



STATE OF NORTH CAROLINA

INVESTIGATIVE REPORT

**NORTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN
SERVICES**

NORTH CAROLINA OFFICE OF STATE PERSONNEL

AUGUST 2011

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA

STATE AUDITOR

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SERVICES**

NORTH CAROLINA OFFICE OF STATE PERSONNEL

AUGUST 2011

Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

The Honorable Beverly Perdue, Governor
Lanier Cansler, Secretary, North Carolina Department of Health and Human Services
Linda Coleman, Director, North Carolina Office of State Personnel
Members of the North Carolina General Assembly

Ladies and Gentlemen:

Pursuant to North Carolina General Statute §147-64.6(c)(16), we have completed an investigation of an allegation regarding the employment of a temporary employee in the North Carolina Department of Health and Human Services. The results of our investigation, along with recommendations for corrective action, are contained in this report.

Copies of this report have been provided to the Governor, the Attorney General and other appropriate officials in accordance with G.S. §147-64.6 (c) (12).

Respectfully submitted,

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor

August 23, 2011

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INTRODUCTION

The Office of the State Auditor received a complaint through the *State Auditor's Hotline* alleging the misuse of funds for a temporary employee working on the North Carolina Families Accessing Services through Technology (NC FAST) project for the North Carolina Department of Health and Human Services (DHHS).

To conduct our investigation of this complaint, we performed the following procedures:

- Review of the State of North Carolina's personnel regulations
- Review of DHHS and Temporary Solutions¹ policies and procedures
- Examination of relevant documents and records
- Interviews with current and former DHHS and Temporary Solutions staff members
- Interviews with personnel independent of North Carolina state government

This report presents the results of our investigation. The investigation was conducted pursuant to North Carolina General Statute §147-64.6(c) (16).

¹ The North Carolina Office of State Personnel established this agency to provide temporary staffing services for North Carolina state government agencies. These services include the assessment of job skill levels and payroll administration. DHHS used this agency to facilitate the employment of temporary employees for the NC FAST project.

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ORGANIZATION AND PROGRAM OVERVIEW

North Carolina Families Accessing Services through Technology² (NC FAST) is a program designed to improve information access for the North Carolina Department of Health and Human Services (DHHS) and county departments of social services. Several DHHS divisions have contributed to the development of NC FAST including the Division of Information Resource Management, the Division of Social Services, the Division of Child Development, the Division of Medical Assistance, and the Division of Aging and Adult Services.

During the development of NC FAST, DHHS employed a combination of permanent, temporary, and contract employees. To facilitate the hiring of temporary employees, DHHS used Temporary Solutions – a temporary staffing agency administered through the North Carolina Office of State Personnel.

² <http://www.ncdhhs.gov/ncfast/>

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FINDINGS AND RECOMMENDATIONS

1. DHHS OVERPAID A TEMPORARY EMPLOYEE AS A RESULT OF AN IMPROPER POSITION CLASSIFICATION.

DHHS overpaid a temporary employee \$14,521 as the result of an improper position classification. The temporary employee was hired to provide administrative services, but was paid \$38.09 per hour based on the credentials and skills of a Business Systems Analyst. The temporary employee was employed from March 29, 2009 to January 23, 2010 and received \$59,925 in compensation during this period. The hiring of this employee was primarily performed by one person, the NC FAST Project Director (Director). (See Finding 2) The Director assessed this person at a skill level at which competent, fully functioning, seasoned employees with experience beyond the minimal requirements should be compensated – even though the employee lacked the minimum qualifications for the Business Systems Analyst position. Moreover, the temporary employee did not perform tasks commensurate with a business systems analyst function.

Our investigation determined that the temporary employee primarily performed administrative tasks such as tracking customer service requests, maintaining paper files, coordinating office moves, conducting an inventory of furniture and equipment, and notifying management of scheduled meetings. Therefore, the temporary position should have been classified as an administrative position based on the temporary employee's duties.

In response to our request for a pay rate assessment, Temporary Solutions indicated that the employee should have been paid \$28.86 per hour as an Executive Assistant II based on the employee's resume, job application, and other information provided during an initial employment assessment. If the temporary employee had been paid at this rate, his total salary would have been \$45,404 for the time period employed, \$14,521 less than the \$59,925 he received.

The DHHS Business Systems Analyst job description required graduation from a four-year college or university with nine semester hours in computer programming. The temporary employee initially indicated to us that he did not have any computer programming experience. Later, he said that he did take computer courses, but could not remember specific courses. The Assistant Registrar at the university where the employee said he had taken computer courses confirmed that none of the employee's courses included computer programming. Additionally, the employee did not include any computer programming experience on his resume, job application, or on the skills assessment he completed at Temporary Solutions.

After our initial inquiry about this employee, the DHHS Assistant Secretary for Finance and Business Operations compared the Business Systems Analyst job description to the temporary employee's application and resume. He concluded the employee did not have the qualifications for the position and terminated the employee.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

RECOMMENDATION

DHHS management should implement temporary staffing procedures and training to include the Human Resources section as the approving authority for both compensation and assurance that candidates meet prescribed qualifications when employed through external employment agencies.

2. DHHS DOES NOT USE FORMAL POLICIES AND PROCEDURES TO EMPLOY TEMPORARY EMPLOYEES THROUGH EXTERNAL EMPLOYMENT AGENCIES.

DHHS uses formal employment procedures, including an internal Human Resources review, to employ temporary employees *directly*. In contrast, DHHS does not use formal policies and procedures to employ temporary employees through *external* employment agencies, including Temporary Solutions – the temporary staffing agency administered through the North Carolina Office of State Personnel.

The absence of formal policies and procedures to employ temporary employees through Temporary Solutions, including a final review by DHHS Human Resources, allowed the NC FAST Project Director (Director) to substantially control the entire employment process for a temporary employee. (See Finding 1) The Director solely selected and interviewed the candidate, determined the competency level, and approved the final salary before it was submitted to Temporary Solutions. (See Finding 3)

The competency level (Business Systems Analyst – Journey) assessment of the temporary employee, which ultimately determined the compensation level, was performed without any supporting documentation. The temporary employee was assessed at a level that inaccurately indicated a Business Systems Analyst skill level at which competent, fully functioning, seasoned employees with experience beyond the minimal requirements are compensated.

As noted above, the absence of formal policies and procedures, including an independent review by DHHS Human Resources, allowed a hiring manager to substantially control the employment process. As noted in Finding 1, a temporary employee was placed in a Business Systems Analyst position for which he was not qualified, yet performed the duties of an Executive Assistant II. The misclassification of the temporary employee ultimately resulted in unnecessary compensation of \$14,521.

RECOMMENDATION

DHHS should utilize the same employment policies and procedures for temporary employees hired through external employment agencies as it uses to hire temporary employees directly. These policies and procedures should include appropriate guidance and training to minimize the risk of inappropriate employment and compensation decisions. These policies and procedures should also include a DHHS Human Resources final review and approval for all temporary employees employed through external employment agencies.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

3. TEMPORARY SOLUTIONS CONTRIBUTED TO THE SALARY OVERPAYMENT OF A TEMPORARY EMPLOYEE AT DHHS.

Temporary Solutions approved the compensation for a temporary employee without requiring adequate documentation supporting the determination of a competency level (for use in determining a compensation rate) or verifying the temporary employee's knowledge, skills and abilities.

We determined through our investigation that Temporary Solutions used only the competency level stated in an email to approve the highest salary within the Business Systems Analyst – Journey pay range. Temporary Solutions did not require a competency assessment showing the criteria on which the competency level was based and how the temporary employee's skills and abilities compared to those criteria. We also found that no one performed a comparison of the credentials stated in the DHHS job description to the information listed on the applicant's employment application, resume, or skills self-assessment. There was also no evidence that education credentials or references were verified by anyone at Temporary Solutions. Finally, Temporary Solutions used only the North Carolina Department of Correction's website in completing its background check.

A draft version of the Operating Procedures for Temporary Solutions states that it will "qualify the candidate based on education and experience" even when an agency has identified a candidate for a position. As noted in Finding 1, the temporary employee was employed from March 29, 2009 to January 23, 2010 and there was no documentation on file at Temporary Solutions supporting the verification of education credentials. Temporary Solutions personnel stated that the reason more verifications were not performed is that they had "faith" that DHHS would perform these verifications because it was their personnel that had identified this person for employment. However, no one at Temporary Solutions or DHHS provided documentation describing each agency's responsibilities relative to the verification of credentials for temporary employees. Consequently, an individual was placed in a position that he was not qualified for and his salary was based on the rate for the position and not his skill set, resulting in an overpayment of \$14,521. (See Findings 1 and 2)

Additionally, from March 2008 through July 2010, Temporary Solutions placed 2,156 employees in positions with state agencies. While we did not compare the qualifications of these individuals to the qualifications required for their assigned responsibilities, we believe Temporary Solutions should enhance its operating procedures to minimize the risk of improper placement and classification of temporary employees.

FINDINGS AND RECOMMENDATIONS (CONCLUDED)

RECOMMENDATION

Temporary Solutions should enhance its internal operating policies and procedures to clarify state agency and Temporary Solutions responsibilities throughout the temporary employee employment process. Additionally, for banded³ positions, a competency assessment document should be required from the state agency where the individual was initially identified for employment to properly determine the candidate's rate of compensation.

³ State policy to compensate its employees in this category at a level that promotes successful work behavior, emphasizes demonstrated competencies that are linked to organizational goals, reinforces high standards of performance, and maintains the labor market competitiveness necessary to recruit, retain, and develop a competent and diverse work force.



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Beverly Eaves Perdue, Governor

Lanier M. Cansler, Secretary

July 15, 2011

The Honorable Beth A. Wood, State Auditor
Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Dear Ms. Wood:

We are in receipt of your letter and the draft report regarding the investigation of allegations concerning the employment of a temporary employee in the North Carolina Department of Health and Human Services. The following represents our response to the Audit Findings and Recommendations.

1. DHHS OVERPAID A TEMPORARY EMPLOYEE AS A RESULT OF AN IMPROPER POSITION CLASSIFICATION.

DHHS overpaid a temporary employee \$14,521 as the result of an improper position classification. The temporary employee was hired to provide administrative services, but was paid \$38.09 per hour based on the credentials and skills of a Business Systems Analyst. The temporary employee was employed from March 29, 2009 to January 23, 2010 and received \$59,925 in compensation during this period. The hiring of this employee was primarily performed by one person, the NC FAST Project Director (Director) (See Finding 2). The Director assessed this person at a skill level at which competent, fully functioning, seasoned employees with experience beyond the minimal requirements should be compensated – even though the employee lacked the minimum qualifications for the Business Systems Analyst position. Moreover, the temporary employee did not perform tasks commensurate with a business systems analyst function.

Our investigation determined that the temporary employee primarily performed administrative tasks such as tracking customer service requests, maintaining paper files, coordinating office moves, conducting and inventory of furniture and equipment, and notifying management of scheduled meetings. Therefore, the



temporary position should have been classified as an administrative position based on the temporary employee's duties.

In response to our request for a pay rate assessment, Temporary Solutions indicated the employee should have been paid \$28.86 per hour as an Executive Assistant II based on the employee's resume, job application, and other information provided during an initial employment assessment. If the temporary employee had been paid at this rate, his total salary would have been \$45,404 for the time period employed, \$14,521 less than the \$59,925 he received.

The DHHS Business Systems Analyst job description required graduation from a four-year college or university with nine semester hours in computer programming. The temporary employee initially indicated to us that he did not have any computer programming experience. Later, he said that he did take computer courses, but could not remember specific courses. The Assistant Registrar at the university where the employee said he had taken computer courses confirmed that none of the employee's courses included computer programming. Additionally, the employee did not include any computer programming experience on his resume, job application, or on the skills assessment he completed at Temporary Solutions.

After our initial inquiry about this employee, the DHHS Assistant Secretary for Finance and Business Operations compared the Business Systems Analyst job description to the temporary employee's application and resume. He concluded the employee did not have the qualifications for the position and terminated the employee.

Recommendation: DHHS management should implement temporary staffing procedures and training to include the Human Resources section as the approving authority for both compensation and assurance that candidates meet the prescribed qualifications when employed through external employment agreements.

Agency Response: *The Department concurs with the Auditor's finding and recommendation but would like to note that significant contributing factors included deficiencies in Information Technology (IT) classifications within the State personnel system. As the NC FAST Program progressed toward implementation, the need emerged for a temporary staffing resource to assist with project coordination for this complex initiative. This need involved coordination and collaboration across and among five divisions within the NC Department of Health and Human Services and the one hundred county departments of social services. It was recognized that the project coordination skills needed were not entry level or solely administrative in nature, but rather providing for various functions and tasks that were to support the responsibilities of an IT Project Manager during the implementation of an IT project. For large-scale, complex projects incorporating multiple business programs, with large project teams including both business and IT staff, as well as IT projects with a wide user base such as state-level and county-level staff participation, project coordination is key to ensuring that tasks across all entities are managed and monitored well to minimize risks to project delivery and timelines. Project coordination tasks of an IT project do not completely align well with current*

available state position classifications, as is the case in some other types of job requirements that have to be mapped to current available state position classifications. For example, an IT Project Manager is typically hired either as a Business and Technology Applications Specialist or an IT Manager, as appropriate. Based on the diverse coordination responsibilities and the limited types of state position classifications to cross-walk, it has been typical for these types of job requirements to be mapped to a Business Technology Applications Analyst or Business Systems Analyst and occurred in this situation. As noted in the audit, upon comparison of the Business Systems Analyst job description to the temporary employee's application and resume, the DHHS Assistant Secretary for Finance and Business Operations concurred with the Auditor's opinion that the employee did not have the qualifications for the position and terminated the employee. The Department will research and identify processes to ensure these types of positions are more appropriately classified in the future. In addition, the DHHS Division of Human Resources will directly handle all communication with Temporary Solutions regarding hiring requests. This action should prevent recurrence of any temporary employee being overpaid as a result of misclassification.

2. DHHS DOES NOT USE FORMAL POLICIES AND PROCEDURES TO EMPLOY TEMPORARY EMPLOYEES THROUGH EXTERNAL EMPLOYMENT AGENCIES.

DHHS uses formal employment procedures, including an internal Human Resources review, to employ temporary employees *directly*. In contrast, DHHS does not use formal policies and procedures to employ temporary employees through *external* employment agencies, including Temporary Solutions – the temporary staffing agency administered through the North Carolina Office of State Personnel.

The absence of formal policies and procedures to employ temporary employees through Temporary Solutions, including a final review by DHHS Human Resources, allowed the NC FAST Project Director (Director) to substantially control the entire employment process for a temporary employee (see Finding 1). The Director solely selected and interviewed the candidate, determined the competency level, and approved the final salary before it was submitted to Temporary Solutions (see Finding 3).

The competency level (Business Systems Analyst – Journey) assessment of the temporary employee, which ultimately determined the compensation level, was performed without any supported documentation. The temporary employee was assessed at a level that inaccurately indicated a Business Systems Analyst skill level at which competent, fully functioning, seasoned employees with experience beyond the minimal requirements are compensated.

As noted above, the absence of formal policies and procedures, including an independent review by DHHS Human Resources, allowed a hiring manager to substantially control the employment process. As noted in Finding 1, a temporary employee was placed in a Business Systems Analyst position for which he was not

Beth A. Wood, State Auditor
July 15, 2011
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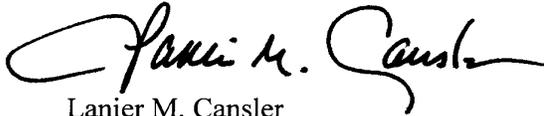
qualified, yet performed the duties of an Executive Assistant II. The misclassification of the temporary employee ultimately resulted in unnecessary compensation of \$14,521.

Recommendation: DHHS management should implement temporary staffing procedures and training to include the Human Resources section as the approving authority for both compensation and assurance that candidates meet prescribed qualifications when employed through external employment agencies.

Agency Response: *The Department concurs with the Auditor's finding and recommendation. As stated in the response to Finding 1 above, the DHHS Division of Human Resources will directly handle all communication with Temporary Solutions regarding hiring requests and retain the appropriate documentation.*

We appreciate the assistance and professionalism provided by your staff in the performance of this audit. If you need any additional information, please contact Monica Hughes at (919) 855-3720.

Sincerely,



Lanier M. Cansler

LMC/lck

cc: Dan Stewart, CPA
Mike Watson
Maria Spaulding
Eddie Berryman, CPA
Laketha M. Miller, CPA
Karen Tomczak

RESPONSE FROM THE NORTH CAROLINA OFFICE OF STATE PERSONNEL



**STATE OF NORTH CAROLINA
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1331 MAIL SERVICE CENTER
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919-807-4800**

**BEVERLY EAVES PERDUE
GOVERNOR**

**LINDA D. COLEMAN
STATE PERSONNEL DIRECTOR**

August 1, 2011

The Honorable Beth A. Wood
North Carolina State Auditor
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Dear Ms. Wood:

I appreciate the opportunity to review and respond to your draft report on the results of your investigation of an allegation regarding the employment of a temporary employee in the Department of Health and Human Services through the Temporary Solutions program.

The Temporary Solutions program in the Office of State Personnel has been operating since 1987 to provide cost effective temporary staffing assistance to state government. Since the inception of the program, one of the core objectives has been to fill temporary assignments in accordance with State Classification and Compensation requirements. The challenge often presented with this objective is that many of the assignments are a combination of tasks to accommodate temporary spikes in workload, or a temporary need for a special project. Rarely do the job descriptions of these temporary assignments resemble a true classified state position; however, the Placement Counselors have always researched the classification system, and later the banded positions, to ensure equity in the placement of temporary employees.

In the cited case, the employee was requested by the agency for a special project and they chose a banded position for placement. At that time, the Temporary Solutions policy for placing requested individuals in banded positions was to obtain a written statement from the agency that a competency assessment had been completed on the recommended employee. In this case, the Placement Counselor reviewed the job description, which emphasized the need for experience in managing large projects, and the employee's work history. The Placement Counselor also considered the agency's assurance that based on their assessment, the employee qualified for the pay rate. I assure you that there have been many times that Placement Counselors have refused to put individuals on Temporary Solutions payroll at agency recommended pay rates. In the 24 years of program operations, this is the first such allegation or finding of contributing to an overpayment. However, this case does illustrate the need to enhance operating procedures to expand communications with the agencies and internal documentation of review to ensure appropriate classification and compensation of temporary employees.

In response to this finding, we are revising our internal procedures for qualifying an individual, and will develop specific written processes for agencies to follow to ensure that individuals are assessed appropriately.

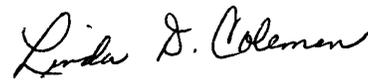
*An Equal Opportunity Employer
An Equal Opportunity Employer*

This process will include requiring copies of the competency assessment. We will also develop written documentation clearly describing the responsibilities of the hiring agency and of Temporary Solutions, to ensure all necessary requirements of the process have been addressed. These responsibilities will be posted on the website and addressed on the Temporary Solutions Job Order form which agencies use to request a temporary employee.

Thank you again for the opportunity to respond to the audit. The Office of State Personnel continues to strive for best practices in providing State Government services.

LDC/LK/asm

Sincerely,



Linda D. Coleman, Director
NC Office of State Personnel

C: David King, Director of Investigations
Lawen Becote, Investigative Supervisor
Lou Kost, HR Manager, Temporary Solutions
Carl Goodwin, Director, Operations and Benefits
Ann Cobb, Deputy Director, NC Office of State Personnel

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

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