University Distance Courses Cost More to Develop Overall but the Same to Deliver as On-Campus Courses

Summary: The report determined distance education courses cost more overall to develop than on-campus courses but about the same to deliver. Distance education increases access to education, and technology has changed delivery of instruction in the classroom. The report had no recommendations; however, findings indicated University of North Carolina's (UNC) General Administration was in a position to foster collaboration between campuses to achieve more responsive, comprehensive, and unified distance education programs in the UNC System.

As a result of this study: UNC General Administration continues to support constituent institutions. System-wide contracts have been negotiated to benefit all campuses, such as one that provides a 30% discount for new learning management system products. A comprehensive proctoring system is in use at seven campuses, with a new capability for students to take supervised exams at home. A project team developed online or blended faculty development modules for use by all campuses and is working with campuses to determine where services are available to share. Core courses for a master's program are online and available to be shared among disciplines and campuses.

Feasibility of Restructuring Budget and Financial Management of North Carolina State Government

Summary: This report reviewed the structure for budget and financial management of state government and considered the feasibility of consolidating the Office of State Budget and Management, the Controller, and the State Treasurer. These agencies performed 29 budget and financial management functions, but there was no duplication of effort among them. The structure and location of budget and financial management functions varies among states, and North Carolina is one of 22 states where the functions are located in three separate agencies. The report found consolidation of budget and financial management of state government was feasible and could save money, but consolidation is constrained by constitutional requirements and would sacrifice the independence of the Controller.

As a result of this study: The Joint Legislative Program Evaluation Oversight Committee accepted the recommendation to maintain the independence of the Controller and not merge it with the Office of State Budget and Management or the State Treasurer.



Eliminating the Underground Storage Tank Cleanup Backlog Will Require at Least \$549 Million

Summary: The General Assembly established the Underground Storage Tank (UST) program within the Department of Environment and Natural Resources in 1985 in response to a federal mandate to regulate USTs. Since the UST Program's inception, North Carolina has spent more than \$543.7 million to clean up UST incidents. Even so, a significant cleanup backlog still remains, and North Carolina's financial liability continues to grow. The evaluation discussed how North Carolina could reduce the backlog and limit future financial liabilities by introducing a risk-based system of financial responsibility for commercial tank owners and requiring greater financial responsibility from noncommercial tank owners. Furthermore, the evaluation recommended improvements for information management operations and increased oversight and training for commercial tank owners.

By implementing a mandatory training program for UST operators, the General Assembly strengthened regulatory oversight; however, a recent funding reduction has increased the reimbursement claims backlog.

As a result of this study:

- Session Law 2010-15 required training of UST operators; the law directed the Department of Environment and Natural Resources to develop and implement a training program for primary UST operators. The training program provides instruction on proper operation and maintenance of UST systems, system construction and safety, and regulatory requirements associated with UST systems.
- Session Law 2011-145 redirected the portion of the motor fuels inspection tax that had been dedicated to the UST Cleanup Funds to the Highway Fund. This action eliminated about 60% of the funding for the Noncommercial Fund that reimburses approved UST cleanup claims by private owners. By July 1, 2012, the backlog grew to more than 300 approved claims for an estimated \$2.5 million, and the time between claim approval and reimbursement increased from 9 days to over 44 months.
- Session Law 2012-142 provided a non-recurring appropriation of \$4.9 million to the Noncommercial Fund to reimburse approved claims in the backlog. The remainder of this funding, coupled with the regular excise tax income, will be used to reimburse new approved claims.

North Carolina's Water and Wastewater Infrastructure Funding Lacks Strategic Focus and Coordination

Summary: This evaluation found six state funding entities, each with their own missions, goals, and objectives provided funding for water and wastewater infrastructure in North Carolina. There was no effective oversight agency or comprehensive strategic plan in place to coordinate activities. The report recommended the General Assembly direct the State Water Infrastructure Commission (SWIC) to develop a statewide strategic plan and needs assessment for water and wastewater infrastructure funding. The report also recommended the General Assembly require better oversight of water and wastewater funding by either authorizing SWIC to coordinate and oversee the system or by establishing a single water and wastewater authority.

The General Assembly established a commission to identify statewide water and wastewater infrastructure needs and to improve the delivery of state appropriated water and wastewater programs.

As a result of this study:

Legislation

- Session Law 2009-574 established the Legislative Study Commission on Water and Wastewater Infrastructure to develop an ongoing process to identify and regularly report to the General Assembly on statewide water and wastewater infrastructure needs and to improve the delivery of state appropriated water and wastewater programs.
- Session Law 2013-360 created a State Water Infrastructure Authority to review recommendations for grants and loans submitted to it by the Division of Water Infrastructure, determine the rank of applications, and select the applications that are eligible to receive grants and loans.

Actions

Following the creation of the Legislative Study Commission on Water and Wastewater Infrastructure, SWIC and a user's group met. The following actions have emerged:

- Funding entities have developed a common first page for grant and loan applications, creating a single template for project descriptions, which makes it easier to identify and coordinate projects that request funding from multiple agencies and to streamline the application process.
- Funding entities hold regular "Fundings Forums" to coordinate their projects and report to SWIC. They work together to prepare an annual report to the General Assembly on the water infrastructure projects that they funded.
- Funding entities worked with the Public Water Supply Section of the Division of Water Resources to encourage water systems to participate in the United States Environmental Protection Agency's (EPA) drinking water needs assessment. The funding entities also have worked with the Division of Water Quality to encourage wastewater and stormwater systems to participate in EPA's clean water needs assessment.

Accountability Gaps Limit State Oversight of \$694 Million in Grants to Non-Profit Organizations

Summary: State agencies granted \$694 million to non-profits in Fiscal Year 2007–08. Despite administrative rules and statutes intended to assure funds are spent as intended by the state, gaps in accountability persisted. Statewide reporting requirements did not require sufficient documentation, did not adequately address program performance outcomes, failed to produce timely reporting, and lacked sufficient enforcement. Contracts often failed to set performance expectations and inconsistent grant monitoring at the agency level resulted in a lack of accountability statewide. Recommendations addressed contracting, agency oversight, and reporting; awarding competitive grants rather than earmarks; implementing electronic payment controls; and funding oversight through a discretionary 2% withholding of grant funds.

As a result of this study: House Bill 1852/Senate Bill 1218 (2009–10) required performance-based contracting, program monitoring plans, and timely and accurate reporting on state grants to non-profits; directed the Controller to electronically stop payment to grantees on the Suspension of Funding list; and amended the State Budget Act to give agencies the authority to withhold up to 2% of grant awards to fund oversight. This legislation was not enacted.

Department of Environment and Natural Resources Wetland Mitigation Credit Determinations

Summary: This special report responded to the controversy surrounding the certification and purchase of wetland and nutrient offset credits certified by the Division of Water Quality. Specifically, the report focused on mitigation credits generated by the same 46 acres of wetlands. Controversy arose when the credits were sold twice (credit stacking), resulting in \$698,372 spent by the State that did not purchase any additional mitigation value. Despite subsequent action taken by the Department of Environment and Natural Resources to avoid the problem in future transactions, the agency's decisions related to this controversy resulted in actual and potential future losses to the environmental integrity of the Neuse River basin and comprised a net loss to North Carolina's environment.

Enhanced Services Package Implementation: Costs, Administrative Decision Making, and Agency Leadership

Summary: This follow-up to the Program Evaluation Division's 2008 report *Compromised Controls and Pace of Change Hampered Implementation of Enhanced Mental Health Services* examined expenditures, decision-making, and leadership associated with implementation of the Enhanced Services Package. Findings indicated a total of \$2.4 billion was spent on enhanced services from April 2006 through February 2009, \$827.2 million of which was North Carolina's share of the costs. Analyses suggested effective planning and better oversight could have avoided costs of \$498.5 to \$635.3 million, of which \$177.4 to \$226.2 million would have been North Carolina's share of the avoided costs.

As a result of this study: Actions reported for the related July 2008 report respond to this report.

How North Carolina Compares, 2009

Summary: This compendium of state statistics ranked North Carolina relative to other states on areas including population, health, education, taxes, and expenditures. This publication was designed as a quick reference that allows state comparisons across indicators and may be useful when evaluating outcomes of state government programs. Data were extracted from the U.S. Census Bureau and other national databanks to assure uniformity of measurement across states.



Controlling the Cost of Medicaid Private Duty Nursing Services

Summary: The North Carolina Medicaid Program covers private duty nursing—medically necessary continuous, complex, and substantial nursing services provided by a licensed nurse in a recipient’s home. Under federal law, private duty nursing is an optional Medicaid service for adults and a required Medicaid service for children. The evaluation recommended the Division of Medical Assistance should adopt the cost-containment mechanisms used by other states for its private duty nursing benefit for adults. The report also recommended the Division of Medical Assistance should modify the Community Alternatives Program for Children, which is subject to budget limits, to encourage use of the waiver program by children in need of continuous skilled nursing.

The General Assembly directed the Division of Medical Assistance to limit private duty nursing services to individuals under 21, cap the amount of care at 16 hours, and require needs assessments be performed by independent entities.

As a result of this study:

Legislation

- Session Law 2010-31 directed the Division of Medical Assistance to limit its private duty nursing service by restricting it to individuals under 21, capping the amount of care at 16 hours unless more are required under federal law, and requiring needs assessments be performed by independent entities.
- The legislation also required the Division of Medical Assistance to submit a technology-dependent waiver and subsequently transition individuals age 21 and over to receiving services under the waiver.

Actions

- The group of stakeholders working toward a technology-dependent waiver for adults determined the Division of Medical Assistance could not meet the waiver’s cost neutrality requirement.
- A policy enforcing a 16-hour limit on services for adults was implemented on December 1, 2012.

North Carolina's Alcohol Beverage Control System Is Outdated and Needs Modernization

Summary: This evaluation found North Carolina's Alcohol Beverage Control (ABC) system was outdated because it had not kept pace with demographic and economic changes and state statutes limited effective management of the system. The mission of local ABC boards was not clearly defined, and some boards used the lack of a clear mission to justify ineffective and inefficient store operations. North Carolina also regulated the sale of liquor differently than other states. The report recommended modernizing the ABC system by defining the mission of local boards, providing management tools for better oversight of local boards, and modifying outdated statutes.

The General Assembly enacted legislation to modernize the North Carolina ABC system and provide better oversight of local ABC Boards.

As a result of this study: Session Law 2010-122 modernized the North Carolina ABC system by clearly defining the mission and purpose of local ABC Boards; providing the North Carolina ABC Commission with management tools for better oversight of local boards; authorizing the North Carolina ABC Commission to promulgate rules to establish performance standards for local boards and requiring local boards to comply with the performance standards; eliminating the requirement that a city must operate an ABC store or hold an ABC store election in order to hold a mixed beverage election; and increasing the number of registered voters needed in order for a city to hold an ABC store election.



Project Management Lapses and Planning Failures Delayed Court Technology Improvements

Summary: This evaluation found the Administrative Office of the Courts (AOC) had six information technology projects under development. Management shortcomings delayed the projects, frustrating court personnel and other stakeholders in need of the technology. The evaluation recommended greater involvement of the Judicial Council to set priorities for technology projects, establishment of a more formal process to involve users in project development, and annual progress reports. AOC should report bi-annually to the General Assembly's Information Oversight Committee and consult with the State Office of Information Technology Services on future projects.

As a result of this study: AOC has taken various steps in formalizing its project initiation process, project management procedures, and system development methodology to create business-driven and timely system enhancements. AOC completed the rollout of NCAWARE in all 100 counties in February 2014. Other high impact projects have been completed either ahead of or on schedule, including the development and implementation of a major upgrade to its Criminal Court Information System – Clerk's Component. The AOC Chief Information Officer is a regular attendee of the State CIO's monthly agency CIO meeting and is a member of the NC Government Chief Information Officer Council. These forums provide opportunities to share information concerning technology projects, standards, and methodologies.

Consolidating Agricultural Research Facility Management Would Improve Efficiency and Effectiveness

Summary: A divided management structure hindered strategic planning among North Carolina's 18 agricultural research stations. To address this finding, the report recommended the state should create a single, comprehensive system of research facilities including the stations, the 10 North Carolina State University (NCSU) field laboratories, and the North Carolina Agricultural and Technical State University (NC A&T) farm to promote strategic planning, efficiency, and accountability. The system should be managed by NCSU and NC A&T administrators and guided by an advisory board with membership from the Department of Agriculture and Consumer Services, both universities, and representatives of broad agricultural concerns. Pending review by a panel of agricultural scientists, the number of facilities could be reduced. The transfer or sale of facilities and management consolidation could save up to \$3.7 million in recurring and \$54.7 million in non-recurring state funds.

The General Assembly directed entities with agricultural research facilities to develop a strategic plan for research station management.

As a result of this study:

Legislation

Session Law 2008-107 directed the NCSU Dean of the College of Agriculture and Life Sciences, the NC A&T Dean of the School of Agriculture and Environmental Sciences, and the Commissioner of Agriculture to develop a comprehensive strategic plan for the management of agricultural research stations.

Actions

The department and universities created an advisory group consisting of 23 external stakeholders to inform the strategic planning process and implementation. Groups of university faculty, station superintendents, and administration met to discuss how best to support research activities and document program activities, accomplishments, and recommendations in an annual report; the first report was released in May 2010. The department and universities have made improvements to reporting structures by updating resource request systems to improve resource utilization and include project reviews and evaluations; restructuring the budget development process; and implementing an online event tracking system to document outreach and other non-research activities at the facilities.

Improving Regional Economic Development through Structural Changes and Performance Measurement Incentives

Summary: North Carolina's regional economic development partnerships and commissions focus their efforts on local needs; this approach is vital for North Carolina, especially in rural areas of the state. To achieve a more unified approach to economic development, there needs to be increased consistency among regions, regional representation on the Economic Development Board, and required performance measurement and reporting. The report recommended recurring funding for the regions so they could leverage investment from other sources, with 15% of the existing state appropriation directed to performance-based funding. Receipt of this incentive would be conditional on certification of willingness to participate in the performance measurement system and accurate annual reporting.

As a result of this study: The regional partnerships have implemented a set of uniform accountability standards to assure consistency in institutional behavior, administrative practices, and other key areas. The partnerships worked with the Department of Commerce to develop a comprehensive list of performance measures, which was approved by the Board of Directors of the North Carolina Partnership for Economic Development. The Department of Commerce has become a member of this partnership organization to formalize the collaborative and coordinative work between the partnerships and the department.

Doubtful Return on the Public's \$141 Million Investment in Poorly Managed Vehicle Inspection Programs

Summary: Vehicles registered in North Carolina are subject to two types of inspections. Safety inspections examine mechanical systems. Emissions inspections ensure proper functioning of pollution controls. North Carolinians spend \$141 million annually on inspections. The report found no evidence that the safety inspection program was effective; it was not possible to determine how much vehicle emissions inspections contributed to the improvement of overall air quality; and program oversight by the Division of Motor Vehicles (DMV) was inadequate. The Program Evaluation Division recommended the General Assembly reevaluate the need for a safety inspection program, consider exempting vehicles from the three newest model years from safety and emissions inspections, and require DMV to manage the programs to ensure results.

The General Assembly required a study to examine exempting motor vehicles under the three newest model years and all vehicles from the emissions inspection requirement.

As a result of this study:

Legislation

- Session Law 2011-145 required the Department of Transportation and the Division of Air Quality to examine exempting motor vehicles under the three newest model years and all vehicles from the emissions inspection requirement.
- Senate Bill 849 (2009–10) repealed the requirement that motor vehicles registered in North Carolina have an annual safety inspection. This legislation was not enacted.
- Senate Bill 857 (2009–10) repealed the requirement that registered motor vehicles have an annual safety inspection, required an improved management program for the vehicle emissions inspection program, and required study of how to comply with federal guidelines while reducing emissions inspections for motor vehicles less than four model years old. This legislation was not enacted.
- House Bill 59 (2013–14) repealed the requirement that motor vehicles registered in this state have an annual safety inspection. This legislation was not enacted.

Actions

- DMV has implemented the e-sticker program and all inspections are conducted electronically. DMV receives monthly reports from the state's vendor that indicate the total number of vehicles that have failed inspections and the reason for the failure. A vehicle cannot receive a valid registration without having received an inspection within 90 days of the registration expiration. This step has resulted in an inspection compliance rate of 97%.
- DMV is encouraging inspection stations to more accurately time the duration of inspections by tracking physical inspection time and not using only the time elapsed on the analyzer device.
- DMV has enhanced program oversight by implementing a statewide staff inspection that includes a review of all inspection audits and activities occurring within each of the eight DMV districts; cross-training sworn personnel to eliminate a separation of duties between inspectors; requiring DMV personnel to conduct remote audits of inspection stations (district supervisors are held responsible for documentation review and ensuring all required activities are completed within the district); and assigning two Assistant Supervisors to the Inspection Unit to provide daily oversight of the inspection program for four districts and to ensure all mandated activities are completed.

Caring for Previously Hospitalized Consumers: Progress and Challenges in Mental Health System Reform

Summary: Building on the Program Evaluation Division's 2008 report *Compromised Controls and Pace of Change Hampered Implementation of Enhanced Mental Health Services*, this report examined services delivered by the North Carolina Division of Mental Health, Developmental Disabilities and Substance Abuse Services (MHDDSAS) after system reform. Analyses of services received by 22,516 individuals previously hospitalized in substance abuse or psychiatric facilities suggested that gaps in community-based services persisted among those discharged from state-operated facilities and among individuals with a history of one, versus multiple, hospital discharge. The report recommended individualized tracking across facilities, service types, and funding sources to improve continuity of care and to generate comprehensive statewide data. The report also recommended continued attention to system oversight and management.

As a result of this study: Many local providers and Local Management Entities have initiated electronic records projects. However, due to legislative and budget constraints on state-supported IT projects, the division has discontinued its pursuit of a statewide electronic health record. The division changed practice and infrastructure to improve inpatient and outpatient services and increase access to crisis intervention and coordination of care following crisis and inpatient treatment; implemented two provider performance assessment tools to improve system oversight; and introduced quarterly reporting on provider monitoring.

Compromised Controls and Pace of Change Hampered Implementation of Enhanced Mental Health Services

Summary: Since 2006, the state has struggled to implement a new array of mental health, developmental disabilities, and substance abuse services. Several factors contributed to implementation problems, including the pace and scope of implementation, insufficient forecasting and monitoring, and lack of information about system performance. This report recommended the Department of Health and Human Services should collaborate with other stakeholders to reevaluate what information is needed about system performance, how it is collected, and how it is presented. Additionally, the report recommended focusing analytic efforts within one specific office of the Division of Mental Health, Developmental Disabilities and Substance Abuse Services (MHDDSAS) to ensure consistency, depth, and quality of analysis.

As a result of this study: MHDDSAS provides a quarterly performance report to the Joint Legislative Oversight Committee on Health and Human Services on local management entities' performance on 21 contracted measures. The MHDDSAS Quality Management Team provides a 12-month overview of service utilization trends to division management. Training and additional reporting have improved client data integrity. The Division of Medical Assistance and MHDDSAS coordinate performance measurement and oversight as part of implementing the 1915b/c Medicaid Waiver project. A planned provider quality report has been replaced with the "Gold Star" provider monitoring and incentive program used by the pilot waiver site (Piedmont Behavioral Health), as required by legislation. Additional activities targeting internal quality improvement include implementation of a MHDDSAS Quality Management committee structure, required quality management expectations for local management entities, and Intra-Departmental Monitoring Teams to oversee each local management entity's progress and performance in carrying out their responsibilities. In addition, DHHS is currently working on specific performance measures that can be utilized as a dashboard which will have the capacity to implement an incentive payment structure.



Front Row (left to right): John Turcotte, Larry Yates, Chuck Hefren, and Brent Lucas. Second Row (left to right): Jim Horne, Pamela L. Taylor, Carol Shaw, Meg Kunde, and Kiernan McGorty. Third Row (left to right): Doris Gilbert, Sara Nienow, and Josh Love. Back Row (left to right): Jeff Grimes and Sean Hamel.

(Photo courtesy of Jesse Mitchell).

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