STATE OF
NORTH CAROLINA

SUMMARY OF
PERFORMANCE AUDITS RESULTS

For the period
January 2000 through December 2003

SEPTEMBER 2004

OFFICE OF THE STATE AUDITOR
RALPH CAMPBELL, JR.
State Auditor

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NORTH CAROLINA STATE AUDITOR

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AUDITOR'S TRANSMITTAL

September 15, 2004

The Honorable Michael F. Easley, Governor
Members of the North Carolina General Assembly

Ladies and Gentlemen:

The State Auditor is charged with the duty of examining the operations of State agencies. Specifically, the State Auditor must determine whether State agencies have established adequate financial, operating, and administrative procedures and practices, systems of accounting and other necessary elements of legislative and management control.

The mission of the Office of the State Auditor is to provide North Carolina's citizens and other users with **professional, independent evaluations** of the State's fiscal accountability and public program performance. The Office of the State Auditor strives to assure that North Carolina state government is executing its fiduciary and management responsibility in compliance with applicable laws, rules, regulations, and policies. Additionally, the Office of the State Auditor evaluates management controls and policies that should promote the efficient and effective use of public resources and assists state agencies in identifying areas of possible duplication.

Periodically the Office of the State Auditor examines its own performance in conducting audits. This report details the results achieved by our **Performance Audit Division** from January 2000 through December 2003.

The Performance Audit staff conducts evaluations of programs and agencies with an emphasis on improving efficiency, economy, and effectiveness in the audited program or agency. As you will see in this report, our Performance Audit Division has been extremely successful in helping agencies identify ways to improve their operations, with 86% of our recommendations implemented or being implemented. Equally as important is the fact that the recommendations contained in the 18 audits conducted by the Performance Audit Division for this period have had a total financial impact on government operations of $745 million for those recommendations that we were able to quantify.

In conducting our duties and responsibilities, the Office of the State Auditor is committed to thorough audits and examinations performed by a professional staff that result in useful and practical recommendations to improve services provided by North Carolina state government. Further, the Office of the State Auditor is committed to promoting cooperative efforts with those agencies and institutions under its statutory oversight. We believe this report on the Performance Audit function within the Office of the State Auditor clearly exhibits not only our commitment to these goals, but our achievement of them.

Respectfully submitted,

Ralph Campbell, Jr.
State Auditor

The Comptroller General of the United States brought performance auditing into government when, in 1972, he issued the original *Standards for Audit of Governmental Operations, Programs, Activities and Functions* ("the Yellow Book" for brevity). The Yellow Book's definition of a performance audit is: *" . . . an objective and systematic examination of evidence to provide an independent assessment of the performance and management of a program...to improve program operations and facilitate decision making by parties with responsibility to oversee or initiate corrective action, and improve public accountability" All* performance audits conducted by the North Carolina Office of the State Auditor are performed in compliance with these auditing standards.

North Carolina has had a performance audit function since 1975. Since that time, we have conducted some 210 performance audits and have issued final reports that are available to the public. (A listing of all performance audits completed and released by the Office of the State Auditor can be found at: www.ncauditor.net . Choose "Audit Reports," "Performance".)

TABLE 1 NUMBER OF PERFORMANCE AUDITS RELEASED BY AGENCY January 2000 – December 2003	
RESPONSIBLE AGENCY	**NUMBER PERFORMED**
Department of Health and Human Services	6 [1]
Cross-Agency Programs [2]	3
Department of Administration	2
Department of Crime Control and Public Safety	1
Department of Juvenile Justice & Delinquency Prevention	1
Department of Revenue	2
Non-Profit Agency	1
Office of the Governor	3
State Education Assistance Authority	1
University System	2
Summary of Performance Audit Results	1
TOTAL	23

[1] includes local health agency audit
[2] *Food Safety System*: Agriculture, Health and Human Services, Environment and Natural Resources;
State Aircraft Operations: Commerce, Transportation, Crime Control, Environment and Natural Resources, Justice, Wildlife Commission, UNC-CH AHEC
University Procurement Cards: all universities and Department of Administration

The Performance Audit Division within the Office of the State Auditor has the responsibility of identifying areas in which significant improvements can be achieved in the efficiency and economy of operations and the effectiveness of programs. Its goal is to persuade agency management to take appropriate action to achieve improvements. The Division also conducts program results audits that gage the extent to which the program / agency has achieved its intended objectives. This report summarizes the results of the recommendations made in performance audits issued from 2000 through 2003.

During the period January 2000 through December 2003, the Office of the State Auditor released 23 performance audit reports (three of which were interim reports), two management letters, and one summary of performance audit results. Table 1 shows a breakdown of the agencies and programs audited. In all, performance audits were conducted on programs in 10 state agencies, all 16 universities plus UNC-General Administration, 2 commissions / authorities, 1 non-profit agency, 1 local health agency, and 2 programs within the Office of the Governor. The fieldwork for these audits spanned the period from February 1999 to September 2003. These audits were conducted

for various reasons: mandates from the General Assembly, requests from members of the General Assembly, department / agency heads, or the federal government and areas of concern identified in other audits conducted by the State Auditor. (See Exhibit 1) The

objectives of each audit were determined based on the agency, program, or area to be audited and the reason for the audit. The initial areas of concern were refined based on preliminary information gathered in the initial phase of each audit.

Government Auditing Standards require that audit agencies conduct follow-up on prior audit recommendations. Fieldwork standard 7.30 outlines the requirements for audit follow-up. This standard

**EXHIBIT 1
Reasons for Performance Audits**

- AUDITOR INITIATED
- LEGISLATIVE REQUEST/MANDATE
- AGENCY REQUESTED
- JOINT VENTURE WITH FEDERAL AGENCY OR NATIONAL ASSOCIATION

states. . . *"Ultimately, the benefits of the auditors' work occur when management of the audited entity takes meaningful and effective corrective action in response to the auditors' findings and recommendations."* The standard iterates that resolving audit findings and recommendations is a responsibility of auditee management and that this responsibility can be met better by establishing a process to track the status. As stated in the Yellow Book, follow-up of audit findings and recommendations *"...is important to ensure that the benefits of the auditors' work are realized."*

In compliance with this standard, the State Auditor periodically undertakes to determine the status of audit recommendations made during past years. We prepared worksheets for each audit released during the past three years, summarizing each audit recommendation. We then asked the management of the entity that was audited to tell us the status of those recommendations: whether the recommendation required legislative action, the current implementation status with documentation to support the status, along with an estimate of the percent of implementation if work was still being done on the recommendation.

In June 2004, the Office of the State Auditor mailed a cover letter and these worksheets to the head of the department, agency, or program audited asking them to update us on the status by June 30, 2004. Communication with respondents and clarification of original responses continued through August.

Responses were reviewed for reasonableness and compiled to prepare this summary report. However, it should be noted that we did not perform follow-up audits of these agencies; thus, we cannot verify their accuracy. The agency responses should be viewed as assertions by their respective managements as to the status of recommendations.
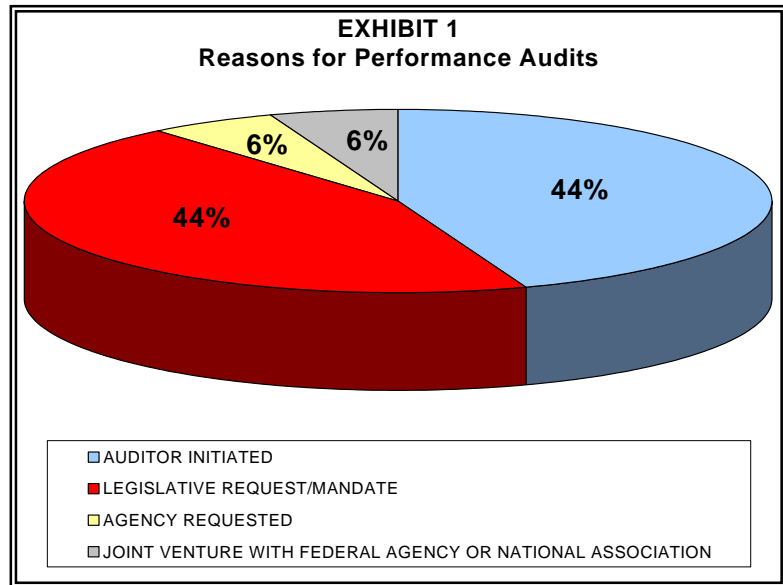
SUMMARY OF IMPLEMENTATION STATUS
OF RECOMMENDATIONS

The Performance Audit Division of the Office of the State Auditor released 23 documents between January 2000 and December 2003. Of these, 17 were final reports of the audits conducted, three interim reports, one summary of performance audit results, and two management letters. There were no recommendations in the summary of performance audit results and one of the management letters; findings included in the interim reports were consolidated in the final reports. Therefore, we present here the implementation status of recommendations from 18 performance audits.

These 18 performance audits included 379 findings and recommendations in total. As shown in Exhibit 2, the agencies audited reported that 212 (56%) recommendations have been fully implemented, 103 (27%) were partially implemented, and 64 (17%) were not resolved, with agency management in the process of further analysis on 11 (17%) of those with plans for future implementation. Table 2, page 6, contains a summary by report showing the total number of recommendations made and the implementation status.

EXHIBIT 2
Implementation Status of
Performance Audit Recommendations

- Future Implementation 3%
- Not Implemented 14%
- Partially Implemented 27%
- Fully Implemented 56%
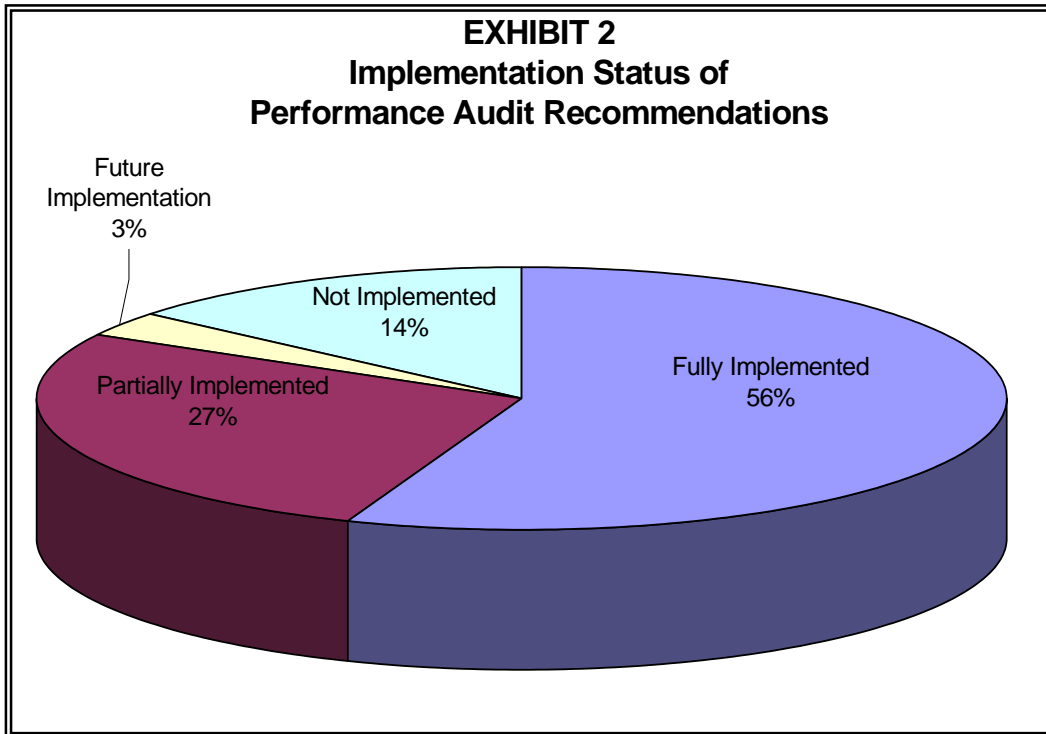
SUMMARY OF IMPLEMENTATION STATUS
OF RECOMMENDATIONS

TABLE 2 AUDIT RECOMMENDATIONS IMPLEMENTATION STATUS BY AUDIT								
AUDIT TITLE	**RELEASE DATE**	**TOTAL RECOMMEN-DATIONS**	**FULLY IMPLE-MENTED**	**% FULLY IMPLE-MENTED**	**PARTIALLY IMPLE-MENTED**	**% PARTIALLY IMPLE-MENTED**	**NOT IMPLE-MENTED**	**% NOT IMPLE-MENTED**
Study of State Psychiatric Hospitals and Area Mental Health Programs	March 2000	54	8	15%	24	44%	22	41%
Department of Health and Human Services, Division of Services for the Deaf and the Hard of Hearing	April 2000	32	23	72%	7	22%	2	6%
Department of Health and Human Services, Division of Social Services, Child Support Enforcement Section	April 2000	23	21	91%	0	0%	2	9%
Division of Mental Health, Development Disabilities, and Substance Abuse Services – Thomas S retroactive Payments	April 2000	2	1	50%	1	50%	0	0%
Martin-Tyrrell-Washington District Health Department	August 2000	29	28	97%	1	3%	0	0%
North Carolina Department of Revenue	October 2000	57	31	54%	20	35%	6	11%
Department of Health and Human Services, Adult Care Homes Reimbursement Rates	March 2001	12	5	42%	2	17%	5	42%
Hurricane Floyd Reserve Fund	June 2001	11	5	45%	0	0%	6	55%
Department of Administration, State Surplus Property Agency	August 2001	17	9	53%	7	41%	1	6%
Crime Control and Public Safety, Division of Emergency Management	January 2002	23	9	40%	7	30%	7	30%
Information Technology Services, Information Technology Procurement Function	February 2002	9	7	78%	2	22%	0	0%
North Carolina Food Safety System	November 2002	13	9	69%	1	8%	3	23%
Department of Administration, State Construction Process and the State Construction Office	December 2002	16	5	31%	8	50%	3	19%
North Carolina Partnership for Children, Inc. and the Smart Start Program	April 2003	13	6	46%	3	23%	4	31%
Department of Juvenile Justice & Delinquency Prevention, Youth Development Centers and Juvenile Detention Centers	May 2003	36	32	89%	3	8%	1	3%
North Carolina State Education Assistance Authority	June 2003	10	6	60%	4	40%	0	0%
State Aircraft Operations	November 2003	13	6	46%	5	38%	2	15%
North Carolina University System, Procurement Card Operations	December 2003	9	1	11%	8	89%	0	0%
TOTALS		379	212	56%	103	27%	64	17%
Source: Compiled from Agency Responses								

SUMMARY OF IMPLEMENTATION STATUS
OF RECOMMENDATIONS

Of the 379 recommendations, 61 (16%) necessitated legislative action for implementation. Of those requiring legislative action, 27 (44%) were enacted. Table 3 lists the reports that contained recommendations requiring legislative action and their status.

TABLE 3 STATUS OF AUDIT RECOMMENDATIONS REQUIRING LEGISLATIVE ACTION, BY AUDIT				
AUDIT TITLE	**RELEASE DATE**	**RECOMMENDATIONS REQUIRING LEGISLATIVE ACTION**	**LEGISLATION ENACTED**	**PERCENT ENACTED**
Study of State Psychiatric Hospitals and Area Mental Health Programs	March 2000	30	16	53%
Department of Health and Human Services, Division of Services for the Deaf and the Hard of Hearing	April 2000	4	4	100%
Department of Health and Human Services, Division of Social Services, Child Support Enforcement Section	April 2000	2	0	0%
Hurricane Floyd Reserve Fund	June 2001	4	0	0%
Crime Control and Public Safety, Division of Emergency Management	January 2002	1	0	0%
North Carolina Food Safety System	November 2002	10	6	60%
Department of Administration, State Construction Process and the State Construction Office	December 2002	1	0	0%
North Carolina Partnership for Children, Inc. and the Smart Start Program	April 2003	4	0	0%
Department of Juvenile Justice & Delinquency Prevention, Youth Development Centers and Juvenile Detention Centers	May 2003	2	0	0%
North Carolina State Education Assistance Authority	June 2003	1	1	100%
State Aircraft Operations	November 2003	2	0	0%
TOTALS		61	27	44%
Source: Compiled from Agency Responses				

The agencies reported that in total 64 of the recommendations were not resolved. Table 4 summarizes the explanations provided by the agencies for not resolving the issues. As the table shows, 27 (41%) of the recommendations were not implemented because the General Assembly did not enact necessary legislation. Eleven (17%) of the recommendations that remain unresolved are in the planning and analysis stage for future implementation. In 9 cases (14%), there was a change of circumstance such as restructuring of the organization or the end of a project or program, which negated the need to implement the recommendation.

TABLE 4 REASONS FOR NOT IMPLEMENTING RECOMMENDATIONS		
REASON	**NUMBER**	**% OF TOTAL**
Legislative Action Needed	27	41%
Plan to Implement in Future / Conducting Further Analysis	11	17%
Change in Circumstances / Organization Change	9	14%
Management Decision	9	14%
Funding Inadequate / Resources	3	5%
Responsibility of Other	3	5%
Agency Disagrees with Finding/Recommendation	1	2%
No reason given	1	2%
Total	64	100%
Source: Compiled from Agency Responses		

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SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

Below, we briefly summarize the major findings and recommendations from each audit, beginning with January 2000 and going through December 2003. We also summarize the implementation status of audit recommendations as reported by agency management. To review a copy of the original report, access our website at: www.ncauditor.net . Choose "Audit Reports," "Performance". To review a complete listing of recommendations and action taken the agency, click on the link included at the end of each audit topic in this summary report. If you cannot access this link by computer, please contact us at the address shown on page 20.

STUDY OF STATE PSYCHIATRIC HOSPITALS AND AREA MENTAL HEALTH
PROGRAMS (Released March 2000)

This study of the State psychiatric hospitals was mandated by the General Assembly, which outlined work to be performed in two broad phases: confirmation and update of previous work done by MGT of America, Inc. on the psychiatric hospitals, and examination and assessment of the overall mental health delivery system for the State. To accomplish the objectives of the audit, the Office of the State Auditor employed the assistance of subject matter specialists, Public Consulting Group, Inc., (PCG). The Department of Health and Human Services has oversight of the psychiatric hospitals and area mental health programs. This report includes specific recommendations as to the number and type of psychiatric beds needed, discusses the most reasonable options for the existing psychiatric hospitals, and identifies specific mental health services needed in our communities.

Table 5 shows the Department of Health and Human Services' (DHHS) response to the implementation status of 54 audit findings. The reasons DHHS gave for not implementing 22 recommendations included legislative changes required; management decision not to implement; responsibility of another entity. Three of the recommendations will be implemented in the future. Thirty of the findings required legislative change; 16 of those items were enacted.

Table 5 Study of State Psychiatric Hospitals and Area Mental Health Programs Implementation Status		
STATUS	**NUMBER**	**% OF TOTAL**
Fully Implemented	8	15%
Partially Implemented	24	44%
Not Implemented	22	41%
Total	54	100%
Source: DHHS		

For a complete listing of recommendations and action taken by DHHS, click here.

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF SERVICE FOR
THE DEAF AND THE HARD OF HEARING (Released April 2000)

This performance audit grew out of a financial audit of the Division of Services for the Deaf and the Hard of Hearing, Department of Health and Human Services. The financial auditors found inconsistencies in the organizational structure of the three Schools for the Deaf within the Division. Specific findings and recommendations included consolidating the Schools for the Deaf, need for costly repair and maintenance requirements, necessity for changes in staffing and services at the regional resource centers, improvements in accountability for several functions within the administration functions at the Schools.

SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

Table 6 shows the Department of Health and Human Services' (DHHS) response to the implementation status of 32 audit findings. The reasons DHHS gave for not implementing two recommendations were the Central School for the Deaf and satellite preschools sites were closed and the findings were no long applicable. Four of the findings required legislative change; all of those items were enacted.

For a complete listing of recommendations and action taken by DHHS, click here.

Table 6 DHHS, Division of Services for the Deaf and the Hard of Hearing Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	23	72%
Partially Implemented	7	22%
Not Implemented	2	6%
Total	32	100%
Source: DHHS		

DEPARTMENT OF HEALTH AND HUMAN SERVICES, DIVISION OF SOCIAL SERVICES, CHILD SUPPORT ENFORCEMENT SECTION (Released April 2000)

This audit resulted from a request from the Joint Select Committee on Information Technology. The objectives of the audit were to examine the processes surrounding the implementation of the Centralized Collection Operation and to identify breakdowns that occurred. We also assessed the effectiveness of the collection operation, the integrity of the Automated Collection and Tracking System, and the effectiveness of the client services call center. Lastly, we examined compliance with standards and the feasibility of using electronic benefits transfer and/or electronic funds transfer for the collection and disbursement of child support payments. Major recommendations included consolidation of all child support functions in the Child Support Enforcement Section, increasing Enforcement staff, and using electronic methods for transferring payments and disbursements.

Table 7 shows the Department of Health and Human Services' (DHHS) response to the implementation status of 23 audit findings. The reason DHHS gave for not implementing two recommendations was the need for legislative action; neither of those items was enacted.

Table 7 DHHS, Division of Social Service, Child Support Enforcement Section Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	21	91%
Partially Implemented	0	0%
Not Implemented	2	9%
Total	23	100%
Source: DHHS		

For a complete listing of recommendations and action taken by DHHS, click here.

SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

DIVISION OF MENTAL HEALTH, DEVELOPMENT DISABLITIES, AND SUBSTANCE ABUSE SERVICES – THOMAS S RETROACTIVE PAYMENTS (Released April 2000)

This special review of the Thomas S payments made by the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services was designed to examine the events surrounding the retroactive payments made by the Division for fiscal year 1998-1999.

The Division did not follow established procedures in setting the retroactive residential rates. The recommendations contained in the final management letter were that rate setting be the responsibility of the DHHS Controller's Office and that the internal auditor perform an annual review of the Tentative Settlement Reports submitted by Area Programs.

Table 8 Division of Mental health, Development Disabilities, and Substance Abuse Services – Thomas S Retroactive Payments Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	1	50%
Partially Implemented	1	50%
Not Implemented	0	0%
Total	2	100%
Source: DHHS		

Table 8 shows the Department of Health and Human Services' (DHHS) response to the implementation status of 2 audit findings.

For a complete listing of recommendations and action taken by DHHS, click here.

MARTIN-TYRRELL-WASHINGTON DISTRICT HEALTH DEPARTMENT (Released August 2000)

This audit was conducted at the request of the Department of Health and Human Services (DHHS). The focus was to determine the source of financial problems and assess how the Martin-Tyrrell-Washington District Health Department (MTW) got into the financial situation that existed at the time of the audit. Major issues / recommendations related to changes needed in the budget and accounting process, internal control problems, non-existent recordkeeping and/or lack of financial documentation.

Table 9 Martin-Tyrrell-Washington District Health Department Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	28	97%
Partially Implemented	1	3%
Not Implemented	0	0%
Total	29	100%
Source: DHHS		

Table 9 shows the Department of Health and Human Services' (DHHS) response to the implementation status of 29 audit findings.

For a complete listing of recommendations and action taken by the DHHS, click here.

SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

NORTH CAROLINA DEPARTMENT OF REVENUE (Released October 2000) (included interim report)

This audit was conducted at the request of the General Assembly to examine the Integrated Tax Administration System (ITSA) and other automation projects in the Department, and to review the Department's overall use of technology to improve services. Major recommendations were to increase staff and technology use to improve turnaround time in individual tax refunds, and to establish a centralized taxpayer telephone assistance center.

Table 10 shows the Department of Revenue's response to the implementation status of 57 audit findings. The reasons management gave for not implementing six recommendations were inadequate resources and management decision. Management plans to implement two recommendations in the future.

Table 10 North Carolina Department of Revenue Implementation Status		
STATUS	**NUMBER**	**% OF TOTAL**
Fully Implemented	31	54%
Partially Implemented	20	35%
Not Implemented	6	11%
Total	57	100%
Source: DOR		

For a complete listing of recommendations and action taken by the Department of Revenue, click here.

DEPARTMENT OF HEALTH AND HUMAN SERVICES, ADULT CARE HOMES REIMBURSEMENT RATES (Released October 2000)

This audit was conducted at the request of the Senate Appropriations Subcommittee on Human Resources and the House Appropriations Subcommittee on Health and Human Services to examine the rate setting procedures for special assistance payments. Major recommendations were to develop adequate procedures for cost reporting, improve data gathering and tracking, and require adult care homes to disclosed related party or conflict of interest relationships.

Table 11 shows the Department of Health and Human Services' (DHHS) response to the implementation status of 12 audit findings. The reason DHHS gave for not implementing two recommendations was that legislative changes since the audit mandated different requirements. Management plans to implement three recommendations in the future.

Table 11 DHHS, Adult Care Homes Reimbursement Rates Implementation Status		
STATUS	**NUMBER**	**% OF TOTAL**
Fully Implemented	5	42%
Partially Implemented	2	17%
Not Implemented	5	42%
Total	12	100%
Source: DHHS		

For a complete listing of recommendations and action taken by DHHS, click here.

SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

HURRICANE FLOYD RESERVE FUND (Released June 2001)

The leadership of the General Assembly requested this audit after the Legislative Study Commission on Disaster Response and Recovery recommended that the State Auditor review this program. The audit identified 10 different state agencies or departments administering 32 program activities funded with $836 million from the Hurricane Floyd Reserve Fund. Specific emphasis of the audit was on the development of internal controls, policies and procedures to ensure compliance with laws and regulations, reporting ability, minimization of waste, and customer satisfaction. Some weaknesses in reporting expenditures and tracking the progress of programs were noted. The audit also noted that the biggest improvements needed in future relief efforts were better methods for informing victims of available help and faster housing assistance.

Table 12 shows the Department of Crime Control and Public Safety's (CCPS) response to the implementation status of 11 audit findings. The reasons CCPS gave for not implementing six recommendations included the need for legislation action and responsibility of another agency. Five of the findings required legislative change; none of those items were enacted.

Table 12
Hurricane Floyd Reserve Fund
Implementation Status

STATUS	NUMBER	% OF TOTAL
Fully Implemented	5	45%
Partially Implemented	0	0%
Not Implemented	6	55%
Total	11	100%
Source: CCPS		

For a complete listing of recommendations and action taken by CCPS, click here.

DEPARTMENT OF ADMINISTRATION, STATE SURPLUS PROPERTY AGENCY (Released AUGUST 2001)

This audit was conducted at the discretion of the State Auditor and encompassed all operations of the State Surplus Property Office. The audit included assessing operational efficiency and effectiveness and determining compliance with inventory and cash management regulations. Major findings were that State Surplus Property did not have enough employees, storage space, or formal operating policies to effectively manage its operations.

Table 13 shows the Department of Administration's (DOA) response to the implementation status of 17 audit findings. The reasons DOA gave for not implementing one recommendation was a change in personnel, which negated the need for implementing the recommendation.

Table 13
DOA, State Surplus Property Agency
Implementation Status

STATUS	NUMBER	% OF TOTAL
Fully Implemented	9	53%
Partially Implemented	7	41%
Not Implemented	1	6%
Total	17	100%
Source: DOA		

For a complete listing of recommendations and action taken by the DOA, click here.

SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

CRIME CONTROL AND PUBLIC SAFETY, DIVISION OF EMERGENCY
MANAGEMENT (Released January 2002)

This audit was conducted at the discretion of the State Auditor due to the number of
emergencies and natural disasters North Carolina continues to experience. The purpose of the
audit was to identify areas where improvements could be made in all major functional areas of
the Division. The audit included a review of the organization and staffing structure, and an
examination of the efficiency and effectiveness of operations, and compliance with
operational policies, procedures, internal controls and fiscal management regulations. Major
findings included the Division's need for a larger core of permanent employees, need for
better communications and less "red tape" in its dealings with local agencies, need to locate
warehouses in three regions of the State, and need to improve controls for use of State
equipment.

Table 14 shows the Department of Crime Control
and Public Safety's (CCPS) response to the
implementation status of 23 audit findings. The
reasons CCPS gave for not implementing seven
recommendations included four are no longer
applicable since the temporary housing program is
completed; management plans to implement two
recommendations in the future. One finding
required legislative change that was not enacted.

Table 14 CCPS, Division of Emergency Management Implementation Status		
STATUS	**NUMBER**	**% OF TOTAL**
Fully Implemented	9	39%
Partially Implemented	7	30%
Not Implemented	7	30%
Total	23	100%
Source: CCPS		

For a complete listing of recommendations and action taken by the CCPS, click here.

INFORMATION TECHNOLOGY SERVICES, INFORMATION TECHNOLOGY
PROCUREMENT FUNCTION (Released February 2002) (included 2 interim reports)

This audit was conducted under a legislative mandate. The objectives were to determine
whether Information Technology Services (ITS) established rules and internal procedures,
ascertain compliance with applicable statutes, rules, and regulations, and assess the efficiency
and effectiveness of the Statewide ITS procurement function. Major findings were that ITS
had a better response time then the Division of Purchasing and Contracts for information
technology (IT) purchases; compliance reviews
were not being conducted, and a statewide IT asset
inventory had not been developed.

Table 15 shows ITS' response to the implementation
status of 9 audit findings.

For a complete listing of recommendations and
action taken by the CCPS, click here.

Table 15 ITS, Information Technology Procurement Function Implementation Status		
STATUS	**NUMBER**	**% OF TOTAL**
Fully Implemented	7	78%
Partially Implemented	2	22%
Not Implemented	0	0%
Total	9	100%
Source: ITS		

SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

NORTH CAROLINA FOOD SAFETY SYSTEM (Released November 2002) (multi agency review)

This review was undertaken at the discretion of the State Auditor based on a request from the United State General Accounting Office (GAO) to participate in a joint audit. The objectives were to identify the current food safety system including the processes used to ensure safe and wholesome foods and action taken to prevent, detect, and respond to food terrorist acts. Major findings were that the food safety system is fragmented and understaffed, under-equipped, and has limited enforcement powers for violations.

Table 16 shows the Departments of Agriculture's (NCDA), Health and Human Services' (DHHS) and Environment and Natural Resources' (DENR) responses to the implementation status of 13 audit findings. NCDA disagreed with three findings that it did not implement. Ten of the findings required legislative change; six of those items were enacted.

Table 16 North Carolina Food Safety System Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	9	69%
Partially Implemented	1	8%
Not Implemented	3	23%
Total	13	100%
Source: NCDA, DHHS, and DENR		

For a complete listing of recommendations and action taken by NCDA, click here, for DHHS responses, click here, and for DENR responses click here.

DEPARTMENT OF ADMINISTRATION, STATE CONSTRUCTION PROCESS AND THE STATE CONSTRUCTION OFFICE (Released December 2002)

This audit was conducted at the discretion of the State Auditor. Objectives included evaluating the organization structure and staffing levels of the State Construction Office, examining the Office's project management and administration function, and review of decentralized projects. Major findings included the need to revise the Office's processes to realize substantial savings, lack of staff and equipment to oversee projects, and that decentralize oversight impedes consistency and coordination.

Table 17 shows the Department of Administration's (DOA) response to the implementation status of 16 audit findings. DOA management decided not to implement two recommendations. One of the findings required legislative change that was not enacted.

Table 17 DOA, State Construction Process and the State Construction Office Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	5	31%
Partially Implemented	8	50%
Not Implemented	3	19%
Total	16	100%
Source: DOA		

For a complete listing of recommendations and action taken by DOA, click here.

SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC AND THE SMART START
PROGRAM (Released APRIL 2003)

This audit was conducted at the discretion of the State Auditor for the purpose of 1)
identifying the sources of funding and determine how funds were spent, 2) evaluating the
effectiveness of program administration, oversight, and monitoring, 3) assessing the
effectiveness of the program assessment function, and 4) evaluating the implementation of the
program and the provision of direct services, and identification of duplication. Major findings
and recommendations included the need for an independent review of the program's
evaluation procedures, the need to combine Smart Start and the More at Four programs, and
that Smart Start partnerships be required to follow state rules on purchasing, contracting, and
other functions.

Table 18 shows the North Carolina Partnership for
Children's (NCPC), response to the implementation
status of 13 audit findings. The reasons NCPC
gave for not implementing four recommendations
were the findings required legislative action that
was not enacted.

For a complete listing of recommendations and
action taken by NCPC, click here.

Table 18 NC Partnership for Children, Inc and the Smart Start Program Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	6	46%
Partially Implemented	3	23%
Not Implemented	4	31%
Total	13	100%
Source: NCPC		

DEPARTMENT OF JUVENILE JUSTICE & DELINQUENCY PREVENTION, YOUTH
DEVELOPMENT CENTERS AND JUVENILE DETENTION CENTERS (Released May
2003)

This audit was requested by the Buncombe County legislative delegation. The request was an
outgrowth of allegations of mismanagement and abuse at the Swannanoa Youth Development
Center. Major findings included identification of outdated buildings that are potentially
unsafe for offenders and staff, education and treatment programs that do not meet the needs of
young offenders, and high turnover resulting in
understaffing.

Table 19 shows the Department of Juvenile Justice
& Delinquency Prevention's (DJJDP), response to
the implementation status of 36 audit findings.
DJJDP management plans to implement the one
unimplemented recommendation in the future. Two
of the findings required legislative change to fully
implement; neither was enacted.

Table 19 Dept. of Juvenile Justice & Delinquency Prevention, Youth Development Centers and Juvenile Detention Centers Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	32	89%
Partially Implemented	3	8%
Not Implemented	1	3%
Total	36	100%
Source: DJJDP		

For a complete listing of recommendations and action taken by DJJDP, click here.

SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

NORTH CAROLINA STATE EDUCATION ASSISTANCE AUTHORITY (Released June 2003)

This audit was conducted at the discretion of the State Auditor and encompassed all operations of the Authority, but focused mainly on the State-funded loan programs. Major findings included that the maximum amount of state loans available to students has not kept pace with tuition increases over the years, and that many students were choosing to repay the loans with cash rather than service in underserved areas—the intended purpose of the loans. Also, staffing has not kept up with increase workloads causing heavy reliance on temporary employees.

Table 20 shows the State Education Assistance Authority's response to the implementation status of 10 audit findings. One of the findings required legislative change that was enacted.

For a complete listing of recommendations and action taken by the State Education Assistance Authority, click here.

Table 20 NC State Education Assistance Authority Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	6	60%
Partially Implemented	4	40%
Not Implemented	0	0%
Total	10	100%
Source: State Education Assistance Authority		

STATE AIRCRAFT OPERATIONS (Released November 2003) (multi agency audit)

This audit was conducted at the discretion of the State Auditor and included agencies with State-owned aircraft: Departments of Commerce, Crime Control and Public Safety, Transportation, Environment and Natural Resources, Justice, the Wildlife Commission, and the University of North Carolina at Chapel Hill—Area Health Education Centers program. The purposes of the audit were: to review rates charged for aircraft usage; to determine effectiveness of operations; and to ensure compliance with applicable regulations. The major recommendations included the need to consolidate the passenger and maintenance operations under a single agency, and that constructing hangars instead of leasing would result in substantial savings.

Table 21 shows the Departments of Commerce (DOC), Crime Control and Public Safety (CCPS), Transportation (DOT), Environment and Natural Resources (DENR), and University of North Carolina (UNC) responses to the implementation status of 12 audit findings. The reasons given for not implementing three recommendations were two needed legislative action, which was not taken, and DOC management disagreed with one recommendation.

Table 21 State Aircraft Operations Implementation Status		
STATUS	NUMBER	% OF TOTAL
Fully Implemented	6	46%
Partially Implemented	5	38%
Not Implemented	2	15%
Total	13	100%
Source: DOC, CCPS, DENR, UNC		

For a complete listing of recommendations and action taken by the DOC click here, for CCPS click here, for DOT click here, for DENR click here, for UNC click here, and for NC Wildlife Commission click here.

SUMMARY OF INDIVIDUAL AUDIT RECOMMENDATIONS

| NORTH CAROLINA UNIVERSITY SYSTEM, PROCUREMENT CARD OPERATIONS |
| (Released December 2003) (multi agency audit) |

This audit was conducted at the discretion of the State Auditor and included the procurement options for small purchases at all sixteen of the institutions within the University System. Major findings included that the University System would realize a savings if all 16 campuses used procurement cards for small purchases with strict oversight to reduce the chance of misuse.

Table 22 shows the responses from 15 of the 16 Universities[1] and the Department of Administration relative to the implementation status of 9 audit findings.

For a complete listing of recommendations and action taken by: NCA&T click here, Appalachian State University click here, East Carolina University click here, Fayetteville State University click here, NC Central University click here, NC State University click here, School for the Arts click here, UNC-Chapel Hill click here, UNC-Asheville click here, UNC-Charlotte click here, UNC-Greensboro click here, UNC-Pembroke click here, UNC-Wilmington click here, Western Carolina University click here, Winston-Salem State University click here, and DOA click here.

Table 22
University System, Procurement Card Operations
Implementation Status

STATUS	NUMBER	% OF TOTAL
Fully Implemented	1	11%
Partially Implemented	8	89%
Not Implemented	0	0%
Total	9	100%

Source: NCA&T, ASU, ECU, FSU, NCCS, NCSU, School for the Arts, UNC-CH, UNC-A, UNC-C, UNC-G, UNC-P, UNC-W, WCU, WSSU, and DOA

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[1] Elizabeth City State University did not respond to our request. However, at the time of the audit, ECSU did not have a procurement card program in place. Therefore, the only recommendation that affected ECSU was to pursue implementation of the program.

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September 15, 2004

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STUDY OF STATE PSYCHIATRIC HOSPITALS AND AREA MENTAL HEALTH PROGRAMS
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up

INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.		
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation..**
1. GOVERNANCE AND STRUCTURE RECOMMENDATIONS:		
1. Responsibility for providing mental health and substance abuse services at the local level should be shifted from Area Programs to County Programs. Counties will assume the management responsibility for these services, at their option, and under contract with the State. The service system will become a part of a strong governmental structure with management capability. The new entities will be known as County MH/DD/SAS Programs, referred to here as County Programs.	☒ Yes G.S. 122C-115.1 Date enacted 7/1/2002 ☐ No	☐ Fully implemented ☒ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) Statutory change permits counties to elect to create a county program, a multi-county program through a local governmental agreement or to continue to belong to an area authority.
2. Counties, acting within State guidelines, should choose their own county partners. Partnerships among counties will be entered into freely. Partnership boundaries should be determined locally so that they can be politically viable. State standards for County Programs will require sufficient financial, service, and management capacity. The resultant number of county partnerships is expected to be substantially smaller than the current number of 39 Area Programs.	☒ Yes G.S. 122C-115.1 Date enacted 7/1/2002 ☐ No	☐ Fully implemented ☒ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) Some mergers and consolidations have taken place to date; we anticipate more will occur over the next couple of years. The reform statute contains suggested parameters for the number of area/county programs and population base for those programs.
3. Area Programs should no longer exist as local political subdivisions of the State. Counties might call upon current Area Program staff and board members to assist during the transition phase. Existing Area Programs might become part of new systems, but would then act under the direction of county government. Staff and assets of Area Programs might also become part of new service systems. Alternatively, current Area Programs might choose to restructure themselves as private nonprofit 501(c)3 corporations, in order to provide management services or direct services to clients.	☒ Yes G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The General Assembly chose to retain the option of the Area Authority form of governance with the Area Authority remaining an entity of local government.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
4. Area Boards should be replaced by County Program Boards with Advisory Committees. The new County Program Boards will make recommendations to the County Commissioners on the mental health, developmental disabilities, and substance abuse annual plan and budget. The boards will have 5 to 7 members, including at least one Commissioner from each participating County. Larger multicounty programs may have larger boards. Each board will have three advisory committees, one each for mental health, substance abuse and developmental disabilities, to ensure that the views and concerns of consumers, family members, and advocates are heard in county government.	☒ Yes G.S. <u>122C-115.1</u> Date enacted <u>7/1/2002</u> ❑ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) As noted above, the General Assembly chose to permit a county form of governance and to retain the Area Authority model as well. Under the Area Authority model, the Authority is governed by an Area Board. Under the county model, the Board of County Commissioners serves as the governing body, with a single advisory committee for all disabilities constituted in the same manner as Area Authority Boards.
5. The county-State contracts should have built -in protections. By design, the State contracting system will ensure that State service standards and requirements are met; that the county has sufficient management control over financing; that consumer service needs are the focus of the County Program; and that all parties are protected in the process. The contracting process will not be price-competitive. Rather, the process and resultant contracts with the State will rest on detailed plans from proposed County Programs to demonstrate their willingness and capacity to provide services, manage finances, and meet State standards. It should guard against unfunded mandates.	☒ **Yes** G.S. <u>122C-115.2</u> Date enacted <u>7/1/2002</u> ❑ No	☒ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The contract between DHHS and each area/county program (LME) which will be effective 7/1/2004 was derived in part from the detailed local business plans submitted by the local programs. The contract clearly establishes the LME as the manager of local mental health policy with all the attendant oversight, quality assurance and fiscal management responsibilities.
6. The counties should be given incentives to increase their financial contributions over time. Interviews with county commissioners and managers during site visits suggest that new local funding must be accompanied by a high level of local accountability. Although some counties have not been inclined to allocate additional money for mental health services, many have indicated a willingness to contribute financially if they are assured that local citizens will be served.	☒ **Yes** G.S. <u>_____</u> Date enacted <u>_____</u> ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The statute currently only requires counties to continue to appropriate funds at the level they have done so historically.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
7. The State should ensure service coverage for residents of all counties. The State will play an active role in ensuring that all counties participate in becoming County Programs. As a last resort for counties that are unwilling or unable to participate in County Programs, the State will manage local services directly, charging those counties a fee for management services.	☒ **Yes** G.S. <u>122C-115.1</u> Date enacted <u>7/1/2002</u> ☐ No	☐ Fully implemented ☒ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) Counties are not required by statute to participate in county programs; they may choose to remain members of Area Authorities. All counties are engaged in confirming their governance choices. While there might be changes in governance structure or county alignment, we anticipate that all counties will participate in providing mental health, developmental disabilities and substance abuse services as part of an area authority, county program or interlocal government agreement.
8. The process for assumption of county responsibility should ensure adequate time and resources. Over a five-year transition process, counties will be given time and resources to make appropriate management and partnering decisions. The implementation planning and roll-out processes will be overseen by a special Blue Ribbon Legislative Implementation Commission.	☒ **Yes** <u>SL 2001-437</u> Date enacted <u>7/1/2002</u> ☐ No	☐ Fully implemented ☒ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) The legislation gave counties and Area Authorities two years to develop and implement a Local Business Plan; thus, transition will continue over the next few years. The General Assembly had previously created the Joint Legislative Oversight Committee on MH/DD/SAS, which continues to oversee the reform effort.
9. A Division of Developmental Disabilities (DDD) should be established as a separate Division, independent of the restructured Division of Mental Health and Substance Abuse Services (DMHSAS).	☒ **Yes** G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The General Assembly did not authorize the creation of a separate Division for DD.
10. The new DMHSAS and DD structures should be designed to administer contracts with the counties and to manage the downsizing of the State hospitals. Each County Program will have a single contract with the Department of Health and Human Services (DHHS) to include mental health, developmental disability and substance abuse services. Both divisions will administer the contracts with County Programs. DMHSAS will manage the downsizing of the State hospitals and the transfer of hospital resources to the County Programs.	☐ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) Effective 7/1/2004 all Area/County Programs will have a contract with DHHS. The Division began the process of downsizing the hospitals during fiscal year 2002. To-date, 254 beds have been closed and $19 million dollars have been transferred from the budgets of the hospitals to the area programs.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
11. The Secretary of Health and Human Services should implement changes in Medicaid administrative responsibilities that improve policy development and coordination. As director of the single State agency under contract with HCFA, the Secretary of DHHS should move a number of Medicaid functions to the DMH/SAS and DDD service agencies. These could include (a) coverage and reimbursement policies, (b) financial operations including rate setting, provider audits and budgets, (c) program integrity, (d) provider enrollment and provider relations, and (e) contract monitoring.	☐　Yes G.S. _____ Date enacted _____ ☒　　No	☐　Fully implemented ☐　Partially implemented _____% complete (Explain below) ☒　Not implemented (Explain below) While there have not been changes in responsibilities, the Divisions of MHDDSAS and Medical Assistance have forged stronger working relationships. During the past year, the two divisions have worked closely to address the issues identified in this recommendation.
12. A Blue Ribbon Legislative Implementation Commission should be created to oversee the process and advise the Secretary of Health and Human Services. This commission will advise the Secretary on the transformation of the current system from an Area Program structure to a County Program structure; on the phase-down and reconstruction of the State Hospitals; and on the changes to be planned for DD services and regional centers.	☒　　Yes G.S. 120-240 Date enacted 7/5/2000 ☐　No	☒　Fully implemented ☐　Partially implemented _____% complete (Explain below) ☐　Not implemented (Explain below) The Joint Legislative Oversight Committee on Mental Health, Developmental Disabilities, and Substance Abuse Services continues to oversee the MH/DD/SA system.
13. A Mental Health and Substance Abuse Advisory Council and a Developmental Disabilities Advisory Council should be established. These councils will provide ongoing review and advice to the division directors on a wide range of topics, including the process of establishing the County Programs and monitoring the changes at the State schools and regional centers.	☒　　Yes G.S. _____ Date enacted _____ ☐　No	☐　Fully implemented ☐　Partially implemented _____% complete (Explain below) ☒　Not implemented (Explain below) The Commission for Mental Health, Developmental Disabilities and Substance Abuse Services serves as the rule-making and policy review arm of the Division of MH/DD/SAS. While new advisory councils have not been authorized by statute, the Department has established a State Consumer and Family Advisory Committee (SCFAC). This committee, which is comprised entirely of consumers and family members, provides an avenue for the users of services to advise to the Secretary and Division Director on a wide variety of policy related issues.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
2. HISTORICAL UTILIZTION AND A NORMATIVE MODEL OF DEMAND RECOMMENTATION:		
1. North Carolina's State hospital bed capacity should be reduced by 667 beds. This will reduce capacity from 2288 beds to 1621 beds. This will bring North Carolina's utilization rate to the average of the peer group states and within the local operating capacity of many well run Area Programs.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) At the time this recommendation was made, the bed capacity in the state hospitals was substantially below 2,288 beds. As a result of hospital downsizing to date, hospital bed capacity now stands at 1,472. Downsizing efforts continue.
2. This reduction should occur over the next five years to permit sufficient development time for the new County Programs. Beds should not be closed until resources are in place locally.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The Division adheres to a policy of "funds precede then follow the patient ". This policy ensures the availability of community based services prior to the movement of patients and the subsequent closure of institution beds. Downsizing continues; beds are not closed until consumers can be safely served in the community.
3. PCG projects target numbers for bed closure according to the geographic regions served by existing State hospitals. These projections should be viewed as the demand within existing regions. No allocation is made to individual Counties or Area Programs. Cherry regions 333 beds Umstead region 340 beds Dix region 430 beds Broughton region 518 beds Total 1,621 beds	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) See response to recommendation 2-1.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
4. The 1621 beds should be seen as a "floor" for beds serving the current population of the State hospitals. No specific user group has been eliminated. All have been reduced according to the best State practice models. When County Programs have developed local plans and budgets, there may be the further reductions in hospital bed numbers, and these may result in a user mix that is different than what is projected.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) See response to recommendation 2-1.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
3. HOSPITAL REPLACEMENT/RENOVATION COST ANANLYSIS RECOMMENDATIONS:		
1. The State should pursue a three-hospital model, closing the Dorothea Dix Hospital. Hybrid construction and renovation would take place at Cherry and Umstead Hospitals. Broughton Hospital would be renovated. In addition to the accessibility issues and the renovation costs, there are a number of other reasons why the three-hospital model with the closing of the Dix is the most cost effective and appropriate for the State: *The Dorothea Dix Hospital is the most expensive hospital to operate. Its closure represents potential additional savings of $13.2 million annually.* These savings would be transferred to the community for State hospital replacement services and financing of the basic benefit package. When leveraged with Medicaid and other revenue sources, the Dix closure is valued at $24.4 million annually. (Section 2.6) *The area in which the Dorothea Dix Hospital is located offers good opportunities for the development of community-based services.* The mental health programs of Wake and Durham Counties are particularly active. In addition, the medical schools and their teaching facilities and the community general hospitals in this region make the closure of Dix a more feasible choice. *The location of Dorothea Dix Hospital in the Raleigh/Durham area makes it feasible to consider employment alternatives for staff.* State hospitals in rural areas provide significant employment opportunities that are unduplicated in the community. Staff at the Dorothy Dix hospital have better access to employment in other State agencies or in the private sector. *The "safety net" currently represented by the State hospitals can be maintained.* The modernization of Broughton, Cherry and Umstead Hospitals, coupled with the State and local commitment to expanding community services, and the creation of the new Dorothea Dix Mental Health Transfer Account will support the "safety net." (See sections 2.5 and 2.6) *Among the State hospitals, the Dix Hospital represents the richest opportunities for re-use.* Multiple uses of the large campus are possible for the benefit of the mental health community and for the benefit of the State.	☒ Yes G.S. <u>142-81</u> Date enacted <u>7/10/2003</u> ☐ No	☐ Fully implemented ☒ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) Current plans call for the consolidation of Umstead and Dix hospitals into one new facility that will be located in Butner. Funding for the construction of the new facility has been approved by the General Assembly. Groundbreaking is scheduled for the fall of 2004 with completion set for fall of 2007.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
2. The State should commit to the following principles for the closure of the Dorothea Dix Hospital: • The replacement beds in other hospital should be as good as, or better than, the ones to be eliminated. • The replacement services in the community should be of high quality and accessible. • The closing process should be planned carefully and managed closely. • There should be clear accountability to the mental health community for the resources saved by the hospital closure. •	☒ **Yes** G.S. 142-81 Date enacted 7/10/2003 ❑ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The downsizing that will lead to the future closure of Dix Hospital is proceeding within the policy framework enunciated in item 2-1 of this document.
3. Additional analysis will be needed to determine the exact distribution of beds and services at the three hospitals under the County Program model. Determining the specific bed types and services that will be needed to meet regional demand within a three-hospital model should take into account the options for increased community-based services and their feasibility at the local level and Statewide.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The Division considered a host of factors, some of which are enumerated in the PCG recommendation, in determining the number and types of beds that would remain in the hospitals. As downsizing proceeds, the Division will make adjustments in the bed complement as needed.
4. AREA PROGRAM MENTAL HEALTH SERVICES RECOMMENDATIONS:	❑	
1. The recently issued standard for assessment developed by DMHDDSAS should be adopted for Statewide use and incorporated as a condition of participation in the contracting process. Implementation of the standard should be monitored through the Council on Accreditation process or by periodic audits by State-contracted reviewers.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) Use of the subject assessment instrument proved to be extremely cumbersome and time consuming; thus, the Division decided against statewide implementation. As the Division proceeds with reform, revised assessment processes are being developed.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
2. The development of a continuum of care for individuals with substance abuse and addictive disorders should be a top priority for DMHDDSAS and the State of North Carolina. This process should begin with the development of acute care capacity at the ADATC's and in community hospital settings. In addition, specialty programming and/or additional services for individuals with co-occurring disorders should be provided within current treatment settings because such a large portion of the traditional target population is affected. Providing intensive services for adolescents could head off the vicious downward spiral of addiction, and would be cost-effective in the long run.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The DMH/DD/SAS has developed new service definitions that will provide for services at all levels of the ASAM continuum. Pending approval by the Centers for Medicare and Medicaid Services, we anticipate implementing those definitions in July, 2005. Detox units are being established or expanded at the three ADATCs; renovations at Blackley are complete while capital projects at Keith and Jones are underway.
3. DMHDDSAS should re-define the role of the State hospitals as intermediate and long term care facilities. A major part of this change requires a strategy for development of acute care capacity in community settings. Structures needed to accomplish this transition include: conversion of all ADATCs to acute care; development of partnerships such that Area Programs could use former State hospital buildings; development of innovative hospital alternative programs in the provider network; and partnerships with community hospitals and other intensive care providers. Some funding for these ventures should become available as the State hospitals serve fewer individuals. However, additional funding, especially start-up capital, will be needed. Additionally, DMHDDSAS and DMA should restructure inpatient bed rate-setting so as to optimize the use of community inpatient beds.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The primary focus of the hospitals will be on providing intermediate and some long-term care. The hospitals, however, will continue to provide a reduced level of acute care for those patients whose unique needs cannot be met in a community hospital setting. DMH/DD/SAS, N C Council of Community Programs, DMA and the NC Hospital Association have established a workgroup to address a range of issues related to increasing access to community psychiatric beds.
4. North Carolina should adopt a process of defining specific target populations and benefit packages that match the needs of the targeted group. Adults with serious mental illness, elderly and dual- diagnosed individuals currently residing in State hospitals should be priorities. Movement of these individuals will require the development of new community-based capacities and structured living environments. DMHDDSAS should immediately begin developing pilot programs to determine the optimal mix of services for this population. Pilot partnerships might include assertive community treatment providers, skilled nursing facilities, and residential service providers. These groups require special focus to implement the State hospital bed closure recommendations.	☒ **Yes** G.S. 122C-102 Date enacted 7/1/2002 ❑ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) DMH/DD/SAS has defined Target Populations and developed expanded Medicaid Rehab option service definitions to better serve more challenging consumers through tiered benefit packages. Pending approval by the Centers for Medicare and Medicaid Services, those new service definitions will be implemented July 2005.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
5. PCG recommends the development of a standard "Evaluation and Acute Care" benefit package available to every North Carolinian through any local program. This benefit package should provide a designated set of services, subject to Statewide criteria for medical necessity. These services are critical to managing the front door to the State hospitals and to providing acute care close to home. Specifics of assessment services, acute care services for mental health, and acute care services for substance abuse are included in the full report. PCG understands that many of these services exist in area programs, but some will require development. All will need to be structured specifically to meet benefit package requirements.	☒ **Yes** G.S. 122C-2 Date enacted 7/1/2002 ❑ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) As part of reform, the NC's mental health code was revised to require the provision, within available resources, of a set of core services to all citizens of the State. Among those core services are assessment and emergency services. The DMH/DD/SAS has developed a "basic benefit" package that includes these services, subject to medical necessity criteria and adequacy of funds. The importance of these services/functions is reinforced in the contract between the Department and the area/county programs. A new Mobile Crisis service definition is included in the expansion of the Rehab Option mentioned in response to questions 2 and 4 of this section which will be part of the 'basic benefit."
6. North Carolina needs a new plan of action for caring for the psychological and emotional needs of children. In caring for children and the needs of their families, this plan will build on the experiences of Carolina Alternatives and the Willie M Program. It will establish accountability for effectiveness and clinical outcomes. More specific recommendations are: • *Develop local inter-agency partnerships for the care of children based on the concept of "joint total responsibility" for program outcomes.* These programs should be supported by the respective State agencies. Funding allocated by the legislature for that specific purpose would be an incentive. • *Expand the Willie M. program by adding new target populations to be served under that administrative umbrella.* Using the 20% annual turnover rate, the populations served can be slowly increased without increasing the budget. • *Continue to develop alternatives to hospitalization and long-term residential placement.* Alternatives include: expansion of model programs for emergency assessment and crisis intervention; crisis respite; home-based family treatment; and school-based intervention. • *Promote early identification and intervention for children at risk for severe emotional disturbance, sexual offenses, and substance abuse.*	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) A new Plan for Child Mental Health has been drafted and the implementation steps are currently being developed. The new service definition, referenced in response to question #'s 2, 4, and 5 of this section, are a vital component in implementation of that plan. The General Assembly has loosened the restriction on the *Willie M.* funding and the DMH/DD/SAS continues to work with legislative leadership to make better and broader use of those funds.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
7. PCG recommends an annual review and modification of the benefit packages based on outcome evaluation data.	☐ Yes G.S. _____ Date enacted _____ ☒ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) As referenced earlier, the new benefit packages will be implemented effective July 2005. Once implemented, those packages will certainly be subject to continuous re-examination.
8. Responsibilities for monitoring and managing the system of care should be clearly designated to the re-organized DMHSAS and the County Programs. Specific recommendations designate the changes in roles of the Division and of the County Programs in the following domains: standards of care; utilization management; appeals/grievances; quality management; outcome evaluation; consumer satisfaction; clinical guidelines. This plan provides a comprehensive structure for managing the system of care with appropriate checks and balances at each level.	☐ Yes G.S. _____ Date enacted _____ ☒ No	☐ Fully implemented ☒ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) The LME cost model, upon which payments to LMEs will be based effective July 1, 2004, clearly contains funding for these responsibilities in Area/County Programs. As part of its reorganization, the DMH/DD/SAS clearly identified the Teams responsible for monitoring activities within the Division.
9. Consumers and families must be actively involved in leading the effort to manage and monitor the system at every level. The involvement required of consumers and their families includes but is not limited to: initial process design with DMHSAS; management input at the county level; quality management; serving on grievance and appeals committees; and serving on advisory groups for developing guidelines.	☐ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) Each Area/County Program is required to have a Consumer and Family Advisory Committee (CFAC) to advise the program on matters related to consumers and families and to review and have input on policy decisions. DMH/DD/SAS required evidence that the CFAC had reviewed each Local Business Plan. In addition, the DHHS has created a State CFAC to advise the DMH/DD/SAS and the Secretary on matters related to MH/DD/SA services. The State CFAC held its first meeting on May 5, 2004.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
10. DMHSAS should develop a Statewide training plan and resources to support the new service structure in the County Programs and the new role of the State hospitals. This plan should identify core clinical competencies required to provide cost-effective essential clinical services across State facilities and Area Programs. These competencies should include: standard assessment and evaluation skills for all disability and age groups, crisis stabilization and ongoing treatment techniques and targeted treatments for special populations. Particular attention should be paid to children's treatment, treatment for adults and children with co-occurring mental health and substance abuse disorders and in providing culturally sensitive treatment for minority populations, including the State's rapidly growing Hispanic population.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) DMH/DD/SAS has developed a Workforce Development Plan which is currently available for stakeholder review and comment. The Plan will be implemented in SFY 2004-2005.
5. FINANCES AND FINANCIAL OPERATIONS RECOMMENDATIONS:		
1. DMHDDSAS should develop a financing process for new basic benefit packages that, over time, will allow access to services for all North Carolinians. The financing process should acknowledge the actual costs of services, require full use of Medicaid and other third party resources, and clearly define the State's funding responsibility.	☒ **Yes** G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The DMH/DD/SAS has defined a Basic Benefit package, but funding for the Basic Benefit is still subject to limitations based upon "available resource" [GS 122C-2]. Emergency services under that package should be available to all citizens, but funding for other elements of the Basic Benefit have not been identified to ensure that all citizens may receive services. State-funded MH/DD/SAS services are not an entitlement.
2. DMHDDSAS should define target populations and the services required by those populations. It should establish a "matching process" for additional funding for new services. *All counties would be required to maintain their current level of funding and services for seriously and persistently mentally ill persons and for other target populations. Only new, expansion dollars would benefit from this matching process.* The matching formula would provide incentives for all counties to participate and it should accommodate counties that are financially distressed. For example, the State might initially require a 20% cash contribution from counties, and a 10% match from those financially distressed.	☒ **Yes** G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) DMH/DD/SAS has defined Target Populations. The General Assembly has not authorized a "matching process" to require additional county contribution to match additional funding for services.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
3. DMHDDDSAS should develop a financing process for moving funding from the State hospitals to County Programs. The projected closing of 667 beds will save the State from $38 million to $51 million. These funds could be leveraged to purchase $71 million to $95 million counting all reimbursements to reduce State hospitalizations. This process should include at least four components: • An opportunity for County Programs to develop detailed proposals that demonstrate their interest and ability to reduce use of State hospitals. • Initial funding of those proposals by means of a State-managed "bridge fund" that would allow unspent hospital resources to be used for this purpose and to be carried over at year's end. State "bridge funds" would be available for two years. • A hospital downsizing management program and accounting methodology that would aggressively consolidate hospital operations and reduce costs. Hospital resources would be allocated to the County Programs within two years, freeing up the State 'bridge funds' to initiate further downsizing. • A realistic and annually adjusted allocation of State hospital beds that would require County Programs to pay the full cost of overuse of State hospitals. This should be coordinated with the 667 bed reduction goal.	☒ Yes G.S. <u>143-15.3D</u> Date enacted <u>7/10/2003</u> ❑ No	☒ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Hospital downsizing continues. Area/County Program are developing plans to build community capacity to better serve consumers in the community to decrease reliance on the State facilities. Mental Health Trust Fund dollars are made available in the year prior to the anticipated closure of blocks of beds for Area/County Programs to build capacity and funds are transferred permanently from the State hospital budget to the Area/County Programs as beds are actually closed and the State facilities' budgets reduced. The State hospital bed-day allocation plan for the remaining beds does include provisions for an overuse charge.
4. A standard accounting of county contributions to mental health programs should be established. This should include cash and non-cash contributions, such as building and space costs, transportation, and other in-kind local resources. Once this methodology has been developed, a floor should be established for cash and non-cash contributions. This new methodology would encourage aggregate use of county resources by the new County Programs.	☒ Yes G.S. <u>122C-112.1</u> Date enacted <u>7/1/2002</u> ❑ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) DMH/DD/SAS is finalizing the proposal for standard accounting of county contributions. The NC Association of County Commissioners and the NC Council of Community Programs have participated in the development of the proposal. Once adopted, the standardized accounting will establish a "floor" for cash contributions, but not for non-cash resources.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
5. The Willie M. program should be re-evaluated to permit more flexibility to serve additional, newly defined groups within the current budget.	☒ **Yes** G.S. _____ Date enacted _____ ☐ No	☒ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) The General Assembly has broadened the allowable uses of Willie M. funds via Special Provision in the Appropriations Act.
6. The State should pass a mental health parity law that builds upon the Mental Health Parity Act of 1996. It should allow County Programs and contracted providers to become preferred providers.	☒ **Yes** G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) No such legislation has been passed by the NC General Assembly.
7. In order to increase and maximize the amount of Medicare reimbursement in the mental health system, DMH should develop technical resources to assist County Programs. Currently, these skills are limited at both the community and State level. These resources need to assist County Programs with the technical aspects of establishing compliant programs and billing processes/requirements.	☐ Yes G.S. _____ Date enacted _____ ☒ No	☐ Fully implemented ☒ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) The DMH/DD/SAS does not have the resources to offer significant technical assistance to Area Programs on Medicare issues. We do offer substantial assistance on Medicaid funding, but do not have sufficient staff to fulfill this recommendation for Medicare.
8. PCG strongly recommends continuation of DMH's Residential Treatment initiative for Children in DSS custody and the plan to maximize available financial resources for these services.	☐ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) Residential Treatment services continue to be offered

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9. The current confusion among all parties concerning the specific role of Area Programs in the system needs to be clarified. Other than in certain parts of the system, Area Programs currently play varying administrative and service roles. It is necessary to establish in the new county-based system, County Programs as the "lead agency" on behalf of Medicaid and the State. Some of these administrative tasks lie clearly in the centralized domain of DMA while other tasks could be the responsibility of DMHSAS, DDD or the County Programs. There are some tasks that could be the joint responsibility of the parties. *During the implementation phase of the new system, DMHSAS, DDD and DMA will be responsible to finalize the specific scope of responsibility of County Programs prior to contract negotiation. A detailed contract or memorandum of understanding between DMHSAS, DDD, DMA and each County Program would be required to document the relationship, as well as the roles of DMA and DMH.*	☒ **Yes** G.S. <u>112C-115.1</u> <u>112C-115.2</u> Date enacted <u>7/1/2002</u> ❑ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The General Assembly did not require counties to create county programs, though that is now permitted but they may also choose to remain members of Area Authorities. The statute does require the development of a Local Business Plan to clarify the role(s) the program will play and requires specific approval from the Secretary if Area Programs continue to provide services in addition to their role as manager of public policy and administrator of services. DHHS will begin contracting, using a performance-based contract, with all Area/County Programs effective 7/1/2004. DMH/DD/SAS and DMA are working to update the MOA between the Divisions to better clarify roles and responsibilities.
10. A target should be established for maximum County Program administration costs. Due to the expected variation in County Program size, the target should be a percentage of total expenses rather than a specific dollar figure.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The DMH/DD/SAS has developed a cost model to predict the cost of Area/County System administration costs. The model is elastic with population size; not the size of the budget. The DMH/DD/SAS will begin paying Area/County Programs based upon the cost model effective 7/1/2004.
11. DMH must develop and implement a singular Unit Cost Reimbursement (UCR) system. The current Pioneer system is outdated and ineffective while the Willie M and Thomas S systems create additional administrative requirements. The system needs to include consistent service definitions across all funding sources and client-specific reporting.	❑ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) All of the old UCR systems were replaced effective July 1, 2003 with the full implementation of the Integrated Payment and Reporting System.

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12.. PCG recommends increasing the financial participation of Counties through a minimum contribution level as the system migrates to a County-based operation. Counties must be incentivized to increase both direct (cash) and indirect (in-kind services and facilities) participation.	☒ **Yes** G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The current statutory requirement for county contributions remains based upon historical contributions with no incentives or requirements for increases.
13. In order to improve private providers' financial stability and cash flow, the State should enroll private providers directly with Medicaid, removing Area Programs as financial intermediaries. This would decrease County Program administrative costs through eliminating duplicated efforts. Private providers would use their own Medicaid provider numbers to submit claims.	☒ **Yes** G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The DMA has put forth a Special Provision for the 2004 Session to expand direct enrollment of clinical providers of services contained in the Basic Benefits package. If the Special Provision is adopted, direct enrollment of these providers will take effect October 1, 2004. Direct enrollment of other providers will take place effective July 1, 2005 with the implementation of the new service definitions.
14. There is a need to streamline the contract management process in order to decrease administrative costs, improve results, and decrease frustration levels. Overall, the premise is the State setting standardized policies, procedures, and documentation while locally the County Programs are executing the processes in a coordinated fashion without unnecessary duplication of effort. The end result is lower administrative costs for both the County Programs and private providers.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) During SYF 2005, a standardized contract and Provider Manual will be adopted for use by all Area/County Programs. Area/County Programs will have to request approval from DMH/DD/SAS to vary from the standardized language.
15. The State should standardize the private provider accreditation process and require County Programs to either internally accredit private providers located within their own catchment areas or use the results of the COA process more effectively without adding a duplicative administrative effort.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) Accreditation requirements for private providers are still under development.

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16. Standard intake protocols should be implemented across all County Programs. Financial information gathered during the intake process is extremely important in maximizing County Program revenue.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) All programs are required to obtain financial information from consumers, but a standardized financial intake has not been developed.
17. We recommend that DMH establish a unit to oversee the County Programs' financial performance and provide guidance. In the Governance and Structure section of this report, PCG has recommended that this responsibility lie within the newly established Office of County Programs (OCP).	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) Within the DHHS structure, the responsibility for monitoring Area Program's finances rests with the DHHS Controller's Office. The DMH/DD/SAS has established a LME System Performance Team to monitor the programmatic and governance aspects of the Area Programs.
6. FINANCIAL MODELING: HOSPITAL DOWNSIZING AND BASIC BENEFITS RECOMMENTATIONS:		
1. North Carolina should immediately begin the reduction of 667 beds from its State Hospitals. This will create opportunities for transferring funds from State Hospitals to community-based operations.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Hospital downsizing was begun in SYF 2002 and continues today.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
2. The three-hospital model should be adopted. The three-hospital model provides significant financial benefits to North Carolina, by creating additional funding for community services. PCG believes that the differences between the three- or four-hospital models are more significant than is immediately apparent. Although the cost reduction projected for four hospitals is feasible and well documented, achieving and maintaining this reduction would require continued and aggressive management at all four hospitals. The three-hospital model is more likely to achieve its financial goals.	☒ Yes G.S. 142-81 Date enacted 7/10/2003 ❑ No	❑ Fully implemented ☒ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Dorothea Dix and John Umstead Hospitals will be replaced by a new hospital effective 2007.
3. The State should establish a special "Dorothea Dix Mental Health Transfer Account" that would account for all of the savings and revenue operations accrued from hospital downsizing. All operational savings should be budgeted to this new fund before being allocated to County Programs. If revenue opportunities are created as a result of the closure of Dix, for example through lease agreements of the land or property, a portion of that money should be placed in the Transfer account. It will be crucial for the State agencies to regain the public's trust in its financial management of mental health resources. The Dorothea Dix Transfer Account will add an opportunity for public review and scrutiny of the process.	☒ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The General Assembly has not created such an account. Through Special Provision the General Assembly has stated that all savings from hospital downsizing, including downsizing DDH, should be directed to community services. Long-range plans for use of the Dix property are still under discussion in the General Assembly.
4. North Carolina should implement a standardized, affordable benefit for assessment and acute care services Statewide. This will have a direct impact on the use of State Hospitals for short-term inpatient hospitalization and detoxification.	☒ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) See response to recommendation 6-5.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
5. Preliminary review of the findings indicates that savings achieved under the three-hospital model might support the cost of the Basic Benefit Package without additional operating funds. Capital funding, bridge funding, and DSH-replacement funding are still required. Funding of target populations may require additional funding once the system is better aligned under the County Board structure.	☒ **Yes** G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The General Assembly has not authorized full funding of the Basic Benefit. Rather, it has identified "core services' that should be available "within available resources." "Target populations" have been identified to prioritize funds for those consumers most in need of services. Those consumers will receive an "Enhanced Benefit."
6. More work needs to be done to arrive at the true cost of the Basic Benefit Package, including actuarial analysis with standardized data sets. The model presented in this analysis projects a reasonable cost of the proposed Basic Benefit Package, however, a more thorough investigation into the existing service system is required to determine the utilization and cost of these services and to determine the levels of services which already exist in the system.	☒ **Yes** G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) See response to recommendation 6-5.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
7. DEVELOPMENT DISABILITIES STRUCTURE RECOMMENDATIONS:		
1. Based on the factors described in the report and on analysis against the criteria, PCG recommends that the Secretary of Health and Human Services create a separate Division of Developmental Disabilities. *It is extremely doubtful that the State, acting under the current structure, would be able to develop the necessary resources, leadership, and momentum to meet the growing challenges and provide for the needs of persons with developmental disabilities and their families.* It is important to emphasize that this recommendation is for reconfiguration at the State level only. The report discusses a number of actions that should be explored as part of the design and implementation of a new Division of Developmental Disabilities: • Preparation of a new DD plan that implements the PCG recommendations for the new County Programs. • An organizational and staffing plan for the new division of developmental disabilities that demonstrates: (a) the administrative cost and source of funds for the new organization; (a) an organizational structure designed to administer the County Program contract and to provide adequate oversight and technical assistance; and (c) the ability to work effectively with the new DMHSAS Division, under the auspices of the Blue Ribbon Implementation Commission and the Secretary of the Department of Health and Human Services.	☒ **Yes** G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) The General Assembly did not authorize the creation of a separate Division of Developmental Disabilities.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The Department should carefully review the data gathered by the consultants and consider which method(s) to employ in the North Carolina Schools for the Deaf. We encourage the Department to continue to explore different methods of instruction based on the needs of each individual student.	X Yes SB 1005, Session Law 2001-424, Part XXI, Section 21.82(a) Date enacted __2001___ ❑ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: No one teaching method is best for all deaf and hard of hearing children.** **2000 Response:** Each student's education will be directed by the development of an Individualized Education Plan. The Division of Early Intervention and Education will develop and implement a system of semi-annual self-auditing to assure that instruction is based upon individual student needs. The Division continues to seek and implement best practices in the education of students at the Schools for the Deaf. A State Assistance Team, consisting of teacher experts with disability specific background and with public school background, is spearheading instructional improvement. In light of the fact that students who are deaf in public schools experience a higher rate of success than do students who are deaf in typical residential schools, a new focus is on effective practices used in public school environments. **2002 Response:** Each student's education will be directed by the development of an Individualized Education Plan. The Office of Education Services will develop and implement a system of semi-annual self-auditing to assure that instruction is based upon individual student needs. The Office of Education Services continues to seek and implement best practices in the education of students at the schools for the deaf. A state assistance team spearheaded instructional improvements from 1999 to 2001. Since the dissolution of that team, staff in the Office of Education Services have coordinated the efforts of the schools as they seek to continually improve instructional practices for students who are deaf and hard of hearing. **2004 Update:** The Office of Education Services continues to review best instructional practices for students who are deaf and hard of hearing. During the 2001- 2002 school year, an assessment team conducted a review of instructional practices, teaching assignments, and materials in both schools. Instruction continues to be individualized to meet students' Individualized Education Programs while still aligning to the NC Standard Course of Study. Teachers frequently attend workshops on curriculum and methodology offered by experts in the field. Principals also direct teachers' instructional development by prescribing strategies for improvement in teachers' individual growth plans.
RECOMMENDATION	REQUIRED	IMPLEMENTATION STATUS

RECOMMENDATION	LEGISLATIVE CHANGE	Please provide documentation supporting implementation status for each recommendation.
The Department should consider closing one or more of the Schools for the Deaf and integrating those students into the remaining school(s). Management should analyze the projected student population over the next ten years in determining the need for three schools. In our opinion, there are several options that should be carefully considered. One option would be to close the Central North Carolina School for the Deaf (Greensboro) since it does not serve high school students and merge these students into the other two schools. Additionally, as the newest of the physical plants, this location offers more opportunity for alternative uses of the facility such as a transitional living facility for deaf students. A second option would be to close the North Carolina School for the Deaf (Morganton) since it will be the most costly to renovate and repair. (See Architect's report on page 89.) Still a third option to consider would be to close two of the schools and merge all students into one location. This option would free up the most operational funds, allowing all renovations and repairs to be made to the campus chosen as the ultimate location. In all options, funds used to operate the school(s) closed could be invested into operation, maintenance, and improvement of the remaining school(s).	**X** Yes Session Law 2001-424 Section 21.81 (a) G.S. 143B-216.40, 143B-146.21 Date enacted __2001____ ❑ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: The number of students currently attending the Schools for the Deaf does not justify the costs of operating three schools.** **2000 Response:** All three School Directors at the Schools for the Deaf support closing one or more schools. This recommendation is also supported by past and present enrollment trends. The proposal to close one or more schools is consistent with recommendations contained in the Price, Waterhouse, Coopers Education and Disability Organization Study, 1999, authorized by the North Carolina General Assembly. We will seriously explore options in the near future. **2002 Response** All three School Directors at the Schools for the Deaf as well as past and present enrollment trends supported this recommendation. Therefore, the Central North Carolina School for the Deaf was closed by the end of the 2000-2001 school year. However, it should be noted that it took more than a year to transition the 38 students who were at CNCSD during its last full year of operation in order to assure the development of appropriate programs in some of the LEAs. Sixteen of the students transitioned to one of the other schools for the deaf. **2004 Update:** In order to successfully serve the most Eastern and Western counties in NC, two schools for the deaf will remain open. We have reduced budgets and staff numbers (104 positions and over $12,000,000). We have consolidated functions on each campus and focused renovation efforts on core buildings at each location. Major renovations are still in process and should be completed during the 2005-2006 school year. Upon completion, regular renovation and restoration will continue.
RECOMMENDATION	**REQUIRED LEGISLATIVE**	**IMPLEMENTATION STATUS**

	CHANGE	Please provide documentation supporting implementation status for each recommendation.
The Department and the Division of Early Intervention and Education should carefully evaluate the end-of-grade tests for students of the Schools for the Deaf. With assistance from the Department of Public Instruction, the Division should examine the course of study at each of the three Schools for the Deaf and determine whether the schools are adequately meeting the standard requirements. Specific attention should be given to the areas included in end-of-grade tests, with consideration as to whether additional resources are needed at the Schools for the Deaf to meet these requirements.	❑ Yes G.S. _____ Date enacted _____ **X** No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **<u>Finding: Mainstreamed deaf and hard of hearing students are passing the end-of-grade tests at a higher rate than are students from the Schools for the Deaf.</u>** **2000 Response:** The Division of Early Intervention and Education has worked collaboratively with the Department of Public Instruction in providing a State Assistance Team that serves as a resource to the Schools for the Deaf. Team members have given top priority to the use of the Standard Course of Study and best instructional practices in the areas to be tested. The Schools for the Deaf will participate in the ABCs of Public Education for the first time this school year, 1999-2000. **2002 Response:** The Division worked collaboratively with the Department of Public Instruction which provided a state assistance team that served as a resource to the three Schools for the Deaf. Team members gave top priority to the use of the Standard Course of Study and best instructional practices in the areas to be tested. The three Schools for the Deaf operated under the ABCs of Public Education for the first time in the 1999-2000 school year. Since that time, students at NCSD and ENCSD have shown growth in all areas tested. NCSD met expected growth for the 2000/2001 school year. Teachers, school administrators, and OES continue to make student growth, as measured by the state End of Grade and End of Course tests, a top priority. **2004 Update:** Both schools continue to show growth in the ABCs. In 2002-2003, NCSD exceeded their expected growth, and ENCSD met their expected growth. OES continues to work with the schools by providing staff to address accountability issues as well as ensuring that teachers are attending workshops that pertain to delivery of the NC Standard Course of Study. Currently, OES is analyzing End of Course scores from the high school students to provide more assistance in the high school area. We are also looking at quarterly assessment options which will strengthen focused instruction in grades 3-8.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The Department and the Division of Early Intervention and Education should closely examine the graduation data for the Schools for the Deaf. With assistance from the Department of Public Instruction, other methods to increase the number of students receiving diplomas upon completion of the twelfth grade should be examined.	❑　　Yes G.S. _____ Date enacted _____ **X**　　No	X　　Fully implemented ❑　　Partially implemented _____% complete (Explain below) ❑　　Not implemented (Explain below) **<u>Finding: More mainstreamed deaf and hard of hearing students receive diplomas than do students from the Schools for the Deaf.</u>** **2000 Response:** The Division of Early Intervention and Education will continue to work closely with the Department of Public Instruction and local school systems to both strengthen the in-house instructional program at the Schools for the Deaf and to mainstream students into settings that graduate a higher rate of students who are deaf. Additionally, staff development will focus on high expectations for student and staff success and effective instructional practices. **2002 Response:** The Office of Education Services has worked closely with the Department of Public Instruction and local school systems to both strengthen the in-house instructional program at the Schools for the Deaf and to mainstream students into settings that graduate a higher rate of students. Staff development that focuses on high expectations for students and effective instructional practices is ongoing at both schools. **2004 Update:** The Office of Education Services continues to work closely with both schools to ensure that students are receiving diplomas that align with the state standards for high school graduation.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
NCSD should implement procedures to ensure compliance with its admission policies and procedures. All required documentation necessary to support a student's eligibility for admission to the school should be maintained in each student's file at a centralized location. Additionally, the Division of Early Intervention and Education should conduct periodic review of files for compliance.	**X** Yes G.S. 143B-216.41 Date enacted __2003____ ❑ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: NCSD documentation of the admission process is incomplete.** **2000 Response:** The Division of Early Intervention and Education will implement uniform admission policies and procedures at the Schools for the Deaf for the 2000-2001 school year. Files will be maintained at a central location at each school site. In addition to each School Director, schools will be expected to submit the name of the person who will hold first line accountability for full compliance of policies and procedures. Additionally, the Division will assign a staff member the responsibility to conduct semi-annual reviews of files to assure compliance (Compliance Officer). **2002 Response:** The Office of Education Services has implemented uniform admission policies and procedures at all school. Files are maintained at a central location at each school site. Each school has submitted the name of the person who is held accountable for full compliance with the policies and procedures. Additionally, the Office of Education Services had each school set up a compliance team to conduct ongoing audits. Audit reports are submitted to the Office of Education's Exceptional Children's Director following the audit meetings. **2004 Update:** The Compliance position was reinstated in the Office of Education Services during the 2003-2004 school year. This position will provide on-going training and support to the local compliance teams. NCGS 143B-216.41 was passed in 2003 which clarified the admissions process for the Schools for the Deaf.

Division of Services for the Deaf and Hard of Hearing
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The schools should implement procedures to ensure compliance with Public Law 94-142. All required documentation necessary to monitor a student's IEP progress should be maintained in each student's file at a centralized location. Management should begin the process of scheduling and conducting IEP meetings far enough in advance to ensure that all students have their IEP updated at least annually. Further, the Student Support Services Director at ENCSD should monitor the absences of his/her employees. When an employee will be absent for an extended period of time, the school should contract for the services required in a student's IEP to prevent a lapse of services.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: Schools are not in compliance with the requirements of the Individuals With Disabilities Education Act (Public Law 94-142).** **2000 Response:** The Division of Early Intervention and Education will assign a staff member to provide oversight to schools in the establishment of expectations and procedures to ensure IEEA compliance (officer previously notes). Initial training was provided to appropriate staff from each school in the fall of 1999. The compliance officer will assure continued training and awareness of laws as well as implementation methods. This position will also establish a program of on-going monitoring through frequent reviews of school records. It has been made clear to all supervisory staff that employee absences do not reduce a school's responsibility to deliver services to a student as identified on the student's IEP. **2002 Response:** The Division of Early Intervention and Education hired a compliance person to audit all student files at all of the schools. That person was able to provide oversight to the schools in the establishment of expectations and procedures to ensure IDEA compliance. Initial training was provided to appropriate staff from each school in the Fall of 1999, Fall of 2000, and the Winter of 2001 by the Compliance Staff and the EC Directors. While this position was eliminated in the summer of 2001 due to Reduction in Force, the files at both schools remain in compliance. The schools are also participating in the self-assessment phase of the Continuous Improvement Monitoring System established by the Exceptional Children's Division of the North Carolina Department of Public Instruction. **2004 Update:** The Office of Education Services has re-established the Director of Compliance who works with school programs to ensure that students' records remain in compliance with applicable state and federal statutes. School personnel have received staff development to assist them with maintaining compliant student files. While schools continue to participate in the Continuous Improvement Monitoring System established by the Exceptional Children's Division in the Department of Public Instruction, files are also monitored by staff of the Office of Education Services. We have developed related services contracts to ensure that all services are available and provided in areas where there are staff vacancies and absences. We also coordinate services across programs when appropriate to assure re-evaluations are completed on schedule.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The schools should review all high school student files to ensure that transcripts are on file for all students. NCSD should continue its emphasis on implementing SIMS and use the format for the North Carolina Standard Transcript contained within the SIMS database to comply with State rules and regulations. The Division of Early Intervention and Education should conduct periodic reviews to assure compliance.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: NCSD and ENCSD are not complying with the state regulations regarding transcripts for high school students.** **2000 Response: Upon formation in October of 1999, the Office of Education Services required all schools to implement SIMS. Therefore, all student transcripts are in the North Carolina Student Transcript format contained within the SIMS database. The Division's Compliance Officer will conduct annual reviews to ensure compliance.** **2002 Response:** Upon formation in October of 1999, the Office of Education Services required all schools to implement SIMS. Therefore, all student transcripts are in the North Carolina Student Transcript format contained within the SIMS database. **2004 Update:** The schools continue to use the SIMS program to create high school transcripts. The schools will transition to the NC WISE system, as will all NC schools, over the next 3 years.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.

The Department should carefully review the findings and recommendations contained in the report from Hoskins, Scott and Partners, Inc. and prioritize them. The General Assembly should be made aware of the physical plant needs on the campuses and identify funds to address these needs as soon as possible. Furthermore, each school director should, after consultation with the Department, prioritize building renovation requirements and ensure that available funds are directed toward the most pressing needs. The Department and the schools should develop a long-range plan for renovation of existing buildings and utilization of campus facilities.	❑ Yes
	G.S.
	_____
	
	Date enacted
	
	_____
	
	X No
		X Fully implemented
		❑ Partially implemented _____% complete (Explain below)
		❑ Not implemented (Explain below)
		
		Finding: Architects estimate it would take $52 million to adequately address needed repairs and maintenance at the Schools for the Deaf.
		
		2000 Response: The Division of Early Intervention and Education continues its collaboration with the Division of Property and Construction to address both short-term and long-term physical plant needs and efficient utilization of space. School Directors will be involved in the process of planning, prioritizing, and requesting funds to address repair and renovation needs.
		
		2002 Response:
		     The Office of Education Services is collaborating with the Division of Property and Construction to address both short-term and long-term physical plant needs and efficient utilization of space. In the Spring of 2002, the Directors were asked to produce a 3-year plan for consolidating services on campus.
		
		2004 Update: The schools continue to consolidate buildings that house students and classrooms. In addition, the Division of Property and Construction has completed the renovation of Main Building at NCSD. Funds have been appropriated and interviews for the design team have been conducted to start renovations of Hoey Hall at NCSD and the Independent Living Center and the HVAC system in Vestal Hall at ENCSD in 2005.
		     Campus facilities used by other agencies are now regulated by leasing agreements with those agencies so that receipts are generated for utilities, etc.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The Division of Early Intervention and Education	❑ Yes	X Fully implemented

should immediately review all procedures for reporting and referral of incidents. A uniform system to be used by all three schools should be developed and immediately implemented. Each school director should take steps to assure that all staff are aware of the policies and procedures for reporting all types of incidents and are trained in how and when to report incidents. To ensure that all incidents and accidents are reported and not lost, the Schools should begin using pre-numbered forms and account for each, including voided forms.	G.S. _____ Date enacted _____ X No	❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **<u>Finding: The Schools for the Deaf do not have a uniform reporting method for incidents or accidents.</u>** **2000 Response:** School Directors are responsible for and have trained all staff in Directive 61, " Reporting Abuse, Neglect, or Exploitation by DHHS Divisions, Institutions, and Schools." An in-depth procedure has been developed and implemented to standardize reporting methods across the residential schools. Management Investigation Teams (MIT) at each school are responsible for completing an exhaustive investigation of any suspicion of abuse, neglect, or exploitation. The teams operate under procedures that require immediate notification of parents, police, and/or local Division of Social Services, as the situation warrants. MITs are required to immediately report to the Division of Early Intervention and Education's Ombudsman. Multiple training sessions have taken place. The reporting and investigation process has been standardized. The standardization and number of forms is imminent. **2004 Update:** The Office of Education Services requires all staff and volunteers to immediately report any suspicion of Abuse, Neglect or Exploitation of juveniles and disabled adults. All Office of Education Services staff and volunteers are required to have two training sessions of Directive III-5 (formerly, Directive 61), Reporting Abuse, Neglect or Exploitation, during the school year. The first training is conducted prior to the students' return to school, and the second training is scheduled prior to the students' return at mid-year. Staff sign a form indicating that they have received the training and that they understand the requirements of Directive III-5. A designated contact person, Social Worker, and a backup is assigned at each school in order to expedite required notification to management or reports to the local county department of Social Services and other agencies if necessary. The creation of the Management Investigation Teams at the schools ensures that all incidents in violation of Directive III-5 are immediately communicated within an eight (8) hour time frame to the school management and the Office of Education Services Ombudsman. The Ombudsman will apprise the Superintendent and is required to report such information to the DHHS Office of the Secretary using the DHHS Directive III-5 Reporting Form. The in-depth procedure for reporting includes numbered forms, a form for the reporting staff to sign off on after the initial report to DSS, indicating that s/he was informed that the report was made and confidentiality forms which are signed by those persons being interviewed. Once an incident is reported as provided in Directive III-5, management immediately takes appropriate measures to protect the juvenile or disabled adult pending the outcome of the investigation. A report of the incidents and accidents is made to each of the Human Rights Committees at their regular scheduled meetings.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
We support the Department in its efforts to address divisional workplace safety issues. The Division should take immediate steps to become compliant with General Statutes and Department regulations with respect to employee safety. Also, the ENCSD Director and safety officer/committee chairman should take stronger steps to ensure that the Health and Safety Committee meets in accordance with the prescribed policy.	❑ Yes G.S. _____ Date enacted _____ X No	❑ Fully implemented X Partially implemented __50__% complete (Explain below) ❑ Not implemented (Explain below) **Finding: Neither the Division of Services for the Deaf and Hard of Hearing nor ENCSD has an effective workplace safety program.** **2000 Response:** Effective April 1, 2000, Safety Committee meetings will be held at ENCSD and the Division of Early Intervention and Education as prescribed by policy. For audit purposes, minutes of the meetings will be maintained. **2004 Update:** On May 10, 2004, the Director of Eastern North Carolina School for the Deaf and the DHHS Safety Program Manager appointed a full time Safety Director for the school, Mr. Don McAllister. Mr. McAllister has been working closely with the safety consultant in the Department of Health and Human Services, Division of Human Resources, Employee Safety and Benefits Program to identify and correct safety and health deficiencies, revitalize the school's safety committee, and develop procedures for the implementation of safety policies and compliance with safety regulations. The School's committee is expected to be functioning no later than August 2004, and procedures to be completed and implemented by the schedule prescribed by the Central Safety and Health Committee, with full compliance expected by May 2005. Beginning May of 2003, the Department of Health and Human Services, Division of Human Resources, Employee Safety and Benefits Program has rewritten all Department safety and health policies, and is in the process of creating general standard operating procedures to implement these policies. All policies and procedures are reviewed prior to approval by the Department's Central Safety and Health Committee, whose membership is comprised of the full time Safety Directors of the Department, including Mr. McAllister. Within four months of approval, each Division and Institution is required to adopt the general procedures or develop procedures specific to the site. Both the Division and the School is currently a part of this process, which is estimated to be completed by May of 2005.
RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The Division should immediately provide conspicuous	❑ Yes	Fully implemented

postings of building emergency escape routes and request the building owner/landlord to install flashing smoke detection devices to provide adequate warning for all employees. The Department should identify facility fire safety needs, prioritize them, and request funds from the General Assembly to address these needs. As funds become available, the Department should oversee the correction of noted deficiencies. Lastly, each school director should take steps to assure that all fire drills are conducted in accordance with policy.	G.S. _____ Date enacted _____ X No	X Partially implemented __50__% complete (Explain below)
		❑ Not implemented (Explain below)
		Finding: Neither the Division nor the schools have addressed fire safety needs in a timely manner.
		2000 Response: Division evacuation plans with proper postings will be implemented for compliance by May 1, 2000. Program compliance will be the responsibility of the VR and DEIE Safety Directors. The Department Employee Safety/Health Section will review consultation and monitoring for compliance.
		    The identification of deficiencies will be documented at the schools through monthly building inspections and by the annual Department of Insurance inspections. The Division offices will note deficiencies through quarterly building inspections. Noted findings will be processed for corrective action and/or division notifications for funding request. Follow-up for corrective action or prioritizing needs will be the DEIE Safety Director's duty. The DEIE Safety Director will coordinate activities with the schools' Maintenance Director and School Director.
		    Effective May 1, 2000, fire drills will be documented monthly with a consistent documentation form used by all schools. The school safety representative will maintain fire drill records at each school. Review of records will be conducted at least annually.
		2004 Update: The Department of Health and Human Services, Division of Human Resources, Employee Safety and Benefits Section has updated the Department policy on fire safety and is in the process of drafting general procedures for their implementation. The Division and Schools are required to either adopt the general procedures or develop site-specific ones within four months of approval. It is estimated that the Division and its schools will be in full compliance with both Department policy and safety regulations concerning fire protection and prevention by January of 2005.

CNCSD should immediately update the building content values and forward these to DOI and the new Superintendent for the Division of Early Intervention and Education. The Safety Officer, or another designated staff member, should be responsible for updating building content values annually and reporting them to DOI and the Division.	X Yes **Session Law 2001-424 Section 21.81 (a) G.S.** 143B-216.40, 143B-146.21 Date enacted __2001____ ❑ No	Fully implemented ❑ Partially implemented _____% complete (Explain below) X Not implemented (Explain below) **Finding: CNCSD has failed to annually update building content values for insurance purposes.** **2000 Response:** This function will be assigned uniformly across the residential schools through their on-site business offices with oversight by the DEIE business office. The Division will monitor to assure compliance with yearly updates. **2004 Update:** CNCSD closed in 2001.
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation.**
The organization of the Schools should be restructured	❑ Yes	

so that the Schools are uniform and consistent in their approach to educating students. Exhibit 13 depicts our recommended organizational chart. Each section within each schools' organization should include the same functions and consistent classifications should be used for similar responsibilities at all three schools. Due to the concerns identified regarding safety, personnel, and business management, we believe these functions should report indirectly to each school's principal and directly to either the Division of Early Intervention and Education or the Department's Division of Human Resources, as shown in Exhibit 13 below, to allow improved oversight. The Division of Early Intervention and Education should work in conjunction with the Department's Division of Human Resources to review and update job descriptions and position classifications as needed.	G.S. _____ Date enacted _____ X No	X Fully implemented[1]
		❑ Partially implemented _____% complete (Explain below)
		❑ Not implemented (Explain below)
		
		Finding: The organizational staffing structure is not consistent at the schools.
		
		2000 Response: Reorganization is taking place in stages, the first of which was the formation of the Division of Early Intervention and Education and the schools being moved under this division. The next phase, scheduled for the spring (2000), is the design of a consistent organizational chart to assure equitable resources and service delivery to students who are deaf or hard of hearing across the state. Price, Waterhouse, Coopers Education and Disability Organization Study will serve as blueprints.
		    In January, 2000, the Division of Human Resources (DHR) asked all agency divisions and institutions to prioritize position classification needs, which include the Division of Services for the Deaf and Hard of Hearing (DSDHH) and the Division of Early Intervention and Education (DEIE). Priorities will be based on difficulty in recruitment, retention problems, the scope of the organization's change on position functions, and the impact of requests on other agency programs. The resultant classifications from DHR review will be based on Management's desired organizational structure and the responsibilities assigned to individual positions.
		    The DHR will continue to work cooperatively with the DSDHH and DEIE on classification priorities and consult with the Divisions on job and organizational design.
		
		2004 Update: Since the reorganization of DEIE in 2001 to the Office of Education Services 104.30 positions and $12,367,242 have been cut from the OES budget. This massive change in available personnel and funding makes it impossible to maintain identical organizational structures at both schools. As a result, many centralized functions were moved out to the local level. In addition, the Budget Director position at OES was abolished in 2002, returning direct line reporting to the School Director. We have utilized shared resources to create specialized team functioning to serve all schools.

RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation.**
The Division of Services for the Deaf and the Hard of	❑ Yes G.S.	❑ Fully implemented

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[1] **AUDITOR NOTE:** This recommendation is considered **partially implemented** based on the information provided by DHHS. As stated above "the massive change in available personnel and finding makes it impossible to maintain identical organizational structures at both schools". Additional communication with the Department only supported partial implementation since the Department is in the process of reviewing and updating all job descriptions to reflect accurate job descriptions at each location.

Hearing should consider reorganizing as shown in Exhibit 16. In our opinion, the proposed organizational structure would better enable the Division to provide services to the adult deaf and hard of hearing population. See "Issues for Further Study", page 63.	_____ Date enacted _____ X No	X Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) ❑ **DSDHH 2004 Response:** The structure of the Division has changed dramatically since the 2000 audit. A copy of the new O-Chart is attached to this report. Accounting functions are handled within the Division of Services for the Blind and Personnel functions are handled in the Division of Vocational Rehabilitation. This recommendation is partially implemented.
All Regional Resource Centers should be staffed fully to provide a uniform array of services to the consumers within each region. In our opinion, the Department should carefully consider the structure shown in Exhibit 17, page 32. If necessary, the Department should consider relocating some of the RRCs to better balance the services provided. Also, the Department should analyze whether a full-time manager is necessary for each site or whether two sites may be able to share one manager.	❑ Yes G.S. _____ Date enacted _____ X No	❑ Fully implemented X Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **DSDHH 2004 Response:** The audit recommendations that the Regional Resource Centers be fully staffed have not been realized. One manager position was lost to RIF. We have recently added a new specialist position, Telecommunications Specialist, that is not funded through State Appropriations. Each of the 7 centers has one of these positions. This recommendation has not been implemented as it requires additional state appropriations. In two areas (Asheville/Morganton and Wilson/Wilmington) an attempt was made to have two sites share one manager. In both cases, this was deemed a failure, and both managers requested to be relieved of their duties towards one center. We have instituted a system of "Specialist in Charge" (SIC) is similar to DVRS "Counselor in Charge". This is somewhat successful, but staff, Mangers and SICs all state that there is a preference and need to have an on-site manager in each Center.
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation.**
With assistance from the Department's Division of Human Resources, the Division of Early Intervention and Education and the Division of Services for the Deaf and the Hard of Hearing should evaluate the necessity of all vacant positions. Department	❑ Yes G.S. _____ Date enacted	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below)

| management should evaluate the procedures used to fill vacancies, identify points of delay, and modify procedures to fill needed positions in a timely manner. In addition, consideration should be given to permanently contracting any specialized service positions that remain vacant for longer than ninety days. | _____

X   No | **Finding: The Division and Schools did not maximize their personnel resources by filling vacancies timely.**

2000 Response: In August, 1999, the Division of Human Resources authorized all agencies with direct care positions the flexibility to post vacancies for seven days to improve efficiency in the hiring process. This is the minimum number of days allowed by OSP policy. Previously, the number of days a job was posted in DHHS was fourteen and/or jobs were continuously posted unless an exception was approved to post jobs for a shorter duration.
     To expedite the hiring process for educator classifications, in September, 1998, the Division of Human Resources granted authority to each institution's education coordinator to determine relevant educator credentials for licensing and salary determination without waiting for the DPI review process; this can save up to six weeks in the hiring process. The Division of Human Resources, working in conjunction with Management, has established a priority to review hiring procedures at the Schools in hopes of further reducing the time it takes to fill vacancies. This is the second of five priorities, one of which was the review and re-classification of residential life positions that was completed January 1, 2000. The review of the recruitment process will begin the third quarter of this calendar year.
     Also, due to the established need for reorganization in creating the new Division and the upcoming aligning of O charts, a hiring freeze has been imposed by the Assistant Secretary. This obviously has contributed to the length of time in filling positions.
     DSDHH has experienced difficulty in recruiting and will be conducting more aggressive recruiting.

2002 Response: When a vacancy occurs HR meets with the hiring manager to determine if they would like to post the position for the standard two-week period; or, if the vacated position is a Direct Care Position (*as defined by the DHHS Direct Care Position Listing*), HR determines if management wants to post the position for two-weeks or seven (7) days; or if the vacated position is a continuous recruitment (*as defined by the DHHS continuous recruitment*), HR meets with management to determine if they want to post the position as a continuous recruitment position due to anticipated difficulty in filling position. Each School HR Manager also met with his/her School Director to determine which continuous recruitment positions they wanted to continuously post due to frequent turnover, and those identified positions are now continuously posted. Additionally, jobs are now posted on any day of the week.

2004 Update: The School Directors identified their most difficult to fill positions, and HR placed them on continuous recruitment. Under continuous recruitment, applications of qualified applicants are referred to the hiring manager as they come in without having to wait the standard two-week posting period. Also, direct care positions, as defined by DHHS, are posted for seven working days versus the standard two- |

week posting period. And, lastly, OES established a Staff Development Specialist position. One of the primary functions of this position is recruitment. One of the main objectives of this position will be teacher recruitment and other educator position recruitment, and enhancing applicant pools to include more minority, disabled, and minority disabled applicants through targeted recruitment efforts. Interviews to staff this position are currently in progress.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The Department should continue its efforts to establish and implement procedures for a comprehensive short-term and long-term planning process. The long-term plan should address areas in detail. Each section chief should submit detailed goals and objectives to management for inclusion in the Division's and Department's overall plan. The short-term plan should be prepared each year detailing how funds	❑ Yes G.S. _____ Date enacted _____	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: The Division and the Schools' planning process do not capture the necessary level of detail.**

appropriated by the Legislature will be spent in the major operational areas contained in the long-term plan. Detailed measures of performance should be identified, gathered, and evaluated for each objective.	X No	**2002 Response:** The Office of Education Services will hire a Director of Staff Development who will direct each school in the formation of a School Improvement Plan which will include the stated level of specificity. School plans will be congruent with Division and Department goals and objectives. **2004 Update:** School Improvement Plans have been in place for all schools since 2001. The Plans were approved by the Secretary of DHHS as well as the State Board of Education. Goals and responsibilities delineated in the Plans align with OES goals as well as school goals and the needs of students and staff. **DSDHH 2004 Response:** We have recently completed a 5-year planning process to be implemented 7/1/04. We are committed to working closely with this plan. This proposal is currently in the Office of Policy and Planning and can be forwarded on after final approval. This recommendation has been fully implemented.
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation.**
Lines of authority and responsibility should be clearly identified and communicated to all staff. Organizational reporting lines should be properly adhered to. Each section, school, and RRC should have input into the long-range plan and should be aware of how their actions relate to and impact on all other sections/schools/RRCs. Staff meetings should be scheduled as needed to update the staff on new initiatives, changes to policies and procedures, etc.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: There is a lack of communication between and among the Division, schools, and Regional Resource Centers.** **2000 Response:** The Division of Services for the Deaf and Hard of Hearing has established an "open-door" communication environment between field staff and all of Division management. In addition, quarterly meetings of staff with service delivery specialists (e. g. Hard of Hearing Services Consultants)

are now being scheduled regularly, after a time of inactivity. The new manager of the program services meets monthly with the RRC Managers. An annual statewide planning meeting of all staff was proposed, but funding is not available at this time. With assistance from the Division of Information Resource Management, the Division is developing a plan to connect its offices electronically. Preliminary testing shows that use of online meeting software can be very helpful in facilitating communication among offices statewide. This approach has proven to reduce the communications barriers that exist among hearing, deaf, and hard of hearing staff.

DSDHH 2004 Response: Staff meetings occur on a regular basis, Specialists and Managers meet quarterly, all staff twice/year, and the Executive Management Team meets twice monthly. All staff have been involved in the 5-year planning process. This recommendation has been fully implemented.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
Division management should make the development of a comprehensive internal policies and procedures manual, as well as specific policies and procedures manuals for each section within the Division, a priority. Specific, step-by-step procedures should be included in each section's manual. A system for distributing and updating these procedural manuals should also be implemented. Once the procedures are in place, management should enforce strict adherence to the procedures in all areas. The Schools should follow the same policies where applicable and should also institute procedures for annual review and revision of	☐ Yes G.S. _____ Date enacted _____ X No	X Fully implemented[2] ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) **Finding: The lack of clearly written, specific policies and procedures hamper effective operations for the division and the schools.** **2000 Response:** The Division of Early Intervention and Education recognizes the need for an internal policy and procedures manual as well as the need for schools to follow a set of uniform policies. The Division is still being formed, and uniform policy and procedures are being written. Once developed, consistent administration of policies will be expected with annual monitoring and revisions. Also, the Division of Human Resources is in the process of developing and updating personnel policies and procedures for DHHS operations that serve as an extension of State Personnel policies without being duplicative.

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[2] **AUDITOR NOTE:** This recommendation is considered **partially implemented** since the last sentence in the responses states "This recommendation is 50% implemented."

the manuals. The new Division of Early Intervention and Education should work to ensure consistency in policies and procedures used at each school.		DSDHH has operated with a Division Directive Notebook. This notebook is being replaced with a comprehensive Division Policy and Procedure Manual. Copies of the new Manual will be placed in all offices and made readily available to staff. Employees will be instructed in the application of these policies and procedures. **2004 Update:** The Office of Education Services has a designed staff member who reviews all policies and advises adoption to the OES Director. The DHHS Policy of Planning and Policy provides final review for any policies that affect other divisions in the department. OES has developed a comprehensive policy manual that contains updated and new policies for implementation by all personnel. During June 2004, these manuals were distributed to each school program with the direction that they be made available to all staff. The manuals are divided into the following sections: Administrative Services, Business Services, Human Resources, and Student Services. Policies are updated and added to the manual as the need arises. Policies are monitored for compliance by the staff of the Office of Education Services. OES is in the process of putting policies on its web site in order that they can be made available on an as-needed basis to staff and parents. **DSDHH 2004 Response:** This manual is being reworked at this time. We have developed a new database for tracking clients and services and information related to the database and data entry is being included in the manual. This is targeted to be completed by August 1, 2004. This recommendation is partially implemented, approximately 50% implemented.
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation.**
The Division should take an active role in providing guidance and supervision to the Regional Resource Centers to ensure reliable, consistent reporting. This should include establishing policies and procedures for all aspects of RRC operation. Service categories should be defined and standards developed for counting services and clients/agencies/ organizations. Guidelines should be established on when it is appropriate to provide services outside the catchment areas or refer a client/agency to another RRC.	❑　　Yes G.S. _____ Date enacted _____ X　　No	X　　Fully implemented ❑　　Partially implemented _____% complete (Explain below) ❑　　Not implemented (Explain below) **Finding: The Division provides limited guidance and supervision to the Regional Resource Centers.** **2000 Response:** A new state manager has been hired and is providing leadership and guidance to the RRCs. She has focused the RRC managers on the issue of defining services and preparing and submitting quarterly reports consistently. This effort will be helped greatly when the human services evaluator position is approved and filled. **DSDHH 2004 Response:** As noted above, we have developed a database to standardize reporting procedures, clarify service definitions and categories. Data entry began 7/1/03 and the system is slated

to go "live" on 7/1/04. We have also implemented a structure for all Specialist meetings where members of the Executive Management Team facilitate these meetings to insure that all staff from the Centers receive guidance from management.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
Division and school management should establish a formal training program. First, management should critically assess the training needs of all staff and compare those needs to the available resources. A training plan should be developed for the Division and each school and specific courses should be made available to all staff based on needs identified through the Performance Management Program. Management should prioritize training needs in the biennial budget process and acquire funds for this endeavor. Finally, a tracking system should be developed to monitor progress toward achieving the training goals.	❑　　Yes G.S. _____ Date enacted _____ X　　No	X　　Fully implemented ❑　　Partially implemented _____% complete (Explain below) ❑　　Not implemented (Explain below) **Finding: Training needs of division and school personnel are not being met.** **2000 Response:** The DEIE has recently established a Director of Staff Development. This position will be responsible for coordinating both program and mandated training within DEIE. In addition, each of the Schools for the Deaf has a staff development specialist position that has been dedicated to the teaching of sign language exclusively. Job responsibilities and areas of emphasis will be revised as a part of the upcoming standardization of the O charts. 　　The Division of Human Resources has provided train-the-trainer opportunities to the staff development positions in the past to equip them with the skills to provide training on mandated and supervisory training. A train-the-trainer class using Interaction Management training materials will be scheduled the third quarter of the calendar year for Division staff development positions. In addition, train-the-trainer classes will be held with school performance management coordinators during this same period. 　　The HR Division surveyed a representative sample of supervisors and managers in the fall of 1999 to

		identify their training needs. This needs assessment is driving a review of current materials covered in the Introduction to Supervision (3 training modules). School Directors also meet with the Superintendent monthly to share professional expertise in addressing issues.
		
		    DHHS Directive 34 (Performance Management Policy) required each employee be offered a development plan to help him/her define the knowledge and skills needed to remain competent or competitive in his/her job. Each Division's supervisor should be reminded that development of work plans with employees and the conducing of interim and final evaluations are a policy requirement.
		
		    The Department has just committed to the purchase of software that will track training, allow on-line registration, and generate statistical reports. This software will enable the individual schools and division management to monitor progress on achieving training goals. Supervisors will have access to on-line programs that provide job-coaching information on a variety of topics.
		
		    The Division of Human Resources has partner with OSP to pilot new performance management products for managers, supervisors, and employees. Pilots were conducted jointly with OSP, which included participants in management and staff positions in DHHS human resources. Pilot training was also conducted in the fall of 1999 with the DHHS executive management team. As of March 3, funding for the purchase of new performance training materials and an automated tracking system for training has been approved. Once the division trainers are certified they will have access to over 50 management and employee development modules. Since in-service education days are limited, staff may also take advantage of these modules in workbook and CD-ROM formats. In addition, a staff development position was recently moved to the central office of HR where it will concentrate on the delivery of new performance training products and distance learning.
		
		    Employee orientation is a shared responsibility between management and HR. In this area, HR has an orientation guide in draft form for DHHS human resources officers that serves to document information to be covered with new employees, e. g., benefits, work station, hours of work, workplace harassment laws, etc. This guide will serve to document that new employees have received an orientation and confirm that they understand the information by acknowledgement of signature with the information then filed in their personnel file. This guide will be available the second quarter of this calendar year.
		
		    The DSDHH has assigned a position to assess training needs for all staff, develop training plans, arrange or provide all state and department mandated training, and maintain training records on all staff. Assessments will be completed by the end of March, 2000. Training plans will be developed after the assessments, and training will be provided as resources permit.
		
		2002 Response: Training needs are being met across all departments. In the business office on the job training has taken place, and formal training has been offered in the following areas: NCAS fixed asset training, (for the fixed asset coordinator), agency system management training, (for the accounts payable staff), Information Expert training (for budget and accounting report running), Procurement card

training (for staff using cards and reconcilers), E-Procurement training (for purchasing agents at each school), Purchasing/ Buyers training (for purchasing agent at ENCSD), and Supervision for professional managers (Business Mgr. GMS). The business director has also taken advantage of every free training course offered through OSC for herself as well as staff.

However, the Director of Staff Development position (4422-1811-1211-107), which focused primarily on training and development for certified educators, was abolished by the Legislature in 2001. Training for instructional staff is ongoing. Procedures have been and are being developed to assist each school in detailed tracking of staff development for all personnel. In addition, each school prepares a report about its staff development for the Office of Education Services twice per year.

All schools plan and regulate their instructional staff development as a component of their School Improvement Plan.

2004 Update: The Staff Development Specialist I position was recently established. This position will focus on training and development of certified educators and SPA staff. Interviews are currently in progress for this position. New-hire orientation has been enhanced to include mandated training in Abuse, Neglect, and Exploitation (Directive III-5), Safety, Blood Borne Pathogens, and Confidentiality/Records. We are in the process of expanding the mandated training for new-hires to include training in NCI (Non-violent Crisis Intervention), Unlawful Workplace Harassment, Performance Management, Customer Service, Diversity/Sensitivity, Workplace Violence Prevention, and Equal Employment Opportunity. Additionally, the new Staff Development Specialist I position will work with the School Directors to enhance the annual training that is provided at the beginning of each school year to include the training referenced above. This position will also work with the local Staff Development Specialist, who currently focus exclusively on sign language training, to ensure on-going, more intensive training is provided throughout the school year in identified areas, such as management skills training and HR Skills training. In addition, instructional staff continue to receive training that addresses needs outlined in the School Improvement Plan for each school as well as attending workshops that educate them in the use of best instructional practices in their classrooms. A leadership training institute has been planned for ENCSD, and once the School Director is hired at NCSD a similar plan will be put in place.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
Work order policies and procedures should be developed. The policies and procedures should outline the type of work that warrants preparing a work order, handling of routine and special work requests, voiding of work orders, assigning batches of blank work orders, etc. The Schools should develop and implement a computerized tracking and monitoring system for work orders which allows management to assess the quality of work performed, the frequency of requests, and allows for the accountability of inventory. Finally, the Schools should increase their budgetary requests for repair and maintenance to provide adequate funding for preventive maintenance to ensure the safety of its staff and equipment.	❑　　　Yes G.S. _____ Date enacted _____ X　　　No	X　　　Fully implemented[3] ❑　　　Partially implemented _____% complete (Explain below) ❑　　　Not implemented (Explain below) **Finding: The schools do not have an effective work order system in place.** **2000 Response:** The Office of Education Services will seek guidance from the Division of Property and Construction in the development of policies and procedures for work orders. **2004 Update:** Each school has its own procedure for handling work orders. The Maintenance Director at ENCSD works with staff to ensure that work orders are processed efficiently and issues are addressed in a timely fashion. NCSD follows the procedures prescribed by the newly implemented Western Regional Maintenance to address its maintenance needs.

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[3] **AUDITOR NOTE:** This recommendation is considered **partially implemented** since ENCSD has not developed a computerized tracking and monitoring system has for work orders.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.

Division and School management should ensure personnel files comply with OSP regulations and Department policy by containing all relevant records for each employee. In addition, each personnel office should review all files to ensure that all necessary documents are retained to support hiring decisions and reduce the potential for grievances or lawsuits. School management should ensure that all promotional opportunities are posted and comply with OSP regulations. Lastly, management should ensure that all personnel documentation is securely located within the personnel office to reduce the possibility for lost or destroyed documentation.	❑ Yes
	 G.S.
	 _____
	
	 Date enacted
	
	 _____
	
	 X No
		X Fully implemented
		 ❑ Partially implemented _____% complete (Explain below)
		 ❑ Not implemented (Explain below)
		
		 Finding: Employee files did not contain adequate documentation to support certain personnel actions.
		
		 2000 Response: The Division of Human Resources has in draft stage the development of an audit program for gauging the quality of division and institution HR programs and compliance with relevant policies and procedures. The audits will be conducted by program experts with the HR division and will include all HR functional areas such as classification and pay, employee safety and health, employment and management development, recruitment, work/life and benefits, employee relations and general HR management. The target date for implementation is by the end of the second quarter of this calendar year. Henceforth, audits will be conducted periodically by each HR functional program.
		    In addition, a structured mentoring program is in draft form and is targeted for implementation in the second quarter of this year. This program will provide much needed training and orientation to new HR employees to better serve employees in the divisions and institutions.
		    Documentation procedures for file management of drug testing in compliance with DHHS Directive 47 and criminal background checks in compliance with NCGS 114-9.6 will be reviewed with all Divisions by April 1, 2000. Personnel records for compliance will be reviewed annually by the Division of Human Resources.

		2002 Response: A concerted effort is made to file copies of PD-105's, PD-118's, and memorandums re: personnel actions in employee personnel files. The Department now routinely conducts audits of HR files. Both WNCSD and ENCSD HR files have been audited by the DHHS Division of Human Resources. **2004 Update:** Copies of PD105's and PD118's continue to be filed in personnel files. And, audits of the School HR Offices continue to be conducted on a routine basis. **DSDHH 2004 Response:** The Division of Vocational Rehabilitation Services Human Resources section handles personnel matters for the Division and complies with all OSP regulations. This recommendation is fully implemented.
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation.**
Performance management is an integral part of total management, influencing the selection, staffing, discipline, training, and development of an agency and its employees. The Department, Division, and Schools should maintain an operative performance management system as required by State regulations. The Division and School management should ensure that all supervisors complete employee evaluations timely. In addition, the Division and School management should inform all staff that performance appraisals are not to be completed by the employees but by the appropriate supervisor.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: Annual performance evaluations were not completed as required by State personnel Policy.** **2000 Response:** In February, all DHHS performance management coordinators met to review the reporting requirements of the performance management program. Agencies were requested to provide a copy of their individual monitoring plans to the HR division by May 1 and to complete their annual monitoring by ratings by August 1. At the end of each performance management cycle, the HR offices reconcile their entry of PMS ratings into PMIS. Beginning this year, the Division of Human Resources will require that the agency director verify with their managers that all evaluations have been completed, that work plans have been received by HR offices and ratings entered into PMIS. At the same time, Human Resources staff shall not enter performance management ratings unless a completed work plan with a final rating is submitted to the HR office. Upon conclusion of the performance cycle, a program evaluation will be conducted at the schools to review the quality of the work plans and compliance to policy. Central School has an on-site Performance Management trainer. The DEIE will have staff developers at ENCSD and NCSD become certified trainers in performance management to provide training and refresher training to new supervisors.

			Current state policy and DHHS Directive 34 recommends that supervisors encourage their employees to provide documentation for the final evaluation. While the supervisor must meet with the employee and review the employee's documentation as well as their own data, there is nothing in either policy that prohibits employees from drafting the final performance evaluation if both the supervisor and the employee agree to the evaluation. The Division of Services for the Deaf and Hard of Hearing staff Development Coordinator is a certified Performance Management (PM) Trainer who has begun scheduling Performance Management training Division wide. **2002 Response:** The School Human Resources Managers send out email reminder notices to school management when it is time to complete interim reviews and the annual performance evaluations. HR makes management aware of any performance evaluations that are not completed. Evaluations of certified educators are monitored by the Superintendent. **2004 Update:** The School Human Resources Managers continue to send out email reminder notices to school management when it is time to complete interim reviews and the annual performance evaluations. HR continues to make management aware of any performance evaluations that are not completed, and the evaluations of certified educators continue to be monitored by the Superintendent. **DSDHH 2004 Response:** The Division has been consistently compliant with the PM process and appraisals are performed by supervisors in a timely manner and results submitted to DVRS as required. This recommendation is fully implemented

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
Management should immediately establish one effective time-keeping system to be used by all locations. Every employee should be responsible for documenting his or her time worked and leave earned/taken. Supervisors should be responsible for observing employee work habits and approving completed time sheets. Employees, supervisors, and the payroll clerk should conduct a more thorough review of monthly time sheets. Management should follow all policies implemented to set an example for staff.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: The time keeping system does not accurately reflect time worked or leave balances.** **2000 Response:** One time-keeping system will be identified and its use institutionalized within the DEIE. Clear and consistent policies and procedures will be designed and utilized across the Division. The Business Manager at each school will designate one payroll clerk to be responsible for auditing time sheets. Training of Division staff will be provided. The VR HR office is working with DSDHH management to establish uniform policies and procedures governing time keeping. A timekeeper will be appointed in each office location. Training and written instructions will be provided. The VR HR office will perform periodic audits of the process to assure compliance. **2002 Response:** Human Resource completes a mid-year and an end-of-year audit of all timesheets. The designated Payroll Clerks in the Business Offices audit the timesheets on a monthly basis. Payroll Clerks have been designated at WNCSD and ENCSD in the Business Offices. HR has trained the timekeepers and school management at each School on timekeeping procedures, policies, and practices. The then CNCSD HR Manager completed training and an audit of ENCSD timesheets in 2001 as a check and balances measure. In addition, the Department is going to be conducting timekeeping training for timekeepers throughout DHHS, including the OES Payroll Clerks and HR staff, sometime in 2002. **2004 Update:** Currently, OES staff are attending meetings regarding the new time keeping system called

		NC Time. DHHS is to be the pilot department for this new system that will be adopted statewide. One school in OES will function as a one of the pilot sites. **DSDHH 2004 Response:** We have instituted the use of the DVRS time-keeping system and it is used consistently by all Regional Resource Centers. Each Center has a trained time-keeper and DVRS tracks their progress. This recommendation is fully implemented.
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation.**
The payroll clerks at each school should compare the supporting documentation to the payroll register to verify that all applicable employees are included. The Department should review the accuracy of the data entered into the payroll system and the calculations contained within the payroll system.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: Internal controls at the Schools are inadequate to ensure accuracy of overtime, shift premium, and holiday payments.** **2000 Response:** The Division of Human Resources will develop a salary administration guide for payroll clerks. Human Resources will outline the OSP policies that govern the various pay provisions that are afforded to certain classifications and work settings. The timeframe for completing the guide will be the third quarter of the calendar year. The Business Office of DEIE will establish a procedure for on-site payroll clerks to follow in reviewing time sheets to assure compliance with OEP policies and the salary administration guide. **2002 Response:** The automated timesheet will automatically compute overtime hours, shift premium hours, and holiday hours. As such, the potential for human error will be greatly reduced. Additionally, all Payroll Clerks have been trained on the accurate way of counting overtime hours for subject and exempt employees. **2004 Update:** The new automated time keeping system (NC Time) will provide reports on all employees to verify and compare to payroll. Each school has a person in the business office designated as timekeeper to track all payroll expenses.

Division of Services for the Deaf and Hard of Hearing
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The Department's Division of Human Resources should review the responsibilities of the Student Support Services Principal and the high school Principal. This review should determine the actual reporting lines and responsibilities and the proper pay classification. Classification titles and resulting pay grades should be representative of the actual duties assigned to the position. Changes made as a result of the review in title classifications or lines of authority should be promptly communicated to all applicable staff. Additionally, the school's personnel office, in conjunction with the Department's Controller's Office, should review all payroll system information to verify that the correct data has been entered. The personnel office should compare information in the DPI License and Salary Information Center database to school records to ensure accuracy. All staff being paid incorrectly should be notified and the inaccurate payments corrected.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: Certain ENCSD positions are misclassified and some certified staff are being paid incorrectly.** **2000 Response:** Within the past six months, the Division of Human Resources has conducted and completed classification studies in two areas in order to update current job descriptions and classifications. These studies included school administrator and residential life positions, which totaled approximately 250 positions. Next to be evaluated are the principal and assistant principal classifications. In the school administrator study, the re-evaluation of educator credentials is a part of the process and is currently being conducted by the DEIE. The reorganization of DEIE will require additional jobs evaluated which Human Resources will conduct as new roles and reassigned duties are developed by management and as position descriptions are prepared. **2002 Response:** In the fall of 2000, the residential Schools were reorganized to establish a consistent organizational structure, to flatten the management structure, and to more closely model the public school organizational configuration. Each School was reorganized to have one (1) Principal and one (1) or two (2) Assistant Principals, and a consistent organizational chart for all residential School positions was put in place. The classification of each position at the residential Schools was reviewed at that time to determine if its classification was appropriate and correct. When inconsistencies and/or inaccuracies were identified, positions were either reallocated to their appropriate classification or flagged for reclassification at a later date. In January 2000, the residential staff positions were reallocated to adjust for changes in the labor market, and each residential life employee received or was later eligible to receive up to a 10% salary increase. As positions are vacated, they are reviewed to determine if the current position classification meets the needs of the organization. And, if not, the position is reallocated to a more appropriate classification.

| | | | When the budget freeze is lifted, OES has plans to complete in-range salary adjustment calculations across the Schools for the Food Services, Housekeeping, and clerical positions to determine if there are any salary inequities.

    An experience review of 20-30% of the certified educators at ENCSD has been conducted. Identified experience credit errors have been corrected.

2004 Update: OES provided salary equity in-range adjustments to the School Food Services and Housekeeping staffs, and provided SER (special entry rate) increases to the School Nurses effective March 2003. There are current plans to implement salary equity in-range adjustments to the EDA's (Educational Developmental Aides), clerical classifications, and residential life staff in 2004. All certified staff are paid according the appropriate Department of Public Instruction Salary Schedule. Additionally, positions are reviewed as they become vacant to ensure the current classification is appropriate and is meeting the needs of the program. If not, classification changes are made to correct for the above. The Schools operate on a site-specific organizational structure which is reviewed by the Superintendent to ensure program needs are being met. |

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.

The Schools should comply with all provisions of the State Budget Manual including retaining budget records. Management should ensure that a detailed transaction ledger is maintained at each school. Annual budget planning should include variance analysis, establishing the budget, and budget review consistent with general business practices. The Department should ensure that the Division is informed of all budgetary transactions and the Schools should likewise implement a policy to inform the Division of all incoming funds. Staff should be adequately trained and overseen to prevent these errors from continuing.	❑ Yes
	G.S.
	_____
	
	Date enacted
	
	_____
	
	X No
		X Fully implemented
		❑ Partially implemented _____% complete (Explain below)
		❑ Not implemented (Explain below)
		
		Finding: The Division and schools are not complying with state regulations on annual budgets.
		
		2000 Response: In reviewing school-level budget issues, there is a clear need for training, consistency, and oversight. Effective May 1, 2000, School Business Managers will report directly to the DEIE Business Director. There will be a dotted line reporting relationship to School Directors who will collaborate with the Division Business Director in Performance Management Reviews.
		     School business personnel will be expected to ensure school-wide compliance with the provisions of the State Budget Manual. On-going training, monitoring, and development of budget procedures will be provided by the Division Business Director.
		
		2002 Response: New Business Managers have been hired, since the performance audit occurred. These managers have received extensive budget training, through one on one training session with the Office Business Director and other Central Office Business staff, as well as formal budget management training through the Office of State Controller. They have had the opportunity to attend the OSBM conference, and have been trained and now work with all budget computer systems through IMS. Accounts payable staff has also received formal training, and on the job training on the state chart of accounts.
		     Business Managers work with the School Directors, in planning and establishing budgets to the cost center level on a yearly basis, and review the budget reports by section with the School Directors on a monthly basis. Business Managers are furnishing cost center reports to the Director and respective Program Managers, and are in constant communication with these staff members on budget realignments, and expenditures.
		
		     Well-developed performance management plans have been established by the offices Business Director that list the responsibilities and expectations of the Business Managers in their roles. The business managers have also developed performance management plans for their staff based on reorganization, and all business office staff member know what the expectation are of them in their roles. Managers have been instructed to keep all supporting documentation on file. Monthly budget reports,

			encumbrance reports, and detail ledgers are currently being kept on file. The Business Director makes site visits to the school business offices on a continuous basis. On these site visits the director audits office operations, and works closely with all business staff, informing them of information that needs to be kept for substantiation purposes. By making these site visits the director is also working with staff on improving and developing new work processes. **2004 Update:** Effective July 1, 2002, all school business managers were to report directly to the School Directors with a dotted line reporting to the new Business Director for OES (hired fall of 2002). All business managers and assistant business managers at the schools are new and were hired in 2003 and 2004. Extensive training has taken place through one on one with OES Business Director and group training workshops. The group training workshops were taught by OES Business Director, DHHS Budget and Analysis staff, DHHS Controller's office staff, DHHS Contract and Procurement staff and DHHS Policy and Planning staff. Also staff from OSBM and DPI Grants section participated. Meetings/trainings continue to be held at least quarterly.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The Department should pursue authorization to use procurement cards for its various divisions. Each RRC would assign responsibility for the procurement card to one person who would make the purchases. The monthly statements would be sent directly to the Division and the RRC would forward supporting documentation to the Division. The Division would reconcile to the monthly statement and review the documentation to ensure reasonableness and necessity of all purchases.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: The Regional Resource Centers experience delays in receiving supplies, materials, and equipment purchased through the Division office.** **2000 Response:** Reorganization will create a new structure in which much of the purchasing process will become the responsibility of the RRC managers, with support from the Business staff of the Division of Services for the Blind. **DSDHH 2004 Response:** Each RRC has one person with a P-card at this time. Monthly statements are sent to DSB for processing. Receipts are forwarded to the Division for reconciliation monthly. This recommendation is fully implemented.
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation.**
The Division should complete written internal	❑ Yes	❑ Fully implemented

| procedures for fixed asset management and provide them to all employees, as well as provide fixed asset management training to all employees engaged in this function. Proper documentation for relocating or surplusing fixed assets should be maintained and additions, deletions, and modifications to the fixed asset inventory should be made timely to keep the inventory accurate. The Department should delegate the responsibility of recording, deleting, and modifying the fixed asset inventory directly to the fixed asset officer at each school and each Regional Resource Center. | G.S. _____ Date enacted _____ X   No | X   Partially implemented __90____% complete (Explain below)
 ❑   Not implemented (Explain below)

 Finding: There are weaknesses in the accountability and maintenance of fixed assets.
 2000 Response: The DEIE Business Director will assure that school Business Managers obtain and understand fixed asset policies. A consistent process will be designed and a person within the School Business Office will be designated and held accountable for maintaining an accurate and current fixed asset inventory.

     The DSDHH is establishing a consistent process for maintaining and tracking the fixed asset inventory. A single individual is being assigned this responsibility. The individual will work with the RRC Managers who will have site responsibility for fixed assets in their inventories.

 2002 Response:
 The central business office in collaboration with the school business office staff has developed and internal policy, procedures and forms for fixed asset management.   The policy is now in draft form and will reviewed with the school directors in the near future. Although fixed assets are a business function, it takes all staff working together to insure fixed assets are being track properly. This had not been done in the past and, has improved somewhat. The business director, is in the process of coordinating a one-day training session for business staff on fixed assets. The DHHS Controllers office will provide this training. After the training session is completed the business director plans to discuss the draft fixed asset policy and procedures with the School Directors, Business Managers and Stock Clerks for input. Once input is giving the policy will be finalized.

 2004 Update: The fixed asset policy is complete and has been distributed to each school for implementation. Since all business staff is new, a training session is scheduled for summer 2004 to review the procedures and identify areas to improve. OES will also look into the ability to have direct access to the fixed asset system to allow timely changes and additions.

 DSDHH 2004 Response: Fixed asset inventory is conducted annually. One Division staff person coordinates the gathering of information from each RRC. Recording, deleting and modifying the fixed asset inventory is handled by one Division staff person for all of the RRCs. This recommendation is fully implemented. |

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
The Schools should establish contracts for all satellite preschool locations regardless of costs. These contracts should include liability designation, ownership of equipment, and insurance coverage.	❑ Yes G.S. _____ Date enacted _____ X No	Fully implemented ❑ Partially implemented _____% complete (Explain below) X Not implemented (Explain below) **Finding: The schools did not establish contracts for all preschool satellite facilities.** **2000 Response:** The DEIE Contract Administrator with the Business Office will ensure that all preschool sites have appropriate executed contracts for the 2000-2001 school year. **2004 Update:** All satellite preschool sites were closed in the fall of 2001.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The Division should examine its current procedures for approving and documenting its personal service contracts. Providing oversight to the purchasing system is an integral part of total management. The Division should establish procedures to document its efforts for soliciting competitive bidding for contracts and any potential conflicts that may exist when approving contracts. The Division should comply with State purchasing regulations with regard to sole source contracts and contract file documentation.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **Finding: The Division did not comply with state regulation regarding documentation of Personal Service Contracts.** **2000 Response:** Although personal service contracts are a DHHS Purchase and Contract responsibility, the Division of Human Resources has responsibility for the approval of personal service contracts as it relates to employer/employee relationship and proposed salary. The Division of Human Resources, as a part of its audit process described above, will review personal service contracts to ensure local HR offices have review contracts using appropriate criteria that files are maintained on contract duration and salary rate and that appropriate approval was received. The Division of Human Resources will issue procedures by the end of the second quarter of this year. **2002 Response:** The school business offices have been reorganized. The Assistant business manager at each school has the role of contract management. All personnel service contracts, maintenance agreements, and transportation contracts are on file in the business office. All information that supports the contract is a part of the file. Ex. (nine point justification, Addendum's, Amendments, sole source justifications) Once the assistant business managers receive the scope of work necessary for the contract from the program manager, an informal bid process is done. This is not a necessary task for direct client contracts per the DHHS contract office however this is done to assure that the office of education and schools are being competitive, and utilizing the available resources wisely. **2004 Update:** DHHS has implemented a new performance based contract system to be implemented in 2004/2005. The assistant business managers at each school still maintain the role of contract management with the assistance of the program staff. Extensive training has been conducted and will continue throughout this process to assure compliance with the new department requirements. The division HR office will continue the role of reviewing and approving all personal service contracts. **DSDHH 2004 Response:** All personal service contracts currently must go through the Center of Excellence and be approved before implementation. All personal service contracts comply with Department policies, procedures and regulations. This recommendation is fully implemented.

DIVISION OF SOCIAL SERVICES, CHILD SUPPORT ENFORMANCE SECTION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up

INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by <mark>WEDNESDAY, JUNE 30, 2004</mark>. to <mark>Barbara_Baldwin@ncauditor.net</mark> or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
DHHS should take steps to ensure that future notifications to affected parties of Centralized Collections Operation changes are distributed in a timely manner. Additionally, returned mail should be tracked by the CCO and attempts made to find more accurate addresses. Finally, DHHS should more closely monitor programming changes to ensure that they are made in a timely manner.	❑ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **1- This was a pre-implementation issue. The CCO vendor mailed the notices based on electronic address files furnished by the IV-D program and AOC. Both of these agencies were responsible for furnishing current addresses and following up on them.** **However, we do have a DHHS Controller's Office Procedure (PB1215) for handling returned mail from the CCO when payments are not acceptable. The procedure is attached to this document.**
SMI should maintain adequate staffing levels to cover workloads and identify ways to retain staff. DHHS should closely monitor the staffing situation at the CCO and assist SMI in establishing and maintaining adequately trained staff.	❑ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **2- SMI has adequate staffing and has maintained adequate staffing since early 2000. All work is processed within the time period established by the contract. The percentage of payments turned over within the 48 hour period has exceeded 99% for the past few years. This is monitored by the DHHS Controller's office. Please see the latest production statistics attached to this document.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS — Please provide documentation supporting implementation status for each recommendation.
The lack of adequate testing was an implementation problem. However, DHHS should require SMI to conduct adequate testing prior to implementing any future major modifications at the CCO.	☐ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) **3- SMI has a testing database and all changes to the system are thoroughly tested. Any changes impacting the public are also tested by the IV-D program staff as well in a User Acceptance Test.**
DHHS should closely monitor transaction volume, SMI staffing levels, and equipment levels to ensure timely processing of child support payments.	☐ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) **4**-**The transaction volume is closely monitored by the DHHS Controller's office. The percentage of transactions turned over in the 48 hour time limit exceeds contract performance standards. Please see the latest performance standards attached to this document. (See # 2)**
DHHS should closely monitor contractor compliance with the terms of the contract for the CCO. SMI management should continue efforts to integrate the on-line help system as soon as possible to ensure staff understanding of procedures, thereby increasing efficiency and effectiveness of operations.	☐ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) **5**-**The DHHS Controller's Office closely monitors all activity at the CCO. The on-line help system has been implemented. Drop down boxes aid CCO operators in choosing appropriate codes, etc. for the system. The CCO also has an up-to-date Standard Operating Procedures Manual since many of their functions are outside of the system.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
DHHS should determine which cases have incorrect demographic data and add those cases to the exception report for the Clerks of Superior Court to investigate and resolve. The Clerks should make every effort to provide valid demographic data on participants to avoid the issuance of multiple MPI numbers.	❑ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **6- After conversion of the AOC cases into ACTS, corrective action was taken to identify and correct missing demographic data. An ACTS utility program was used to provide AOC with error/exception reports to identify and correct cases with missing data. Also, queries are periodically run to detect potentially bogus data in the system. In addition, a court ordered data/cover sheet is required for all modifications. When a case that had missing demographic data is modified, the demographic data is updated from the cover sheet. Currently, State Case Registry (SCR) edits are in place to prevent cases from being entered without the appropriate data.**
DHHS should closely monitor the deletion of these expired cases. The Clerks should make the identification and deletion of these cases a priority.	❑ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **7- AOC cannot routinely terminate cases when the order has reached an end date. The payor must go to court to have the order modified with a termination date and then it is deleted from AOC's system. However, since there is no charge cycle for these expired cases, these expired zero balance orders have no delinquencies and ACTS has been programmed to by-pass these zero balance orders for bill files and distribution schemes. No bills or payment coupons are printed for these cases. Originally about 80,000 AOC cases were converted to ACTS. Currently, there are approximately 50,000 AOC cases.**

**DIVISION OF SOCIAL SERVICES, CHILD SUPPORT ENFORMANCE SECTION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
DHHS should closely monitor the status of unidentified and misapplied payments. All efforts to properly identify and credit child support payments should be exhausted before funds are placed in the State's escheat account. DHHS and SMI should continue to work to reduce misapplied and unidentified transactions.	❑ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **8- The DHHS Controller's Office closely monitors these statistics. Please see the attached posting error chart and the latest unidentified payment statistics. As of May, there were only 538 unidentified payments accumulated since August 2000.**
DHHS should closely monitor the automation process for handling address changes and additional correspondence. DHHS and SMI should immediately devise a plan for reviewing the images already in the file and determining which changes have been made and which need to be forwarded for processing.	❑ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **9-This function is also closely monitored by the DHHS Controller's Office. There is no backlog of correspondence to be faxed to the counties. Address changes are faxed *daily* to the county IV-D Office and/or Clerk of Court (for non IV-D cases). The local office staff research the case and update addresses as appropriate.**
DHHS should identify cases with incorrect data and make correcting this information a priority. Additionally, DHHS should continue to work with the contractor to improve methods for identifying and posting payments properly.	❑ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **10-The Child Support program staff has worked diligently since CCO implementation to clean up conversion errors in ACTS. The CCO posting error rate averages less than .05% now. Please see the attached SFY Posting Error spreadsheet. (See # 8)**

DIVISION OF SOCIAL SERVICES, CHILD SUPPORT ENFORMANCE SECTION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
We concur with the DHHS decision to automate future payments. DHHS should discontinue its contract with Corr Services for the remaining functions and use State employees to maintain and initiate new non-IV-D cases and work the undistributed non-IV-D future payments. This would generate a potential annual saving between $117,404 and $426,864 to the State for the first year.	❑ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **11-ACTS was modified to automate the processing of the majority of the future payments by accepting and disbursing payments on Non IV-D cases with zero balances. The balance of the future payments are manually processed through the system on a timely basis. The Corr Services contract was discontinued. Currently, a team of non IV-D workers comprised of State employees handles the future payments and non IV-D case maintenance.**
We concur with DHHS' proposed expanded call center. DHHS should continue efforts to adjust staffing levels to meet customer demand. However, DHHS should cease using employees from local CSE offices to work in Raleigh at the call center. These employees have large child support caseloads that are not being worked effectively during their absence. (See finding and recommendation on page 41.)	❑ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **12-In the spring of 2001, N.C. CSE opened a new Customer Service Center located in Martin County, N.C. The CSC has a staff of 52 customer service representatives that are specifically available to respond to telephone calls from the hours of 7:30 am to 7:30 pm on week days. Staffing is adequate to accommodate the current call volume.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
We concur with DHHS' decision to replace the current VRU. DHHS should include the necessary tracking mechanisms in the redesign to quantify the number of calls into the system. This will allow DHHS to evaluate the adequacy of client service functions as well as staffing levels.	❑ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **13-The VRU was replaced with a state-of–the–art VRU when the Martin County Customer Service Center opened in the spring of 2001. The new VRU is located at the CSC and has software that allows for and reports call tracking (average number of calls received), call time, call hold time and customer call abandon rates. Each call is also recorded. This mechanism is used to QA calls to ensure that the CSE is providing quality service to CSE customers and to ensure that training needs for CSC representatives are being met.**
To ensure consistency and improve customer service, DHHS should establish a policies and procedures manual for each unit providing child support services. In addition, a formal training program should be instituted and documentation of that training should be maintained for the CSE Client Services Unit (call center).	❑ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **14-The Customer Service Center has established a policy and procedures manual for the CS representatives. The manual was established and approved prior to the opening of the CSC in 2001. The CSC includes a training room with 20 pc workstations. Trainers are on site at the CSC and training is delivered to all new staff and quarterly to all existing staff. Training is documented and tracked in a training book. The training book contains a copy of the training material, the training schedule and a sign up sheet to show who received what training.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
DHHS should enforce the terms of the contract with SMI. A sufficient, written disaster recovery plan for the local area network should be developed and a "hot site" should be established in Raleigh. The plan should be approved by senior management and tested periodically.	❏ Yes G.S. _____ Date enacted _____ ☒ No	**x** Fully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below) **15-The CCO Steering Committee (comprised of CSE, AOC and Controller's staff) approved a Disaster Plan in 2001. It is attached to this document.**
DHHS should immediately require SMI to take the necessary steps to enhance the current physical security to safeguard the operation from unauthorized access, use, or destruction.	❏ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below) **16- SMI, the CCO vendor, has a Site Security Plan and a General Security Plan, both of which are attached to this document. DHHS worked closely with the CCO vendor to create and approve these plans as amendments to the Detail Design Document.**
DHHS should work with SMI to investigate methods to restrict access to production data files. When access is needed for data corrections, activities in these data files should be controlled, monitored, and reviewed by management. Lastly, audit trails should be used as an effective monitoring tool.	❏ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below) **17**- **There is strict control over data access. SMI maintains a security sign-on ID log and users must sign a CCO Data Security Document before being given access to the system. All activities performed within the CCO remittance system are documented on-line within a systems audit log. Activities are tied to the user ID#, so any activity can be traced back to the user who performed the activity. Also, all exception processing tied to a transaction is documented in an on-line envelope research log. Attached is Appendix 13 of the Detail Design Document, which outlines the CCO Computer Network Access Policies and Procedures.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
DHHS should complete the development and documentation of its change order process for the SMI contract. The process should be approved by management and implemented as soon as possible. When a system is changed, the documentation should be updated so that the system will be maintainable. Similarly, SMI should also complete, document, and implement its own change order process.	❑ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **18- SMI has an internal program change log maintained at the CCO site. Also, DHHS has a change order process, which was implemented in 2000. Attached is the Change Order Procedure.**
DHHS should more closely monitor SMI's procedures relating to access to data in the CCO. To ensure the integrity of the centralized collection system, SMI should take the necessary steps to strengthen and document policies and procedures regarding information security, especially relating to access to data files and programs.	❑ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **19-There is strict control over data access. SMI maintains a security sign-on ID log and users must sign a CCO Data Security Document before being given access to the system. All activities performed within the CCO remittance system are documented on-line within a systems audit log. Activities are tied to the user ID#, so any activity can be traced back to the user who performed the activity. Also, all exception processing tied to a transaction is recorded in an on-line envelope research log. Attached is Appendix 13 of the Detail Design Document, which outlines the CCO Computer Network Access Policies and Procedures.** (See # 17)
DHHS should require SMI, as its contractor, to comply with the State and DHHS Cash Management Plans regarding the daily deposit of receipts. To protect against theft or fraud, restrictive endorsements should be stamped on payment instruments as early as possible.	❑ Yes G.S. _____ Date enacted _____ ☒ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **20-SMI complies with the DHHS Cash Management Plan, which has been approved by the State Controller's Office. A copy of the DHHS Cash Management Plan, which pertains to the CCO daily deposit, is attached.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
We support DHHS' plans to employ electronic methods of collecting and disbursing child support payments. DHHS should increase its efforts to utilize electronic methods and proceed with plans to pilot these methods for State agencies.	❑ Yes G.S. _____ Date enacted _____ ☒ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) 21-**The CCO has implemented web-based payments and now takes child support payments via bank drafts (ACH debits) as well as credit cards and incoming EFT (ACH credits). (See screen print of web screen.) Also, the IV-D program utilizes direct deposit for disbursements currently.**
The Legislature should amend GS 50-13 to remove the child support enforcement functions from the Clerks of Superior Court. The entire function should be administered by the Child Support Enforcement Section within the Division of Social Services, DHHS. DHHS should request an additional 100 local CSE agent positions from the General Assembly.	☒ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) X Not implemented (Explain below) 22-**This was taken to the state legislature in the summer of 2000; however, it was tabled and not passed.**
DHHS should review the Staffing/Caseload Standard Policy and make adjustments to reflect present standards. DHHS should use the above data to justify a request to the General Assembly for an additional 154 local CSE agents to obtain an average caseload of 425. If CSE becomes responsible for all cases, then DHHS should request an additional 299 agents. Since the local agents are employees of the county in which they work, the General Assembly should consider allocating funds directly to the counties for these agents. This would allow local CSE offices to reduce caseloads and became more effective at establishment and enforcement. DHHS management should monitor caseload levels to ensure resources and cases are distributed as equitably as possible given local resources.	☒ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) X Not implemented (Explain below) 23- **See response to previous question. Not passed by NC legislature.**

DIVISION OF MENTAL HEALTH, DEVELOPMENT DISABILITIES, AND SUBSTANCE ABUSE SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES
THOMAS S RETROACTIVE PAYMENTS
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.		
Rate setting is an accounting function that should be the responsibility of the DHHS Controller's Office. The Controller's Office should perform annual cost analysis and budget reviews of the area programs. Based on this data, the Controller's Office should set the rates for Thomas S services. This change will strengthen internal controls and increase separation of duties. DHHS has already taken steps to implement this recommendation.	❑ Yes G.S. _____ Date enacted _____ **X No**	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Thomas S is now referred to as MR/MI. Information regarding this cost finding process is available on our website at http://www.dhhs.state.nc.us/control1/acf/acfac.htm _____ _____
DHHS Internal Audit should perform a review of the "Tentative Settlement Reports" as soon as possible after the March 31, 2000 submission date to determine the exact dollar impact of the residential rate increase on area programs and their service providers. Additionally, DHHS should review its budgeting procedures to assure that all divisions are in compliance with State budgetary policies.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented **X** Partially implemented __95__% complete (Explain below) ❑ Not implemented (Explain below) The DHHS Office of the Internal Auditor is in the final stages of performing a comprehensive fiscal audit of the Tentative Settlement Reports (and underlying cases) for the Thomas S program. The audit would have been complete except for other more pressing audit needs where staff resources had to be diverted from this project. As soon as the report is issued, it will be shared with the State Auditor. DMH/DD/SAS has performed a calculation (attached) which shows the net effect of the retroactive rate adjustment. The Thomas S program has been folded in to the normal DMH/DD/SAS budget process as indicated above.

DEPARTMENT OF HUMAN SERVICES
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should consider modifying existing statutes to clearly define the level of oversight responsibility DHHS and local boards of health should exercise over local health departments. DHHS should develop specific monitoring procedures and establish a notification process for troubled health departments to ensure Board chairpersons and county managers are kept adequately informed of concerns.	☐ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) DPH receives quarterly reports from DHHS Controller's office on financial stability of local health districts. DPH reviews the results and uses that for both financial technical assistance and monitoring. Issues out of the norm are directed to LHD Director by Central office administration with copies to County Commissioners/Board Chairman depending on content and overall agency impact. In addition, central office and Administrative Consultants receive annual audit findings on all local health agencies and follow up with each health department. Work specific to quarterly reports and audits is in addition to their ongoing work with local health agencies on best administrative practices and compliance with the Consolidated Agreement with DPH.
We concur with DHHS' decision to continue to offer support until MTW is running efficiently with well-trained staff. However, the current level of support for MTW severely limits staff available to assist other health departments. DHHS should determine the appropriate level of staff needed to adequately provide effective assistance to the State's local health departments. DHHS should then request additional resources from the General Assembly.	☐ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) MTW hired a permanent Health Director and financial staff so that DPH staff withdrew from the agency. Currently, DPH staff provides administrative review and oversight to MTW on request from Director in addition to regularly scheduled visits/monitoring. MTW had some turnover in financial staff since 2000 audit, but changes have been smooth and DPH staff assisted with training new staff.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
The County Commissioners from each of the participating counties should actively seek persons from the required professions for appointment to the MTW Board of Health. We encourage the Commissioners to continue to appoint representatives to the Board who have substantial knowledge of governmental accounting and budgeting. Additionally, the General Assembly should consider revising GS §130A-37 to require local boards of health to include members with governmental accounting and budgeting experience.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) MTW actively seeks to have statutorily required professions represented on its Board of Health, and fills vacancies with public members only when there is no professional in a specific category who is willing to serve. If a professional person moves into any of the counties, we actively recruit such person(s) to be on the Board. If that professional agrees to serve, BOH asks the public member serving in lieu to step aside so the professional can serve. Those professions needed as of the FY 2000 audit report/findings are now filled. Current professions needed, which are currently being filled with public members, are a dentist and pharmacist.
The General Assembly should consider revising the statutes to charge DHHS with requiring that members of local boards of health undergo training in fiscal management, budget development, fiscal accountability, and orientation on operational issues. The Association of Boards of Health offers this type training at little cost to local boards.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) MTW BOH members receive the initial training "Assess, Address, Assure" and periodic updates from the Association of Boards of Health at programs provided to local boards of health. Such training is assured on the state level in the local BOHs chairman and health director's signing the DPH Consolidated Agreement.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
MTW management should identify needed repairs to all health department facilities and bring these to the attention of the Board of Health. The Board should request assistance from each of the three counties in addressing the physical plant needs of the health department as funds become available.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) This was answered in the 2/20/2001 response to the Office of the State Controller. Since that time, other facility updates/changes made include: a new leased facility for the Martin County Home Health and Friends of Families offices, underpinning of the Home Health facility in Plymouth, painting of clinics in each of the three clinic facilities, extending walls upward to comply with HIPAA privacy regulations, update of lab facilities at the Plymouth clinic, purchase of office cubicles put in all facilities in Washington and Martin counties, carpet put in the Washington Admin. and Home Health facilities, purchase of new filing systems in Washington and Martin clinics, and purchase of various articles of office furniture, including desks, chairs, conference tables, and waiting room furniture. New exam room tables and various medical equipment have been put in all three county clinics. Quote for tile in the Martin County clinic has been obtained and scheduled for installation in July 2004.
The MTW Board and Health Department Director should immediately put controls in place to ensure compliance with the Local Government Finance Act in its entirety. The Director should designate a qualified individual to prepare a balanced, realistic budget and present it to the Board for approval prior to statute deadline. Changes to the budget should be made only after the Board has approved budget revisions.	❑ Yes G.S. _____ Date enacted _____ ❑ **X** No	**X** Fully implemented ❑ Partially implemented __% complete (Explain below) ❑ Not implemented (Explain below) Per the Local Govt. Finance Act, the Finance Officer in conjunction with the Health Director presents and has approved by the BOH a balanced budget, with such budget adoption prior to statutory deadline. Revisions, as necessary, are prepared by the Finance Officer and presented to the BOH for adoption in the Finance portion of each BOH meeting.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
MTW should make every effort to improve financial records to ensure completeness and accuracy. This will eliminate the need for additional time and work by auditors in preparation of annual audited financial statements and allow for timely submission of audit reports to the Local Government Commission.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Fully implemented. This is documented by having materials needed for audit preparation for FY 2001, 2002, 2003, and 2004 on a timely basis. Each of these audits has been submitted to the Local Government Commission within the statutorily required timeframe.
All financial and operational decisions for MTW should be based on the actual financial condition. The Director should fully inform the Board of the current financial condition and implications of new initiatives before seeking approval from the Board to embark on new programs or before entering into major financial agreements. Additionally, the Health Director, under direction of the Board, should immediately take steps to hire qualified financial staff for the District Health office.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Administrative decisions are based on actual financial condition of the agency. A qualified Finance Officer has been hired along with staff of an Assistant Finance Officer, Purchasing Clerk, Payroll Clerk, and Accounts Payable Clerk. Duties have been segregated for each.
The Health Director should keep the Board fully and accurately informed of MTW's financial condition. Board members should routinely ask questions of the Director and the Finance Officer whenever they do not understand the information being presented.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The Health Director and Finance Officer disclose and fully inform the BOH of MTW's financial condition at quarterly BOH meetings. BOH members are given opportunity for questions during the Finance Officer's and Health Director's sections of each BOH meeting.
MTW should continue to utilize the controls and processes implemented by the interim Finance Officer. Additional controls should be implemented by the new Finance Officer to assure that all the above noted deficiencies will be adequately addressed.	❑ Yes G.S. _____ Date enacted _____	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Written financial policies and procedures were adopted by the BOH, and are followed by financial staff. Financial Officer reviews records/procedures to assure that all agency needs are

		X	No	assured and adequately addressed.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
MTW management should immediately assign a qualified, experienced individual the duty of posting budget and actual revenues to the general ledger. Additionally, controls should be established to ensure revenues are posted timely and to the appropriate fiscal year.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The Finance Officer and Assistant Finance Officer are assigned the duty of posting budget and actual revenues to the general ledger in a timely manner.
MTW should increase utilization of accounting software by training staff in assigned areas and use all available program functions for a more efficient use of staff and resources. Additionally, MTW should complete the revision of the chart of accounts and revenue posting procedures for easier analysis of the agency's financial status.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) MTW Finance staff utilizes MUNIS to its potential. Chart of Accounts revisions as recommended have been made.
MTW's Director and Finance Officer should monitor Home Health services closely to ensure eligible reimbursements are in line with periodic payments. Cost reports should be reviewed and evaluated for reasonableness and accuracy to avoid any future Medicare payback situation. MTW should analyze previous recommendations regarding staffing levels and ways to reduce corresponding costs per visit to ensure maximum reimbursement by Medicare.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The Health Director works closely with Home Health Director, Home Health Management Support Supervisor, Finance Officer, and Medicare Cost Accountant to balance agency needs/assists with actual delivery of patient services.
MTW management should review policies and procedures for all billing functions. To ensure consistency and improve billing services, the policies and procedures should detail what information is required by funding source. Once such policies are in place, management should enforce strict adherence to the procedures. The Home Health supervisor and MTW Finance Officer should take steps to ensure that billing information is completed and submitted in a timely manner.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) A monthly schedule of billing procedures is administered by Home Health and Clinical Management Support Supervisors. These schedules are periodically reviewed with the Home Health and Clinical Nursing Directors and the Health Director and revised as needed. A schedule of receipts is coordinated between the Finance Officer and Home Health/Clinical Management

	Support Supervisors as applicable.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Management should utilize the tracking mechanism within the Home Health software program to ensure that any bills for services provided are submitted in a timely manner and any denials for payment are followed up and resolved. Billing department procedures should be modified to assure prompt and accurate handling of all billing submissions and any necessary rebilling. MTW management should research the potential for tracking and monitoring financial reports that could be generated using current equipment and programs and utilize these to monitor the status of all billings.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The Home Health Director receives a monthly list of both accounts receivable and denials. Such list identifies outstanding and in-process accounts receivables as well as agency action on each. Following reconciliation, bills are reprocessed and a report of such totals given to the Health Director. As a part of the quarterly report sent to the DHHS Controller's office, the Department reviews all accounts receivable status, and separates Home Health from others for specific review. Such are reviewed with the BOH in standing review session, and bad debts are written off in accordance with LHD bad debt policies.
Management should continue to upgrade computer equipment and resources to ensure efficiency and effectiveness in the billing process. Prior to any computer purchases or conversions, analysis should be performed to ensure that adequate resources exist to handle the conversion process in addition to the normal workload.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) An agency computer standard centered on Dell computers has been implemented. All billing staff have been fully trained on automated processes to maximize efficiency/effectiveness in the billing process. Provision is made for routine agency processes to continue during such transitions. A full-time IT person on MTW staff and the fact that all computers are on a computer network show MTW's efforts to maximize use of its automated systems.
MTW should review the necessity of the telephone line in Washington County. If this line is necessary, MTW should transfer this service and the 1-800 number to the State Telecommunication System.	❑ Yes G.S. _____ Date enacted _____	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Conducted Communications System study in 2002, resulting in acquiring a new phone and computer system in November 2002. This resulted in a cost savings to the agency.

	X No	

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
MTW should make every effort to pay vendor invoices timely to avoid interest and/or finance charges.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) MTW implemented a system such that invoices are paid in a timely manner.
The Health Directors of MTW and PPCC should work to resolve the matter of the outstanding balance owed on the contract.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Health Directors of MTW and PPCC have fully resolved the outstanding balance owed on any prior or existing contracts.
MTW should develop formal written procedures to account for its contracts to include central control over contract management and the maintenance of a complete, up-to-date, listing of all contracts with outside vendors.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) All original contracts are now maintained with the Finance Officer.
MTW should review each contract for compliance with North Carolina General Statutes. Management should take immediate steps to assure that MTW is in compliance with all applicable Statutes. In addition, each contract should be signed prior to its effective date.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Finance Officer assures that all contracts comply with applicable statutes and that each is signed by its required effective date.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS — Please provide documentation supporting implementation status for each recommendation..
MTW should use professional services only when necessary. When professional services are used, MTW should utilize information provided by such services. To reduce the need for professional services, management should make every effort to hire well trained staff and keep adequate records.	❏ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below) MTW uses professional services only when such services cannot be provided by MTW staff. Management has implemented recruitment policies and methods which positively affect hiring/retention of professional, properly trained staff. Contracted services are utilized only when their respective services cannot feasibly be retained by traditional recruitment methods or are prohibited by higher on-staff cost or intermittent need.
MTW should immediately remove the former Director from the signature cards for all bank accounts. MTW should implement a policy to safeguard funds by removing former employee signatures from bank accounts immediately at the time of separation. Additionally, MTW should reconcile bank account statements on a timely basis.	❏ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below) All financial employees leaving MTW employment are immediately removed on last day of employment from signature cards and bank accounts. Bank account statements are reconciled on a timely basis.
MTW should immediately establish a separate account for payroll checks. One way to accomplish this is by designating one of the inactive checking accounts (see previous finding) to be the payroll account. MTW should authorize employees who are not involved in preparation of payroll to sign payroll checks.	❏ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below) A separate account for payroll has been established. Employees assigned to sign payroll checks are not involved in payroll preparation.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
All employees at MTW should receive adequate training to ensure procedures for timekeeping, pay increases and separation of employees are followed. No employee should receive a payroll check until a timesheet is approved by his/her supervisor and submitted to payroll. The former employee who received the $423.22 overpayment should be contacted and a refund requested. Finally, an adjustment should be made during the next payroll period for the $23.60 overpayment made to the current employee.	❑ Yes G.S. _____ Date enacted _____ X No	❑ Fully implemented X Partially implemented __90___% complete (Explain below) ❑ Not implemented (Explain below) All employees are fully trained as to completing out timesheets for payroll preparation. Personnel and fiscal employees are trained in implementing /documenting pay increases and employee separations. The overpayments ($423.22 and $23.60) were made prior to employment of the current Health Director or Finance Officer. Documentation of such overpayments cannot be found; therefore, we have not been able to implement this part of the recommendation.
MTW should complete written internal procedures for fixed asset management and assign one employee the responsibility of maintaining the fixed asset list. Adequate training should be provided to this employee. Proper documentation for relocating or surplusing fixed assets should be maintained. Additions, deletions, and modifications to the fixed asset inventory should be made timely to keep the inventory accurate. Lastly, a physical inventory should be conducted annually.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) One employee is assigned responsibility of completing an annual inventory/accounting of fixed assets. This inventory is updated as needed while fixed assets are added/removed throughout the year.
MTW should train and cross-train its staff in financial matters. Staff should be trained to effectively utilize the computer system. Records should be maintained in an orderly fashion and should be complete.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) MTW financial staff is cross-trained in all matters relating to the computer system. All MTW financial staff are trained in the MUNIS system utilized by the agency. MTW has obtained new storage facilities in which fiscal documentation is stored in labeled, storage boxes by fiscal year to make data readily available.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
MTW management should identify specific criteria and standards for evaluating the performance of its various divisions. Standards should include specific guidelines on when and how work should be performed. Annual employee performance evaluations should be conducted. Finally, MTW should establish a training program for all staff. Each staff member's experience and existing competencies should be determined and a training plan developed for each person depending upon his or her needs. This training program should be modified as software, equipment, or policy changes dictate.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) All employees are given a current job description for their position when reporting for work at MTW. Annual evaluations are completed and reviewed for all employees. Training needs are identified/developed as needs arise to enhance skills and abilities of MTW staff.
MTW should develop individual employee work plans identifying specific criteria relating to each employee's duties and responsibilities. In addition, MTW should adhere to its policy of providing and documenting annual performance evaluations based on the criteria established under the work plans.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) All new MTW hires receive a 2, 4 and 6 month evaluation as well as an annual evaluation on their anniversary date. Work plans are based on duties outlined in the job description and cross-referenced with short and long-term agency needs.

DEPARTMENT OF REVENUE
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DOR management should continue analysis of possible technical and functional improvements needed to support an efficient and effective withholding process. **(1-See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Partially implemented** The NC5Q's are now processed on a timelier basis and the delinquency program on these returns is run on a more frequent basis. The Withholding Support area, in the last couple of years has streamlined the prep process for the NC3s, which allows for quicker processing if the schedule allows. The filing frequency problem is now run on an annual basis, which assigns correct filing frequencies to taxpayers. The taxpayers are also notified in writing of their new frequency. This process reduces the amount of returns filed under the incorrect frequency, which reduces suspense and the need for transferring payments. A service request has been submitted for prioritization that includes additional modification to the withholding tax process that will increase our efficiency in processing withholding tax returns.
DOR management should focus efforts on reconciling the withholding filing status of employers to ensure that the State receives all revenue due in a timely manner. **(2- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully implemented** A filing frequency program is now run on an annual basis, which assigns correct filing frequencies to taxpayers.
DOR management should devote more auditors to reviewing and processing RARs on a full-time basis to reduce the RAR inventory for individual income taxes. Management should also implement a tracking tool to indicate who the RAR was assigned to, when it was assigned, dollar amount assessed, date return was received, date of assessment, and length of time it takes to process RARs to improve management control of this process. See finding on page 68. **(3- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully implemented** One audit unit in the Central Examination Section of the Examination Division has primary responsibility for RARs. All RARs are tracked from the date of receipt by DOR to the date of destruction of the record. Each RAR is identified in an Access database log: date received, name of auditor assigned case, date of assignment, amount and date of assessment. All RARs are stored in a secure location for a period of six months following the payment of the Notice based on the RAR. The RAR is subsequently destroyed according to Internal Revenue Service safeguard requirements. There is no backlog or inventory of RARs in DOR. Proposed assessments, based on RAR changes, are being mailed to taxpayers within 20-25 days of receiving the RAR.

1

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DOR should implement an automated case management tool to more effectively track and work accounts receivable. A computerized tracking spreadsheet/software should be used to track accounts, flagging them when they become overdue. A list of flagged accounts should be printed and distributed to the auditors assigned to collections. Division management should more closely monitor collection efforts. Lastly, management should assign additional auditors from existing staff to work the backlog of past due accounts. **(4- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Partially implemented (75%)** Effective January 2003, Motor Fuels assigned a full time Revenue Officer to perform collection duties on Motor Fuels accounts receivables. A manager along with the Revenue Officer monitor accounts receivables regularly and take appropriate actions to collect outstanding taxes owed to the DOR.
DOR management should more closely monitor bankruptcy cases to assure the timely processing of Bankruptcy Proof of Claim Forms. DOR should implement a bankruptcy status report detailing the payment and closeout status of both individual and corporate cases. Lastly, all personnel should be cross-trained to assure timely processing of case files. **(5- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Not implemented** The Department has initiated the development of an automated system for the Bankruptcy Unit that will monitor cases and provide a case list by status type. The implementation date is not known at this time. Bankruptcy Unit personnel are assigned work by chapter filed and tax subject. The Administrative Officers do maintain an expert level of knowledge in a particular tax type.
DOR management should develop a comprehensive, standard set of procedures and guidelines for handling the offer and compromise function. Specific, step-by-step procedures should be included for each division, along with guidelines for handling situations where there may be differing details. Once the procedures are in place, management should monitor the adherence to and success of these guidelines in each of the tax areas, modifying them as needed. **(6- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully implemented** Offer in Compromise Departmental Procedures have been written and are in place. Offer in Compromise resides in the Collection Division in a central Offer in Compromise Unit. The Procedures Manual is attached.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
Offer and compromise files, with supporting documentation, should be kept in a central location in each tax division while they are being processed. Once completed, the files should be forwarded to Central Filing. The Central Filing unit should implement changes in its file request process to allow quicker response times. Additionally, the unit should implement a computerized tracking system that would give better control over the location of previous years' tax files and allow anyone in the agency to determine the location of needed files. **(7)**	Yes G.S. _____ Date enacted _____ No	**Fully implemented** Offer in Compromise files reside in a central location in the CollectionDivision. Normal response time is less than 60 days. Due to the scanning technology implemented as a result of the Data Capture Project, most returns are scanned and data is captured. In addition, other returns and correspondence are scanned for retrieval/viewing purposes only. Users are able to access images of returns via Doc Query. Central Files receives requests for returns processed before the scanning technology was implemented. Due to the reduction of storage of the paper returns and the subsequent return requests, the turn-around time for the production of records has been greatly reduced. Users are able to dictate which documentation should be added to Doc Query and available to all users. See Attachment
DOR management should formally document response time standards for responding to non-routine written correspondence. Management should review the types of correspondence currently being handled by the Taxpayer Assistance section to determine if using technology, such as voice mail or e-mail, could increase efficiency. Additional staff is needed to eliminate the backlog and to handle daily correspondence. See finding on page 68. **(8- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully implemented** The Correspondence Routing Policy was put in place June 20, 2001. Correspondence Unit employees no longer forward correspondence to the audit units within the Taxpayer Assistance Division, with the exception of correspondence concerning amended returns, which are sent to the Amended Returns Unit. Correspondence previously sent to Taxpayer Assistance Audit Units is now sent to our Taxpayer Assistance Service Centers. Each correspondence unit employee is assigned to one of the eleven service centers. This policy established a goal of providing a 30-day average response time for written correspondence. The creation of the Corresponding Routing Policy, implementation of the 11 service centers, implementation of the TACC, and better resource utilization has allowed us to greatly improve the response time on written correspondence.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The Criminal Investigations division should develop and maintain within each case file a checklist to determine what documentation should be included. A checklist would assure consistency among case files and provide assurance that all files contained adequate pertinent information. **(9- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully implemented**
DOR should immediately develop a formal, on-going security awareness program for all employees. This program should be one of the primary responsibilities of the Security division and should be continually monitored and updated as needed. **(10- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully implemented** The Security and Training Divisions developed an awareness program on DOR's Security Policy in 2001 and have made annual presentations of it since then to all DOR employees, including contractors.
DOR management should expedite the hiring of personnel to fill the three remaining positions identified during its recent organizational change in the Security function. The proposed organizational changes at DOR should provide the security staff with the infrastructure needed to perform daily security monitoring tasks, as well as participate in systems development / enhancement projects. **(11)**	Yes G.S. _____ Date enacted _____ No	**Partially implemented (33%)** The Security Division has been able to only fill one (1) position (Lan/Workstation Security Analyst) out of the three that were recommended in the audit. The other two (2) positions (Systems Security Analyst – responsible for coordination of mainframe, UNIX, client server and Electronic Commerce security and second Security Administrator – responsible for daily administration tasks on non-mainframe platforms and backup for the current Security Administrator) have not been hired due to budget constraints. The current level of staffing in the Security Division is not adequate to perform these daily security monitoring tasks, as well as participate in systems development/enhancement projects.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DOR management should make immediate provisions for all system administrators to receive specific systems security administration training. It is critical that the systems administrators receive this training and keep updated on current information security issues and trends. (**12- See Exhibit**)	Yes G.S. _____ Date enacted _____ No	**Partially implemented** (70%) Security and IT have begun working together to develop a plan to implement security training for both IT and Security. Both organizations attended training in August 2001 on the Common Criteria which was taught by a representative of the National Institute of Standards and Technology. They also attended classes on Norton Anti-Virus software and CISCO firewall configuration. Security also attended courses in computer forensics and a Computer Security Institute Annual Conference. Both organizations are also scheduled to attend the state-wide security training the latter part of June 2004. Additional funding is required to allow IT and Security to receive required training and remain current on security issues.
We commend DOR's decision to contract with the vendor for the information to develop a disaster recovery plan. DOR should develop the recovery plan as soon as possible, to encompass the Data Capture System and related Local Area Network. DOR should implement and test business recovery plans for technology, people, and processes required to support key tax processing components. (**13- See Exhibit**)	Yes G.S. _____ Date enacted _____ No	**Fully implemented** DOR concurs, and has been developing a complete Business Continuity Plan that will provide a means for critical business functions to continue in case of a disaster. DOR will continue this effort as resources allow.
DOR should develop and implement an on-going communications plan for internal users of ITAS. Improvements to the existing infrastructure, which are already planned, will be required to provide additional communication tools. Additionally, PD&T should consider conducting annual user satisfaction surveys to gauge support of, and facilitate communication with end users. (**14**)	Yes G.S. _____ Date enacted _____ No	**Partially implemented (70%)** IT has implemented several methods for communicating to users including: 1. Monthly summary status of all open and completed IT Service Requests (SRs) for all applications; 2. Weekly detailed status of ITAS SRs in progress; 3. Monthly meeting of primary business units via the Technology Applications Strategy Committee (TASC) to discuss issues and concerns for all applications. 4. Project team meetings for SRs in progress. Project teams include users and IT staff. The user survey has not yet been implemented.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DOR management should formally measure and report on DOR performance. An important measure to share with stakeholders is attainment of benefits received from funding spent. The appropriate measurement instrument would include financial measures that show the results of actions already taken, as well as operational measures on customer satisfaction, internal processes, and the organization's innovation and improvement activities - all operational measures that are the drivers of future financial performance. **(15-See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Partially Implemented** The Department is measuring performance in a number of areas, including collection of delinquent accounts receivable, examination initiatives, telephone calls answered, correspondence completed and tax returns processed. We maintain statistics on the use of the electronic filing applications that we have implemented. We track the mail processed by the agency and criminal cases prosecuted. Tracking is primarily at the divisional level for those activities that are currently being measured. Consideration has been given to agency-wide performance measures that will allow us to report on additional elements of the functions performed by the agency.
DOR management should work with the General Assembly to prioritize desired technology advancements. Management should continue to monitor the automation needs of DOR and communicate those needs to the General Assembly. The General Assembly should appropriate necessary funds to continue the modernization of DOR and maintain existing systems. **(16- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Not Implemented** As indicated in DOR's response to the audit in October 2000, the Department has included expansion budget items to address the continuing need to upgrade our technology capabilities, including hardware and personnel. Unfortunately, because of the budget challenges faced by the State, the expansion items were not funded and in order to meet mandated reversions and budget cuts, the Information Technology budget was reduced. DOR has continued to leverage its budget to the extent possible to address as many needs as possible. The Department will continue to examine its technological needs and reflect them in future budget requests.
DOR management should use the results of the surveys conducted by KPMG to focus development of ITAS' key components. Development of these components should serve to address the majority of functionality issues identified by ITAS users and improve the effectiveness of the system. **(17)**	Yes G.S. _____ Date enacted _____ No	**Partially implemented (50% complete)** Not all of the items identified by KPMG have been submitted for implementation at this time due to other higher priority projects that have been initiated over the past 4 years (e.g., Project Collect, Call Center, and Project Compliance). However, many of the initiatives have been implemented including: 1. Ability to match ITAS data against outside sources via the query/extract process; 2. Enhanced ability to provide questionable filer detection for Individual Income electronic filers; 3. Ability to process payment agreements, including automatic debit of taxpayer bank accounts (implemented May 2004); 4. Enhanced case management capabilities (implemented Sept. 2003); 5. Streamlined user query request process (implemented 2002).

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DOR management should determine if functionality gaps identified by this review not included in the current software release schedule are appropriately prioritized and can be addressed. **(18)**	Yes G.S. _____ Date enacted _____ No	**Partially implemented (80%)** The business divisions identify needs based on business priority and then submit these needs on an IT Service Request (SR). To ensure that ITAS changes are receiving the appropriate level of attention related to other Department initiatives, ITAS SRs are prioritized by the Technology Strategy Implementation Team (TSIT). This is a Director-level team responsible for prioritizing all of the Department's technology needs as well as overseeing some of the larger technology projects. The TSIT reviews and prioritizes the SRs for implementation based on business justifications.
DOR management should determine alternatives to provide better management reporting. A support structure should be developed to facilitate users' reporting needs while limiting the impact to ITAS production processing. **(19)**	Yes G.S. _____ Date enacted _____ No	**Not Implemented** The resolution for this recommendation is the implementation of a data warehousing environment. Several budget requests for this item have not been supported. In the meantime, ADS provides query support to assist the users with extracting and reporting data required for special projects and other business needs.
Documentation of ITAS processing and user procedures should be improved. In order for documentation to be completed and consistently maintained, resources, including staff, must be allocated to create, update and maintain ITAS online help facilities, user manuals and documentation as changes occur. See finding on page 68. **(20)**	Yes G.S. _____ Date enacted _____ No	**Partially Implemented (25%)** Resource constraints continue to be a limitation. This has not been identified as a high priority effort, in light of Project Collect Tax, the Taxpayer Assistance and Collection Center, Project Compliance, ongoing ITAS functionality enhancements and other legislative changes. The TASC (formerly ITAS Planning Team) is tasked with the development of improved workaround procedures and the identification of critical procedure and documentation requirements. There are not resources available to dedicate to procedures or documentation development.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DOR management should implement procedures for receiving internal user calls, documenting problems, and recording solutions for future reference. In our opinion, DOR should request additional positions to supplement existing help desk staff. (Note: Two positions were requested in the FY97-98 budget but not approved.) See finding on page 68. **(21)**	Yes G.S. _____ Date enacted _____ No	**Partially Implemented (25%)** A position was reallocated from within IT in 2003 to begin developing improved procedures for handling internal user calls. Key initiatives within the department, such as the TACC, have delayed the progress of this effort. However, effort is underway at this time to develop operating procedures for staff on the Help Desk, scripts for analyzing the problems being reported and improved management reporting for determining the areas that need improved service. No other positions have been allocated or budgeted at this point.
DOR management should establish procedures for thorough documentation of all program changes to ITAS. Automated tools should be considered to assist PD&T in managing program changes, along with a common reporting system to be used by all DOR internal users and support personnel. **(22)**	Yes G.S. _____ Date enacted _____ No	**Partially Implemented (60%)** Cost/benefit analysis is done by the business units and IT for all Service Requests, but we do not have automated tools for estimating or testing. We do use Project Management tracking tools for larger projects, and we have formal procedures for documenting business requirements, design, and program changes. We also have automated tools for documenting changes to client server applications, but mainframe changes are still tracked manually due to the lack of time and resources required to implement an automated tool (Endeavor).
DOR management should reassess the staffing needs for this function. In our opinion, the Production Systems Integration Coordination Group needs additional positions to assure appropriate support and controlling processes are provided for ITAS and non-ITAS change management activities. See finding on page 68. **(23- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Partially Implemented (33%)** Additional positions were requested in the past 3 Expansion Budget processes and were denied. In the meantime, one position was re-allocated from the ADS Division of IT to help fill the gap, and one contractor was hired.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DOR management should establish a communication mechanism to document and inform management of all changes to its nonmainframe systems. Standard procedures should be developed for initiating, testing, and deploying changes for these systems, with clearly defined roles and responsibilities and appropriate system access. All changes to non-mainframe systems should be coordinated and tested to determine potential impact to other DOR systems. (24)	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** A Change Control Review Board (CCRB) led by the QA manager and comprised of IT managers and supervisors meets weekly to assess all changes to mainframe and non-mainframe systems. The purpose of the CCRB is to review all "proposed" changes to all hardware and software owned by IT to ensure that technical changes are being made for the right reasons, at the right time, by the right people, and communicated appropriately within IT and to the DOR business units. The CCRB assesses potential impacts and the risks associated with each system change request. All meeting notes are documented for the appropriate communication and follow-up. IT also has other internal teams focused on specific areas as follows: 1. Client Server Operations (CSOP) - meets bi-weekly to review activity related to all client server applications; 2. Data Capture Operations - meets monthly to review activity related to the Data Capture system. 3. ITAS Release Planning - meets weekly to review activity related to ITAS releases.
PD&T should develop and implement additional performance measures. Additionally, PD&T should implement service level agreements with internal users to assure all parties understand what is expected of them. (25)	Yes G.S. _____ Date enacted _____ No	**Not implemented** No Service Level Agreements have been established due to the lack of resources and the diversity of the issues. However, the Help Desk has published a pamphlet that outlines the problem escalation procedures for calls placed to the help desk. The maintenance agreements that DOR IT holds with other service providers includes service level agreements for hardware and software repair, where applicable. Also, the Department has several facilities for communicating service requirements. The Sr. Staff Operations Subgroup consists of the operations and IT executive level management and it meets weekly to review areas of priority, business input into IT decisions and criteria for key activities by IT. The Technology Strategy Implementation Team performs prioritization of all IT initiatives based on departmental criteria in support of the department's strategic direction.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DOR management should continue emphasis on identifying and refining the criteria used by ITAS to select potential audit candidates. Additional use of automated capabilities for selection of candidates and ongoing support for these efforts, both personnel and computer resources, will be required to improve the effectiveness of DOR's overall audit function. As ITAS criteria for selecting candidates is refined, it is expected that the workload will be increased. See finding on page 68. **(26)**	Yes G.S. _____ Date enacted _____ No	**Partially implemented (90%)** Significant emphasis has been placed on the process of identifying and refining criteria to select potential audit candidates. Refining criteria is a process that continues to improve over time. Successful partnering initiatives between IT and Examination have produced positive results. DOR has developed a number of processes to generate assessments automatically. These auto assessments occur for: non-filers of individual income tax based on Federal information; taxpayers with discrepancies in Federal taxable income, and taxpayers with adjustments made by the Internal Revenue Service under the program CP 2000. A number of examination personnel devote material work hours to enhancing the selection process. The use of ITAS selection has expanded from DOR's original response to this report. New initiatives now include use of the IRS Business Master File (BMF), which identifies potential non-filers of corporate income tax. DOR also identifies corporate non-filers based on data from the Secretary of State. Another initiative evaluates NC-3 returns and payroll information submitted by businesses for the tax year. This audit candidate selection process targets individuals who have no NC tax withheld or under-withholding on wages during the tax year. The workload has continued to increase as potential audit cases are added to the queue. Many Phase I Project Compliance positions are focusing on these cases. Non-compliance across all tax schedules administered by DOR has continued to rise. A very significant rise in non-compliance for individual income tax has been identified.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
We commend DOR for its efforts to employ advanced technology in the processing of tax returns. DOR should continue to refine the Data Capture functions to improve tax processing services. **(27- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** Since the year 2000, DOR has continued to improve the performance of the imaging technology implemented with the Data Capture Project. By educating vendors and taxpayers on processing requirements, which results in fewer processing errors. These improvements have enabled the scanners to read return data reliably and accurately which has contributed to timely processing of returns. DPPD has identified a sole resource to identify system errors and to report those errors to DPPD management who work to identify solutions for enhancing processing of returns. In addition, the Department has worked diligently to improve and enhance paper returns. Since 2000, DOR has added Corporate Income tax, Franchise tax, Partnership Income, Fiduciary Income and Privilege License tax to the scanning schedule. In addition, DOR has begun scanning various types of correspondence for retrieval purposes. These additions have aided the Department to achieve faster processing times for returns which has helped users to access returns/correspondence much quicker than before the introduction of the scanning technology.
We commend DOR's planning and management oversight of the implementation of the Data Capture project. DOR should continue to involve personnel from the affected functional areas as the remaining features are implemented and continue to closely monitor Data Capture operations in order to modify procedures and adjust equipment as needed. **(28)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** The Data Capture Implementation Project was successfully closed. Process improvements continue to be made to the Data Capture system as additional returns and correspondence are added to the scanning schedule. By having these returns available via Doc Query, DOR users are able to access data in an online application (Doc Query). DPPD and IT work closely together to monitor the system and make adjustments when needed. DPPD often consults with Tax Administration, Examination, Taxpayer Assistance and Collection Divisions as new returns or processes are implemented.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DOR's Data Capture project management team should continue its efforts to implement the remaining components. As options are added, they should be adequately tested before being placed into production. DOR should continue to hold IBM responsible for meeting the technical commitment stated in the contract. **(29)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** DOR has completed implementing all required large documents and unqualified coupons on Data Capture, and TARTAN System was shut down. Procedures have also been established for testing all upates prior to implementation, including new and revised forms. The project successfully closed. DOR has established procedures for testing new or additional options. IT is the lead in these testing initiatives and working with IBM on contract issues. IT is very good at getting the various users involved with testing and other issues.
Adequate testing time should be built into the project plan as other forms processing functions are added to the data capture environment and system modifications occur. Future system implementations and upgrades should be scheduled during the least busy season if possible. This will help the workforce adjust to new technology and continue daily operations with minimal interruption. **(30)**	Yes G.S. _____ Date enacted _____ No	**Fully implemented** A new section has been established within ADS to support the Data Capture system. The section is fully staffed with one supervisor, two system administrators, and two forms trainers. The system administrators' primary responsibility is to monitor the system and work with the vendors to ensure the system is operating correctly. Regular status meetings are held with the primary Data Capture users to monitor system activity and keep everyone informed regarding problems, issues, and status. The regular meetings include discussing and planning implementation of new releases to ensure releases do not impact processing during critical business times, and to ensure adequate user time is available for testing.
As the production environment stabilizes and the project team disbands, a more formal process to address issues, changes, and the project/business impact of the issues and changes should be adopted. Management should also develop a feedback mechanism to analyze reported problems for patterns and educate employees on how to best use the data. **(31)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** See #14 and #24 above. The Data Capture system follows the IT standard processes for requesting service (IT Service Request).

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
We commend DOR for its exploration and implementation of electronic methods of providing services to North Carolina citizens. DOR should continue to build on the success of its electronic filing and electronic funds transfer programs by actively promoting their use. To do this, DOR should consider utilizing some of the promotional activities used successfully in other states. Additionally, DOR should continue developing electronic methods of tax filing, collection, and providing customer service to taxpayers. We fully support the recommendations made in the June 2000 Keane report that will position DOR as a leader in electronic processing of taxpayer data. Lastly, North Carolina's goal should be the processing of individual tax refunds for returns filed electronically and using direct deposit so that taxpayers refunds are processed and deposited within 7 days of receipt. **(32- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** The following are advertising initiatives that have been added since the 1999/2000 State Audit Findings and Recommendations Report. Press conferences have been held for several years to promote the Department's electronic services, which include the Federal/State Electronic Filing Program, and the Department's Online Filing and Payments web application. The Secretary of Revenue and an IRS Public Information Officer have conducted the press conferences. For 4 years, the Department has participated in an OpenNet cable access show that concentrated on responding to the taxpayers' questions about filing individual income tax returns. On each of these shows, a NCDOR employee provided a description of the electronic services offered by the Department and responded to taxpayer questions about electronic filing and payment. A column was provided by NCDOR to Governor Easley's press office for use by small newspapers across the state promoting electronic services. Articles have been printed by the NC magazine, Discovering the Carolinas, describing and promoting our electronic services. Fliers have been included in Child Support checks and with DMV license renewals. A link is on the NCGOV website to NCDOR's electronic services information page.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DOR should work with the State's Information Technology Services' (ITS) Telecommunications division to design and implement more effective telephone services. In our opinion, the system should include a taxpayer assistance call center, using a combination of telephone technology, interactive devices, and live assistance. Additionally, the system should be designed to actively monitor the number of calls received by type to better tailor services to the needs of taxpayers. The establishment of a single telephone center9 with a toll-free number, appropriately staffed to receive and make outgoing collection calls and handle general taxpayer and customer inquiries, will enhance DOR's customer services and pay for itself in increased collections and reduced taxpayer burden through easier access to DOR. Other benefits include: Eliminate employee unproductive time associated with telephone use; Manage telephone traffic; Measure volume and type of calls; Match the number and types of calls with DOR employees; Reduce overall call volume; and Expand and allow for 24-hour Voice Response Unit access from taxpayers. The new system will result in the need for additional positions to handle the expected increase in calls. See finding on page 68. **(33- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** The Taxpayer Assistance and Collection Center was fully implemented as of February 2004. The components are: Toll free lines and a call center located in Rocky Mount, N.C. serves as the main gateway between the Department of Revenue and the taxpayers. A comprehensive telephone system including a 24-hour Interactive Voice Response Unit (IVR), call transfer capability between Level 1 agents located in Rocky Mount to Level 2 and 3 agents in Raleigh with "screen pop" capability. Management Reporting including active monitoring of types and volumes of calls. Predictive Dialer for automated outbound call campaigns.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The Returned Mail unit should develop a better workload tracking system to avoid compromising assessment suppression. This data should be used to determine the resources required to meet the unit's workload demand. Additionally, DOR management should conduct a cost/benefit analysis of the effort and resources used to collect these outstanding assessments. If the analysis proves that the costs outweigh the benefits, then management should request a modification to GS §105-241.1 to allow DOR to proceed with the final assessment notice after a given number of tries to locate a more current taxpayer address. **(34- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Partially Implemented** On September 3, 2002 guidelines for handling returned mail were established. The Return Mail Unit (RMU) operates under new procedures based on the guidelines provided. The procedures are partially in place. Currently the RMU has a top priority of "suppressing" proposed assessments all year. This has reduced the number of penalty and final assessments that previously would have been returned by the Post Office. Other factors that have aided the RMU in diminishing the massive backlog are: Additional staffing with clearly defined duties Returned Mail indicators printed at the end of the notice number for our high priority notices, such as 1 indicates the envelope contains a proposed, 2 the envelope contains a penalty assessment and 3 indicates the envelope contains a final. New procedures worked out with Examination and Collections Currently a better tracking system is not in place.
DOR should immediately devise a tracking system that logs the receipt of all amended tax returns, noting the amount of payments. To reduce the backlog of returns to no more than 1 week, DOR should add additional positions to the Amended Returns section. DOR should also continue to improve explanations on bills and assessments to reduce inquiries from taxpayers. This would free more personnel for processing. See finding on page 68. **(35)**	Yes G.S. _____ Date enacted _____ No	**Partially Implemented** With the implementation of Doc Query, amended returns are now scanned before they are sent to be worked. This allows access to the amended return by anyone at anytime. We have implemented procedures that allow us to sort amended returns so that they can be distributed to a broader array of staff to be worked. We are also using field personnel to assist with processing amended returns. Internal process improvements and implementation of the TACC has allowed us to handle many more amended returns than ever before. We are able to track the inventory of individual income amended returns. There are plans to automate processing of amended returns in the future.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DOR should develop a specific amended sales and use tax form or use by taxpayers. **(36- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented**
DOR should explore alternative methods of tax collection, including the use of private collection agencies and advanced telephone capabilities to collect past due taxes. Based on the experience of other states, we estimate that North Carolina could increase its collections by 20% or $47,093,031 of our past due taxes due more than 365 days. (See discussion on page 73.) **(37- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** Currently utilizing two outside collection agencies. A data transfer has worked very well after a few minor problems early on. This relationship with the outside collection agencies will come to an end in June, 2004. The Taxpayer Assistance and Collection Center opened October 2003 with the charge to become a call center for assistance and collection activities. This would eliminate the need for outside collection agencies and bring more jobs to the Department. We are already observing that the call center is doing a much more efficient job at collecting delinquent tax than the outside collection agencies. In the call center, a "predictive dialer" was installed in February, 2004. It is proving to be a very worthwhile investment in the short time we have observed results.
DOR should establish specific goals for refund processing, as well as a system to monitor progress, and communicate the importance of these measures to all affected personnel. Each year after the tax season has concluded, management should analyze the tax refund process to see where problems occurred and to identify changes needed. **(38- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** DPPD provides a weekly update of individual income refund processing during the months of February through June. This report is closely monitored by management for trends, backlogs, etc. In addition, DPPD meets annually to plan for the next processing year. DPPD meets daily to review processing priorities and resolve outstanding issues. Priorities are set and documented during this planning meeting. This advance planning allows the division to meet all processing schedules and priorities each year. Since 2000, the Department has recognized an increase in the number of electronically filed returns, which has allowed it to utilize existing resources to speed the processing of tax returns and refunds.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
We commend DOR's efforts in finding a way to handle the "tax season" volume by using available resources. Since the pool of entry level people is so small in the Triangle area, one option DOR should explore as a long-term solution is the feasibility of establishing a mail center for opening, sorting, and preparing returns in one of the low employment counties in the State. The prepared returns could be transported back to the Raleigh center for scanning and input into ITAS. Another alternative would be to bus workers in from a low employment county each day for the "tax season." While both these alternatives have costs and security issues connected to them, both should be fully explored as longterm solutions to the problem. A more immediate solution would be to increase funding for temporaries to allow DOR to offer a competitive wage to entry level personnel in the Triangle area. Lastly, DOR should continue to promote electronic filing of returns as discussed on page 47 to reduce the number of paper returns that must be manually processed. **(39)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** Due to security concerns and logistics, the Department opted not to have returns extracted and prepped at an offsite location. In addition the Department did not opt to bus workers into Raleigh from other counties in order to process returns. The Department did adjust the entry-level salary for seasonal employees. The Department has established procedures to periodically evaluate the entry-level salaries for temporary/seasonal employees and compare to market rates and to the OSP Salary Plan. In doing so, the starting salaries offered to temporary/seasonal employees have been adjusted since 2000. Additional procedural changes have occurred in the recruitment, selection and processing of seasonal employees needed within DPPD, which have vastly improved the Department's ability to fulfill its seasonal workforce needs. Also, DPPD established a liaison with the Department's Personnel Division. This employee communicates all DPPD's seasonal employee needs and skill sets needed. This relationship has proven to be fruitful for the Department in that no seasonal employee shortages have been experienced since year 2000. In addition, as electronic filing has increased, the volume of work has been reduced. This has allowed the Department to reduce the number of seasonal employees hired each year.
As data capture reaches it full potential, DOR should develop a plan to start the mass extracting and sorting process earlier in the "tax season". This should allow processing of the refunds in a more timely fashion in coming years. **(40)**		**Fully Implemented** The mail extraction process has improved dramatically since year 2000. All mail is sorted and extracted daily due to mail sorting and extraction equipment installed in year 2000. This daily extraction process has allowed the Department to process incoming returns and payments on a daily basis. Due to the volume of mail received, the Department has continued to utilize an off-site mail extraction process during the last two weeks of April each year. However, the number days spent at the off-site location have been reduced since year 2000.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DOR management should determine the most common reasons for having to pay interest to taxpayers for late refunds. Management should then devise strategies to reduce the need for interest payments to the extent practical. **(41- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** The agency has cross-trained resources in DPPD to improve the process of approving refunds. Larger refunds are reviewed as one of our quality assurance measures. DPPD has implemented a tracking mechanism for returns to evaluate the processing time, which has allowed us the opportunity to implement procedural changes, and suggested technology improvements to improve the time required for refund issuance.
While there is no way to completely eliminate taxpayer errors, DOR should continue to highlight the effects of errors and non-compliance with instructions in the tax return instruction booklet. Additionally, DOR should highlight this information on its web site and all other tax publications distributed to citizens. **(42)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** DOR has implemented a Forms Team to review the forms and the individual income tax instruction booklet. The continued efforts and promotion of e-file will also help to eliminate taxpayer errors. DOR continues to revise the web site to make it more informative for taxpayers with the most current tax law changes and tax publications.
DOR management should continue utilizing existing resources to balance competing priorities. Additionally, DOR should actively market the benefits to taxpayers of electronic filing and implement direct deposit options. (See discussion on page 62.) Use of electronic commerce options should increase DOR's efficiency and greatly reduce the volume of work that has to be manually handled within the February – June period each year. **(43)**	Yes G.S. _____ Date enacted _____ No	See response to recommendation 32 above
DOR management should review the efficiency of the employees involved in all phases of the tax return process, especially in the areas in which there were bottlenecks. After this review, management should determine what further training would be beneficial in increasing the effectiveness of these employees. The training program should include both permanent and temporary employees as they join DOR. **(44)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** The Department has accomplished efficiency by cross training permanent and seasonal employees. By doing this, personnel can be moved where bottlenecks occur to reduce backlogs. In some cases we have reduced the numbers of seasonal employees needed. We have also implemented performance measures which assist us in measuring employee and team performance.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DOR should develop a plan to implement direct deposit of tax refunds immediately. As part of the plan, DOR should develop a strategy to allocate the required resources to this project to increase taxpayer satisfaction and reduce the operational costs associated with the mail process. **(45- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** Since this State Audit Findings and Recommendations report, the Department has added direct deposit as an option for individual income taxpayers who file electronically. This option is only available to electronic filers. Also, a web application exists on the Department's website that allows taxpayers to: Pay current year individual income tax online File the sales and use tax return, Form E-500, and the breakdown schedules, Forms E-536 and E-543, if applicable, and pay the tax File the withholding return, Form NC-5, and the withholding payment voucher, Form NC-5P, and pay the tax electronically File quarterly IFTA returns, order IFTA or Intrastate credentials (license and decals) and remit payments Pay bills and notices (Online payment is bank draft and credit/debit card.) The direct deposit of individual income tax refunds was implemented in January 2003. During the 2003 calendar year, 452,574 refunds were direct deposited totaling $289 million; a savings in paper check and envelope costs of $75,000. For the first six months of 2004, direct deposits refunds have totaled 556,884 for $358 million.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
To reduce the number of items that are placed in suspense status requiring manual handling, DOR should continue to promote electronic filing. This would reduce the number of taxpayer errors and allow the input of tax information directly into ITAS. Since all taxpayers will not file electronically, DOR should increase its efforts to educate the public concerning the proper methods and format for completing tax forms. Further, DOR should create a tracking system that notes the causes of suspended items and look for trends in order to quickly and efficiently solve repeat problems. Finally, DOR should have a plan in place to quickly resolve any build up of suspense items when the volume reaches a pre-defined level. This may require additional staffing. See finding on page 68. **(46)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** See response to recommendation 32 above The Department has involved suspense personnel in the testing of data capture and ITAS for the new year form changes. Suspense items are tracked as different schedules are processed to look for high volumes of suspense. Letters have been developed to send to taxpayers for common errors to educate them on the correct procedures. The Forms Team has made improvements and continually looks for new improvements for forms and the instructions that will assist the taxpayer in completing the return correctly. Suspense employees are now cross-trained to work all schedules and can be moved as needed for bottlenecks. Recurring suspense items are referred to management for review to determine if additional steps can be implemented to reduce the current inventory of suspense. Employees were reassigned to suspense to assist with bottlenecks. Electronic filing helps to eliminate suspense issues. Each tax season DOR tests and approves software to e-file individual income tax returns. The e-filed software helps to prevent line-item error and math errors.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..

To adequately staff the Department of Revenue, The General Assembly should approve 74 new positions. These positions should be assigned to the areas noted in Table 19. As previously recommended, the General Assembly should approve additional funding for temporary positions so that DOR no longer has to pull permanent employees to perform non-technical functions during the tax season. DOR management should continue to monitor staffing needs and the technology. In our opinion, the technology DOR is in the process of implementing should ultimately reduce the number of permanent and temporary position needed if the volume of work remains at the current level.
 	
(47)
	Yes
	G.S.
	_____
	
	Date enacted
	
	_____
	
	No
		Since the Performance Audit, the Department has had the following position activities:
		
		                      Abolished Received
		FY 2001-02 13 53
		FY 2002-03 19 0
		FY 2003-04 9 39
		      Totals 41 92
		
		An additional 47 positions have been requested from the General Assembly in the 2004-05 Budget. The new positions received were primarily collection and examination employees that were critical for the success of Project Collect Tax and Project Compliance. The Department has reengineered and realigned processes in the agency and added personnel in critical areas to address many of the personnel needs indicated in the audit. The maturation of the Data Capture process and the process improvements realized have eliminated the need to use permanent employees during tax rush except for the two-week period after April 15, when permanent employees are used to manage the offsite tax rush operation and augment temporary employees to allow faster processing of the mail. The need for additional personnel continues to exist in Information Technology and the Department will work to address the need internally as well as communicate our needs in expansion budget requests.[1]

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[1] **AUDITOR NOTE: This recommendation is considered partially implemented.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The State should continue to explore more effective ways of attracting qualified IT professionals such as establishing a career track for technology professionals that would allow advancement. DOR management should determine if the number of positions supporting ITAS requirements should be increased for critical areas within PD&T. **(48- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	The Department of Revenue has documented its intention to convert the Information Technology position classifications to the Career-Banding system in a memorandum to OSP in January 2004. The current plans are to begin that process in July or August 2004. This agency has been asked to delay the start of this project until after OSP has completed a Career Banding Implementation and Operations Manual. It is anticipated this new classification system will provide employees with greater opportunities for career growth than offered in the present system. Two new positions were received in IT through Project Collect Tax. These positions do not appropriately satisfy ITAS support requirements, so contractor support is still required. At this time, obtaining qualified IT staff for available positions is not an issue due to the changed external market.[2]
DOR management recently established a formalized training function for the department. At the time of the audit, benefits of this function had not yet been realized. Training should be coordinated and flexible to allow supervisors to better coordinate training with the workflow. As a part of DOR's performance management process, supervisors should identify each employee's weaknesses and determine what training would address these and enhance the employee's strengths. Lastly, DOR should make the development of ITAS training courses and training materials for staff a priority. **(49)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** In addition to DOR establishing the training unit, Tax Compliance will implement a 40 hour per year training standard for employees in its divisions. Each division already has training programs developed to enhance the skills of employees. A formal PC based training room has been established specifically for ITAS related training for Tax Compliance employees.

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[2] **AUDITOR NOTE: This recommendation is considered fully implemented.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
Based on the analysis above, DOR should request additional interstate audit positions from the General Assembly. Increasing this function could significantly benefit North Carolina. (50)	Yes G.S. _____ Date enacted _____ No	**Partially Implemented (90%)** The Interstate Examination Section of the Examination Division has experienced expansion during the past four fiscal years. The Section now has 35 home based/satellite interstate audit positions working across the United States. These positions are located in the key metropolitan areas of this country. There are 11 Raleigh based audit positions in this section that travel to various locations outside North Carolina. DOR constantly monitors the revenue enhancement provided by each audit position including a full analysis of assessments and collection on assessments for each position. The $2 million target per auditor represents amounts assessed. The key locations throughout the U.S. are reviewed regularly to determine potential adjustments to the deployment of field auditors. The level of potential audit candidates within a 100-mile radius of the satellite location will be a major factor in deployment locations. Market condition salaries in the private sector continue to impede the recruitment of qualified field auditors. Phase II of Project Compliance will increase auditors in the Interstate Section by 2 positions.
DOR should implement additional case management functionality to more effectively manage its accounts receivable. This functionality should allow debt scoring and performance measures which will automate payment agreements and wage garnishments, track debt activity, prioritize cases, reduce case cycle time, increase the collection rate, and move cases to the most efficient collection resource. DOR should also move the accounts receivable function from the Office Service division to the Financial/Accounting division to allow for more effective oversight. Lastly, DOR should continue its efforts to hire a private firm to collect past due tax assessments. **(51- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	**Partially Implemented (90% complete)** Case Management functionality has been implemented to automate payment agreements, wage/bank garnishments, track debt activity., prioritize cases, reduce cycle time, and increase collection rate. The enhancements to the case management functionality moves the case quickly to the most effective collection resource. We have at this point not implemented debt scoring and we have few performance measures in place. It has been a matter of priorities with IT in assisting us. We do have a good system of prioritizing cases and getting them to the right resource person as quickly as possible. Our Collection rates continue to increase due to all factors above but mainly related to priorization of accounts. As mentioned in an earlier recommendation, we have hired private collection agencies but will terminate those relationships due to the call center start up. Case management enhancement document is attached for review.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DOR should update its Cash Management Plan to reflect current policies and procedures. The plan should be updated periodically and forwarded to the Office of the State Controller to be in compliance with statewide policy. **(52)**	Yes G.S. _____ Date enacted _____ No	**Not Implemented** A revised Cash Management Plan has not been completed. We will work to update the plan as soon as possible.
DOR should consult with the State Treasurer to determine the feasibility of opening depositories at local banks close to the Revenue Field Offices. This would allow daily deposits of all field office collections. If the depositories are set up, DOR would need to modify its field office procedures to allow daily deposits while having the offices continue to forward the daily reports and deposit slips to Raleigh. Additionally, management should review the procedures used by the Bankruptcy unit to require adherence with the Daily Deposit Act. **(53)**	Yes G.S. _____ Date enacted _____ No	**Not Implemented** The Department has determined that its current procedures that require payments collected in the field offices to be sent to Raleigh for processing is the most effective method for handling taxpayer payments. The data capture system and the associated reengineering efforts have dramatically improved the Department's ability to track and process payments, thereby eliminating the backlogs of payments experienced in 2000. Except for the two-week period following April 15, payments received from our field offices are deposited within 24 hours of receipt. By processing the payments through the data capture system, we have access to information that allows us to serve taxpayers better and to effect collections more expeditiously that may not be available if processed through a local bank. In addition, the Department now allows payments to be made via the web site, which facilitates accounting for the payments made. Temporary staffing was added to the Bankruptcy Unit and as a result, payments received are processed within 24 hours of the time received in the unit.
The division should establish procedures that require manually entered or calculated data be reviewed by a supervisor as a secondary review. In addition, the division should develop a spreadsheet that could accurately track and calculate all payment plan accounts not on VISTA. A spreadsheet that automatically calculates the interest accrued based on the payment amount and date would help prevent any miscalculation of the account balances. **(54)**	Yes G.S. _____ Date enacted _____ No	**Partially implemented (75%)** A spreadsheet has been established and is updated when a financial transaction occurs to reflect the proper interest on taxes due. The accounting unit supervisor is responsible for verifying the accuracy of manual interest calculations in the spreadsheet and monitoring of the payment plans.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The Motor Fuels division should take immediate steps to have the audit software changed to accurately calculate taxes owed. Until such time that the software is corrected, the division should take alternate steps to manually calculate interest owed or due resulting from an audit. Additionally, the division should review past audits to identify taxpayers affected by the mis-calculation and re-calculate interest to properly credit those taxpayers in accordance with IFTA regulations. **(55)**	Yes G.S. _____ Date enacted _____ No	**Fully Implemented** Effective January 2001, changes were made to the IFTA audit program to accurately calculate interest applied to audits. The necessary enhancements were made to the audit program to correct this situation.
DOR management should request the Office of State Personnel and the Board of Trustees of the Teachers' and State Employees' Retirement System to re-visit this issue. If the Board determines that the differential should be included as regular salary for retirement withholding, the employees should be given the opportunity to purchase the amounts not previously withheld to add to their retirement accounts. **(56- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	The Department has maintained communication with OSP and the State Retirement System regarding this matter. The response we continue to get is that the Pay Supplement Allowance (PSA) is not subject to the State Retirement System contributions and the only way that could change would require changes to the General Statutes (G.S. 128-21(7a).[3]
DOR management should request the Office of State Personnel to review the equity of DOR's current differential pay. State Personnel should give consideration to using the method of adjustments established by the federal government. Should State Personnel find that adjustments are required for some of the interstate audit locations, DOR should request pay adjustments for these individuals to bring their salaries up to the local market level. **(57- See Exhibit)**	Yes G.S. _____ Date enacted _____ No	In 2003 the Office of State Personnel implemented a new process requiring the annual review of cost of living factors in all out-of-state geographic areas where North Carolina state employees are assigned. This process also requires making the necessary adjustments (+/-) to employees authorized PSA rates based on the prevailing economic conditions in the geographic area where the employee is assigned. This new system has provided a more equitable administration of these pay supplements. [4]

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[3] **AUDITOR NOTE: This recommendation is considered fully implemented.**
[4] **AUDITOR NOTE: This recommendation is considered fully implemented.**

ADULT CARE HOMES REIMBURESEMENT RATES
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up

INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.		
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** Please provide documentation supporting implementation status for each recommendation..
The General Assembly should carefully review the number of beds approved under each exemption category. Consideration should be given to the intent of the exemption and to whether the intent is being achieved. The General Assembly may want to consider amending the exemptions if the moratorium remains in effect beyond the September 30, 2001 deadline.	❑ Yes G.S. _____ Date enacted _____ **X** No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) **X** Not implemented (Explain below) Certificate of Need law was amended placing adult care beds under the CON law effective 1/01/01. Existing exemptions were given deadlines to meet for further development.
The Department should develop procedures to periodically determine the status of exempted adult care home beds. These records should be maintained and be available for the General Assembly to review.	❑ Yes G.S. _____ Date enacted _____ **X** No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) **X** Not implemented (Explain below) Certificate of Need law was amended placing adult care beds under the CON law effective 1/01/01. Existing exemptions were given deadlines to meet for further development.
The Department should continue efforts to address the provision of adult care home services as part of the continuum of long-term care. As part of this plan, provisions should address the growth of the adult care homes industry, the cost of providing adult care homes services, as well as methods to assure the quality of the services provided. While continuing the existing moratorium will control the growth of new beds, it does not directly address the cost or quality of care issues. We believe the General Assembly should consider implementing other regulatory programs that can be tailored to address all the identified issues.	❑ Yes G.S. _____ Date enacted _____ **X** No	❑ Fully implemented **X** Partially implemented **NA**% complete (Explain below) ❑ Not implemented (Explain below) In the Fall 2002, DHHS initiated an Adult Care Home Cost Modeling Committee consisting of DHHS staff as well as adult care industry representatives to explore these issues. The Committee meets every two weeks and plans to present the options developed by the study committee to DHHS management within the next six months.

ADULT CARE HOMES REIMBURESEMENT RATES
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The Division of Facility Services should immediately implement a process to suspend admission of those facilities not in compliance with GS 131D- 4.2. Facility Services should develop and implement clear, step-by-step procedures to follow when a facility does not submit the required cost reports. Further, the Division of Facility Services should maintain adequate records to monitor current status of reporting facilities. The Department Controller's Office should revise the delinquency notification to reflect current law and set clear instructions and time limits for performing functions. Finally, the two divisions should work together more closely to ensure compliance and resolve issues regarding questioned facilities.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Information regarding these items are available on our DHHS website at: http://www.dhhs.state.nc.us/control1/acf/acfac.htm
We support the Department's initiative in exploring alternative payment procedures that could have a more direct affect on quality of care. The Department should communicate payment options to the General Assembly for its consideration.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) **X** Not implemented (Explain below) The Adult Care Home Cost Modeling Committee is exploring payment options at this time and has reviewed a number of other State's payment methodologies. No clear date is available as to when a recommendation will be made.
The DHHS Controller's Office and Office of Internal Auditor should determine which division should perform a detailed review of the submitted cost report audit procedures. They should follow up as necessary on audits that reflect procedures not performed to determine the reasons why the audit procedure could not be completed. A determination should then be made as to whether the omission of certain procedures will affect the rate setting outcome.	❑ Yes G.S. _____ Date enacted _____ ❑ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The Office of Internal Auditor (OIA) reviews AUP reports in detail along with the respective cost reports. OIA identifies cost reports that should be omitted from the rate setting process if the AUP Reports reveal that data is flawed or there are related party transactions that may negatively impact reliable cost data. Details of Agreed Upon Procedures are available on our website at: http://www.dhhs.state.nc.us/control1/acf/acfac.htm

ADULT CARE HOMES REIMBURESEMENT RATES
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The Department Controller's Office should develop a plan to phase in electronic filing of adult care homes cost reports. One possibility is to require adult care homes to submit a computer diskette containing the cost report data along with the actual hard copy. This change would allow the Controller's Office more time to perform analytical review and/or the detailed analysis, discussed above, on the cost reports and audit procedures.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The DHHS Controller's Office has developed and implemented an Access application which is available electronically at: http://www.dhhs.state.nc.us/control1/acf/acfac.htm.
The Department should begin requiring a conflict of interest and related party disclosure in the cost report. Such disclosure should be signed by management of the reporting facility and include the nature of any related party relationship along with a description of the transaction and dollar amounts involved. The existence of any relationships involving common control, even if no transactions occurred, should also be disclosed.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The disclosure statement is available on our website at: http://www.dhhs.state.nc.us/control1/acf/acfac.htm _____
The Department Office of Internal Auditor should modify the audit procedures to include procedures designed to insure that all related party transactions identified are reasonable and necessary to the operation of the facility. Also, procedures should be developed and implemented to verify the indirect or overhead costs passed down from the corporate office.	❑ Yes G.S. _____ Date enacted _____ **X** No	❑ Fully implemented **X** Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The Department feels that the terms "reasonable and necessary" are too nebulous and are subject to an independent auditor's personal interpretation. It would also be difficult to develop Agreed Upon Audit Procedures which are by definition narrowly defined. However, we do agree with the principle that the auditors suggested—that is, having confidence in the cost data. We believe that the simplest and most cost-effective method is to eliminate entities from the cost pool that have questionable data such as related party transactions. In addition, the Study Committee is studying implementation of a new trend in other States reimbursement methodologies—the fair rental value for the capital component which would eliminate one of the main sources of related party transactions. We have not developed any procedures to audit corporate indirect or overhead costs since the cost-to-benefit ratio for this audit work was not nearly as great as the areas currently being examined. We do have audit procedures for related party transactions that are identified on Schedule D of the cost report.

ADULT CARE HOMES REIMBURESEMENT RATES
DEPARTMENT OF HEALTH AND HUMAN SERVICES
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should determine, as part of the comprehensive plan for long-term care, its goal in providing special assistance reimbursement payments. Consideration should be given to whether the current methodology used to compute the rate needs to be modified.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) **X** Not implemented (Explain below) The General Assembly will not be able to make this determination until the Adult Care Home Cost Modeling Committee and the Department make final recommendations.
The General Assembly needs to determine whether costs associated with revising the methodology provide sufficient increased benefits to the residents to mandate the change. Requiring the additional financial information would necessitate amending the General Statutes.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) **X** Not implemented (Explain below) The General Assembly will not be able to make this determination until the Adult Care Home Cost Modeling Committee and the Department make final recommendations.
The Department should continue to provide the General Assembly with options based on differing vacancy percentages for consideration in the rate approval process. These options should show the projected dollar impact associated with different levels. The General Assembly should consider establishing the monthly rate to include a two-year inflation factor or a one-year inflation factor.	❑ Yes G.S. _____ Date enacted _____ ❑ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Examples of data developed for the General Assembly is attached.

HURICANE FLOYD RESERVE FUND
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
The entity charged with coordination and oversight of an assistance effort such as that resulting from Hurricane Floyd should clearly establish at the beginning of its existence how funding data is to be reported for compilation. In our opinion, that entity should be the State Division of Emergency Management located in the Department of Crime Control and Public Safety. (See page 33 for recommendations for the future.)	✔ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **This is a legislative issue.**
The General Assembly should determine whether to require the sponsoring agency of special assistance programs to request and receive reallocation of funds prior to making commitments.	✔ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **This is a legislative issue.**
State Budget should identify priority funding for the completion of this project and for maintaining the continuing operations of the program and work with the General Assembly to obtain funding.	✔ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **This is an Office of State Budget and Management (OSBM) issue.**

HURICANE FLOYD RESERVE FUND
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The General Assembly should consider clearly defining in legislation what type assistance programs should be established in future "worst case" disasters.	✔ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **This is a legislative issue.**
The sponsoring agency should take an active role in monitoring and reviewing implementation of programs at the local level. While these programs would be included in the annual audit required for each governmental unit, the General Assembly should consider whether to require a separate review of the local internal controls for each of the 32 assistance programs. Additionally, the sponsoring agency should require any entity receiving special assistance funds to perform a grant close-out at the conclusion of the program.	❑ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **(For CCPS Redevelopment Programs)** *(Documents available upon request)*
Program guidelines should be modified timely and followed to ensure consistency throughout the program. Also, controls should be in place to ensure loan amounts are calculated accurately. The sponsoring agency should not circumvent the loan process since this can create inconsistencies when administering the program.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **The Program referenced is in the Department of Commerce.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Sponsoring agencies should review and modify the policies and procedures established for use of the Hurricane Floyd Reserve Fund to assure proper handling of the monies from receipt of initial funding, through distribution and repayment. Additionally, policies and procedures should be reviewed for consistency and compliance with budget, purchasing, and other State policies and procedures. The Redevelopment Center should compile policies and procedures developed by sponsoring agencies and provide them to the designated repository for future reference. (See page 33 for discussion.)	❑ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *(Documents available upon request)*
The Department of Commerce should only charge directly related expenses to the Housing Recovery Program. Each sponsoring agency should utilize all cost-saving measures available, such as checking with State Surplus Property for furniture, to more wisely spend special appropriations such as the Hurricane Floyd fund.	❑ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *(Documents available upon request)*
Management should consider the full cost to the State, and justify use, prior to using State aircraft. Also, costs charged to the Housing Recovery Office Program for travel should be reviewed and charged to the proper agency or program.	❑ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **(For CCPS Redevelopment Programs)** *(Documents available upon request)*

HURICANE FLOYD RESERVE FUND
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The entity charged with coordination and oversight of an assistance effort such as that resulting from Hurricane Floyd should clearly establish at the beginning of its existence the format for all status reports. This procedure would allow for more accurate compilation of data.	❑ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **(For CCPS Redevelopment Programs)** *(Documents available upon request)*
We believe that there is a need to clearly document in one place the unique and valuable steps the State took in response to this unprecedented disaster for future use. This document should include data on: • How to determine needs, funding sources, and potential programs. • How to assure more involvement by people administering the program in deciding needs. • How to assure more citizen involvement in planning and assessing needs. • How to determine which group to assign overall responsibility, and how to organize and structure it. • Clearly defined responsibilities, reporting structure, and reporting requirements. • A description of programs needed and how to develop policies and procedures. • Steps for setting up toll-free telephone (800) lines so that citizens would have one place to call for any questions. • Ways to enlist experienced people who can immediately and sympathetically respond to the needs of the affected population. Once this data is gathered, it should be kept in a central repository for	✔ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **This is a legislative issue.**

future use. We believe this repository should be the Department of Crime Control and Public Safety, Division of Emergency Management.　(continued on next page) Former Governor Hunt and the staff of the Redevelopment Center have already begun this process by putting together *Ten Months and Counting: An Interim Final Report on the Response to Hurricane Floyd*, which contains considerable detail about the process used to identify the need and set up the initial programs. Governor Mike Easley has also taken steps to consolidate efforts by moving the Redevelopment Center and all remaining housing programs to the Department of Crime Control and Public Safety. Based on our review we suggest that all efforts for any future "worst case" disasters, from appropriations for special assistance funds through program initiation and oversight to completion of programs, be the responsibility of Department of Crime Control and Public Safety, Division of Emergency Management. This division is already set up to handle disaster response and recovery efforts.		

STATE SURPLUS PROPERTY AGENCY
DEPARTMENT OF ADMINISTRATION
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
1. State Surplus should expand its capacity for reconditioning surplus computers. State Surplus should also work with the Department of Public Instruction to promote the program to public and charter schools in North Carolina. Lastly, the Internet web site should be updated to reflect the current specifications of the computers available through the "Computers for Kids" program.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Capacity expanded (see #2), hotlink added to DPI and DNPE web sites, SSPA web site updated, letters sent to LEA's, SSPA participated in DPI Summer Conference.
2. State Surplus should work with the Department of Correction to identify other facilities that are willing to participate in the program. State Surplus should continue to work with Corrections to arrange for inmates to be placed on work release at the State Surplus computer warehouse to supplement the reconditioning efforts of the State staff.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented 50% complete (Explain below) ❑ Not implemented (Explain below) Capacity expanded (Avery County CF), use of inmate labor discontinued due to concerns raised in the audit, employee base increased.
3. State Surplus should require all non-profit organizations to provide copies of their 501(c) certificates before allowing them to purchase surplus property.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Non-profits required to submit 501(c) 3 certificates.

STATE SURPLUS PROPERTY AGENCY
DEPARTMENT OF ADMINISTRATION
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
4. State Surplus should develop and maintain a comprehensive, formal manual of written policies and procedures. Management should train all employees on current polices and procedures and provide staff updates on a continuing basis.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>80%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>Draft manual developed and currently under review, employees</u> <u>trained on draft manual, personnel assigned specific duties of</u> <u>updating manual.</u>
5. State Surplus should work with the Department's Management Information Systems to ensure that its computerized system can effectively track and work accounts receivable. The system should automatically flag accounts when they become overdue. A list of flagged accounts should be printed and distributed to the appropriate staff for collections. Management should more closely monitor collection efforts. Lastly, management should seek additional staff to work the backlog of past due accounts.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) <u>New computer system tracks A/R, can flag items, overdue items</u> <u>sent to DOA Fiscal Management, Management reviews collections</u> <u>on at least a weekly basis</u>
6. State Surplus should ensure that the sales and invoicing function for the computer warehouse is incorporated into the new inventory control system being development by the Department's Management Information Systems division. Policies and procedures should be developed to ensure consistent handling of all sales and invoicing.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) <u>New computer system incorporates sales and inventory, policies</u> <u>and procedures manual draft includes inventory, sales, and</u> <u>invoicing</u>.

STATE SURPLUS PROPERTY AGENCY
DEPARTMENT OF ADMINISTRATION
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
7. State Surplus should immediately implement the use of pre-numbered duplicate receipts for the Wednesday computer sales. All receipts should be accounted for and agree to the amount of cash collected. Additionally, management should segregate the various functions involved with the retail sales operation to eliminate the possibility of misappropriation of State assets. Consideration should also be given to installing cameras or implementing other monitoring procedures.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>90%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>Triplicate receipts in use, tracking implemented, functions of cash</u> <u>management disbursed, seven internal cameras installed.</u>
8. Management should comply with the State Cash Management Plan and deposit all receipts within 24 hours. Procedures should be put in place to date stamp all checks as soon as they are received.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>50%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>Cash management plan being conformed to in all sales, checks not</u> <u>stamped due to concerns of defacing checks, check log system in</u> <u>place for mail.</u>
9. State Surplus should conduct a full inventory of all surplus property, reconcile it with the current inventory system listing, and update the system as necessary prior to transferring inventory data into the planned bar code inventory system.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) <u>Implemented as recommended</u>.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
10. State Surplus should better monitor the recycle contracts and enforce all contract terms. Surplus should develop a strategy that ensures the most effective and efficient disposal method for all recycled materials.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Contract administrator assigned, all contracts reviewed by DOA Fiscal and General Counsel prior to rebid.
11. To improve the coordination of the transport and handling of surplus property, the Secretary of the Department of Administration should assign the responsibility for the pick up and delivery of property to State Surplus. (Survey of other states shows 48% of the respondents offered state pick up services for surplus property.) Additional positions and equipment will be needed to accomplish this. At present, Facility Management uses two drivers and four inmates for this function approximately one day a week.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) SSPA now picks up surplus equipment in Wake County area. Two positions added, equipment added.
12. State Surplus should coordinate with Department of Correction personnel to assure proper levels of supervision for inmates and adherence to Correction's policies. State Surplus should review current inmate assignments for appropriateness and limit the contact inmates have with the public.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✓ Not implemented (Explain below) Inmates no longer used, however SSPA complied with supervision aspects while inmates were in use.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
13. State Surplus should work with the Department management and the Office of State Personnel to review the need for additional positions. To support staffing requests, State Surplus should develop meaningful performance measures and implement an inventory control system that would provide accurate data on the increased workload.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>80%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>Personnel needs reviewed as recommended, additional positions</u> <u>added, workload measures being put in place in 2004.</u>
14. State Surplus personnel and personnel from the Department's Management Information Systems division should work with personnel from the State's Information Technology Services office to develop e-business applications for the surplus operation. Surplus should explore how to effectively set up and conduct sealed bid sales via the Internet, using approved methods for electronic signatures and procedures needed to accept credit card payments. Surplus should also explore the possibility of obtaining an e-grant through the ebusiness committee of the Information Resource Management Commission.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>60%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>e-business activities increased (e-bay, etc.), additional funds for e-</u> <u>business expansion not available, other efforts still in progress.</u>
15. Department management should authorize a space needs study for the State Surplus operations. The study should determine whether a new building, an expansion of the current building, or co-locating federal and State Surplus property is needed. Consideration should be given to factors such as operation efficiency, cost-effectiveness, and safety precautions.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) <u>Space needs analysis performed by State Property Office, State</u> <u>Construction Office, and SSPA. Analysis reflected efficiencies</u> <u>could be gained by consolidation but delayed due to lack of</u> <u>funding.</u>

STATE SURPLUS PROPERTY AGENCY
DEPARTMENT OF ADMINISTRATION
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
16. The Department of Administration should sanction a full feasibility study for co-locating State and federal surplus operations. The State Property Office should be contacted for possible sites for consideration.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) <u>Space needs analysis performed by State Property Office, State Construction Office, and SSPA. Analysis reflected efficiencies could be gained by consolidation but delayed due to lack of funding</u>
17. Department management should explore the feasibility of authorizing other large State universities and institutions, especially those located outside Raleigh, to set up local surplus retail sale operations under the auspices of State Surplus. The approved university or institution would be responsible for operating its own local retail sales store, with advice and oversight supplied by State Surplus. For these operations, the General Statutes should be amended to allow the approved universities and institutions to pay State Surplus a reduced fee for any surplus property disposed of through the local operation.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>75%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>Several University sites established, policies and procedures included in manual, fee remained unchanged.</u>

NORTH CAROLINA DIVISION OF EMERGENCY MANAGEMENT
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
Recommendation Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Emergency Management should closely examine the workloads for temporary employees and determine whether the appropriate number of staff is used. Further, to reduce unnecessary overtime, management should exhaust all local employment resources before hiring temporary employees in the Raleigh area to work in other locations. Finally, management should consider changing the schedules of employees whose duties require much of their work to be performed at night or on weekends.	❑ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *(Documents available upon request)*
Department and Division management should continue to request the permanent positions in the budget process. Once budget approval is received, a request for assistance from the Office of State Personnel to complete reclassification of the positions should be made. This study should include establishing pay schedules to enhance retention of key personnel and to mitigate turnover. Consideration should be given to establishing a larger core group of permanent positions for key functions such as Hazard Mitigation and Public Assistance to ensure consistency and continuity of operations and to improve the Division's overall efficiency.	✔ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✔ Partially implemented _50 %_ complete (Explain below) ❑ Not implemented (Explain below) **The Governor has requested 6 permanent positions in the expansion budget in the 2004 short session. The short session budget has not passed as of this writing.** *(Documents available upon request)*
The Department Controller's Office staff and the Division Finance Section staff should jointly develop explicit guidelines and procedures for processing payables and drawdowns. As part of those procedures, the approval of requests for reimbursement should be signed by the Division Finance Director. The Finance Director should be aware of what staff is doing and work to improve coordination of assignments and communications among staff. This might best be accomplished by housing all Division finance staff in one central location.	❑ Yes G.S. _____ Date enacted _____ ✔ No	❑ Fully implemented ✔ Partially implemented _50 %_ complete (Explain below) ❑ Not implemented (Explain below) **Guidelines and procedures have been implemented. The CCPS Secretary has also ordered the reorganization of fiscal-related EM staff to report through the Department Controller.** *(Documents available upon request)*

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The Department and the Division should request the Office of State Personnel re-examine the duties of Finance Director and Government Accounts Auditor positions in the Finance Section. The position classifications should be better matched to the duties and responsibilities of the positions.	❑ Yes G.S. _____ Date enacted _____ ✔ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✔ Not implemented (Explain below) **The CCPS Secretary has ordered the reorganization of fiscal-related EM staff to report through the Department Controller. Re-examination of duties will follow.** *(Documents available upon request)*
The Department and Division should take immediate steps to adequately document all personnel actions. Management should ensure that personnel files comply with State regulations and contain all relevant records for each employee and documentation of all decisions made. The Department should consider maintaining all personnel information in one location (either the Department or Division) to reduce the possibility for lost information. The Division should maintain an active performance management system as required by State regulations. Division management should ensure that all supervisors complete and document interim reviews timely.	❑ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *(Documents available upon request)*
The Office of the State Auditor supports Division efforts to improve emergency response. To this end, we believe consideration should be given to establishing two additional warehouse locations: one in the east and one in the west. A possible eastern location would be the Global TransPark where the State already owns land. The TransPark has an existing airstrip capable of handling large military cargo aircraft and offers proximity to eastern North Carolina, an area subject to considerable storm damage. The Asheville County Airport could be a potential western location since it is also capable of handling the cargo aircraft needed to transport necessary supplies and equipment to remote locations.	❑ Yes G.S. _____ Date enacted _____ ✔ No	❑ Fully implemented ✔ Partially implemented __50 %__ complete (Explain below) ❑ Not implemented (Explain below) **A warehouse in the eastern region (Rocky Mount) has been rented. The existing state-owned warehouse in the western Piedmont region (Stanly County) will be maintained. Funds have not been approved for additional warehouses.** *(Documents available upon request)*

NORTH CAROLINA DIVISION OF EMERGENCY MANAGEMENT
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
Recommendation Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The Temporary Housing Chief Officer should obtain the required written authority from the FEMA Regional Director to ensure that all future mobile home sales are handled properly or defer the approvals of such sales to the FEMA Project Director. Additionally, the Temporary Housing Unit should verify all IFG/SBA receipts submitted by applicants to ensure the expenditures were made for items reported lost in the disaster. Emergency Management and State Surplus should take steps to resolve the issue of the fee charged by State Surplus. Finally, the Temporary Housing Unit should expedite the review of all applications to include fully documenting decisions and ensuring all required documentation is included in the files.	❑ Yes G.S. _____ Date enacted _____ ✔ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **The Hurricane Floyd Temporary Housing Program has been closed.** *(Documents available upon request)*
Department and Division management should work with FEMA to resolve this issue. If it is determined that the air conditioner/heat pump units should not have been billed separately, the Department should initiate actions to recover the amounts deemed overcharges from the six contractors.	❑ Yes G.S. _____ Date enacted _____ ✔ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✔ Not implemented (Explain below)[1] **FEMA has not made a final determination. CCPS continues to work with FEMA to resolve this issue.** *(Documents available upon request)*
The Division should make the completion of the weather radio project a priority to ensure coverage for as many North Carolina citizens as possible. Division personnel should contact local offices to determine distribution status of the radios. Further, the Division should closely monitor signal coverage as the project continues to assure that the maximum coverage is achieved and maintained.	❑ Yes G.S. _____ Date enacted _____	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *(Documents available upon request)*

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[1] **AUDITOR NOTE: This recommendation is considered partially implemented since the recommendation is to work with FEMA to resolve the issue and though the issue has not been resolved, the response states "CCPS continues to work with FEMA to resolve this issues".**

	✓ No	

AUDITOR NOTE: The second recommendation on this page addressing working with FEMA is considered partially implemented since the response states "CCPS continues to work with FEMA to resolve this issues.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Division management should continue to emphasize accessibility and quality of training. Additionally, the Division should work to improve communications, reduce "red tape" to the extent possible, reduce use of temporary staff in key positions, and provide more education and training. Improvements in these areas will assure more effective provision of emergency services to citizens.	❑ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *(Documents available upon request)*
Management should more closely monitor the re-certification process to assure that recipients obtain needed assistance and retain eligibility, and to assure compliance with procedures.	❑ Yes G.S. _____ Date enacted _____ ✔ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **The Hurricane Floyd Temporary Housing Program has been closed.** *(Documents available upon request)*
The Operations Section should develop written policies and procedures for daily operations. Performance standards for the Branch Offices and Area Coordinators should be established and monitored to ensure consistency within a branch and throughout the State.	❑ Yes G.S. _____ Date enacted _____ ✔ No	❑ Fully implemented ✔ Partially implemented _50 %_ complete (Explain below) ❑ Not implemented (Explain below) **Written Standards and Procedures have been implemented for Branch Offices and area Coordinators. The Operations Section is developing written policies and procedures.** *(Documents available upon request)*

NORTH CAROLINA DIVISION OF EMERGENCY MANAGEMENT
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
Recommendation Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The Division of Emergency Management should take immediate steps to revise and update the Administrative Code to ensure consistency with the current General Statutes and the Division's operational and organizational structure.	☐ Yes G.S. _____ Date enacted _____ ✔ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ✔ Not implemented (Explain below) **The structural updating process continues to be under discussion.** *(Documents available upon request)*
The Division should immediately cease the practice of allowing Temporary Housing employees to use State vehicles as described above. In the future, the Division should exhaust all possibilities for recruiting personnel in the area of need to avoid requiring employees to commute long distances. This would allow the Division to avoid the question of whether to allow State vehicles to be used in the described manner. The Division should consult with legal counsel to determine whether any temporary employees should reimburse the State for commuting fees.	☐ Yes G.S. _____ Date enacted _____ ✔ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) **The Hurricane Floyd Temporary Housing Program has been closed.** *(Documents available upon request)*
The Division should improve efforts to recruit employees locally to avoid paying for unnecessary travel, lodging, and meals.	☐ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) *(Documents available upon request)*

NORTH CAROLINA DIVISION OF EMERGENCY MANAGEMENT
DEPARTMENT OF CRIME CONTROL AND PUBLIC SAFETY
Recommendation Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The Temporary Housing Unit should comply with the requirements of the State's Cash Management Plan. Further, the Unit should implement procedures to ensure that all checks are properly handled and secured.	❑ Yes G.S. _____ Date enacted _____ ✔ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **The Hurricane Floyd Temporary Housing Program has been closed.** *(Documents available upon request)*
The Division should immediately notify the Information Technology Services of all cellular telephone services received directly from the vendor. ITS and the Division should request term contract rates for phones not receiving such rates, and the plans should be transferred to ITS for administration. The Division should utilize ITS for all future purchases of telecommunication equipment or services. Lastly, all plans should be reviewed to determine the most efficient plan for each phone.	❑ Yes G.S. _____ Date enacted _____ ✔ No	✔ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *(Documents available upon request)*
The Division should immediately review the use and assignment of all cellular telephones, phone by phone, to determine if the employee needs the phone to effectively perform his/her job. The Division should implement procedures that require employees' immediate supervisors to review cellular telephone bills for use prior to payment. Further, management should immediately review all cellular telephone bills and request reimbursement from any employees who made unauthorized personal calls. Lastly, the Division should develop a policy on cellular phone use that conforms to the Department and statewide policies, specifically addressing when personal calls are allowed, and provide this to each employee.	❑ Yes G.S. _____ Date enacted _____ ✔ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✔ Not implemented (Explain below) *(Documents available upon request)*

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The Division should continue its efforts to convert all satellite phone service to the new plan. The Division should request a credit from the vendor for the $11,307 overcharge through May 2001 and any subsequent overcharge since the audit fieldwork was completed. Additionally, the Division should implement procedures to adequately monitor physical location of all satellite phones.	❑　　Yes G.S. _____ Date enacted _____ ✔　　No	✔　　Fully implemented ❑　　Partially implemented _____% complete (Explain below) ❑　　Not implemented (Explain below) *(Documents available upon request)*
The Division should make sure its internal procedures conform to Department procedures. Both Department and Division procedures should be consistent with State procedures. To expedite processing, the Division should train all personnel assigned to process invoices on the exact procedures to be used.	❑　　Yes G.S. _____ Date enacted _____ ✔　　No	❑　　Fully implemented ✔　　Partially implemented 50 % complete (Explain below) ❑　　Not implemented (Explain below) **Guidelines and procedures have been implemented. The CCPS Secretary has also ordered the reorganization of fiscal-related EM staff to report through the Department Controller.** *(Documents available upon request)*
The Department should establish controls to ensure adequate documentation for all expenditures is maintained for three years plus the current year for all expenditures.	❑　　Yes G.S. _____ Date enacted _____ ✔　　No	✔　　Fully implemented ❑　　Partially implemented _____% complete (Explain below) ❑　　Not implemented (Explain below) *(Documents available upon request)*

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The Department should establish controls over contract management to include maintaining a complete, up-to-date listing of all Emergency Management contracts with outside consultants/contractors and central monitoring of contract files. The Division should adhere to the policies and procedures as outlined in the State Purchasing Manual and Department Directives regarding the supporting documentation requirements for contracts.	❑ Yes G.S. _____ Date enacted _____ ✓ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *(Documents available upon request)*
The Department should give the Division read-only access to the statewide fixed asset system data for the Division and provide training on data extraction. A complete inventory of all fixed assets should be conducted annually and submitted on a timely basis by the Division. Finally, a written plan for conducting the annual fixed asset inventory should be developed and approved by the Division.	❑ Yes G.S. _____ Date enacted _____ ✓ No	❑ Fully implemented ✓ Partially implemented 50 % complete (Explain below) ❑ Not implemented (Explain below) **The read-only access is available and inventories are complete or underway for 2003 and 2004. The Department plan includes divisions, issues instructions and monitors deadlines annually.** *(Documents available upon request)*
	❑	

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601. (spanning)		
ITS management should continue development of the formal monitoring process. Goals and objectives should be stated in a manner that would enable measurement over a stated period. Further, a system to evaluate the achievement of those goals should be implemented.	❑ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below)
The Statewide IT Procurement Office should review its internal policy manual to correct the issues noted. Management should be actively involved in the revisions to ensure that all identified problems are resolved.	❑ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below)
ITS should take steps to comply with GS 143B-472.52(c) by continuing with development of a statewide IT asset inventory. If insufficient funds delay this action, ITS should seek a remedy with the General Assembly through a request for funding.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented 75% complete (Explain below) ❑ Not implemented (Explain below) Agencies are required to submit information on their IT asset inventory to the State CIO. The State CIO has worked diligently to obtain this information from state agencies and has conducted a hardware inventory and an applications inventory in the past year. The State CIO has convened a Work Group on Asset Management to assist ITS in gathering the requirements for and asset management system.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
The Statewide IT Procurement Office should cease entering requests into the tracking system that fall below the general delegation amount. Instead, the Procurement Office should notify the agency to procure the item directly. The notification date should be documented on the request and a central file of these requests should be maintained.	❑ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below)
The Procurement Office should comply with the NC Administrative Code by conducting agency compliance reviews. Management should proceed in identifying the manner in which these reviews will be conducted and designate staff members to perform this function. Further, at the completion of a review, copies of the compliance report should be provided to the agency's executive officer, the State Auditor, and State Budget Officer in compliance with regulations.	❑ Yes G.S. _____ Date enacted _____ ☒ No	❑ Fully implemented ☒ Partially implemented 75% complete (Explain below) ❑ Not implemented (Explain below) The Statewide IT Procurement Office has performed compliance audits through consultation with the Division of Purchase and Contract. The E-Procurement System has also been a source of information to ensure compliance with procurement rules, policies and procedures. In addition, the Chief IT Procurement Officer is now required to sign off on Project Certifications to ensure the IT procurement process as it relates to contract and project management is followed. Staff members use information obtained from e-procurement reports, project certification documents and procurement review processes to address compliance with rules, policies and procedures and training needs. A position to perform compliance audits was established previously but not funded. The State CIO has recently allocated a position for this function to formalize the process in accordance with the NC Administrative Code.
ITS should develop and implement a formal system to track the receipt of administrative fees. In those cases where vendors do not comply with contract requirements regarding submission of fees and associated reports, the Procurement Office should remove those vendors from the technical services vendor listing.	❑ Yes G.S. _____ Date enacted ☒ No	☒ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
ITS should continue to work on improving service to user agencies. Special emphasis should be placed on responding timely to customers. ITS management should work to fill vacant positions especially with the increased demands brought on by the State's e-procurement initiative.	☐ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below)
The Statewide IT Procurement Office should continue to focus efforts on achieving cost savings. The Procurement Office should modify the IT procurement tracking system to include a field for cost savings. All prior cost savings should be added to the system. Each contract specialist should be responsible for documenting and recording cost savings in the contract file and tracking system. In addition, internal policies and procedures should be developed for cost savings reporting and provided to all Procurement Office employees. Finally, the Procurement Office should consider using cost savings reports as a performance measure.	☐ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below)
ITS should continue to offer periodic training to user agencies on the rules and regulations governing IT procurement. The General Assembly should consider the ramifications of the split purchasing authority. Further, the General Assembly should consider requiring all governmental entities to utilize ITS for IT purchases to enable achievement of economies of scale and ensure that the State is receiving the best value in all IT purchasing decisions.	☐ Yes G.S. _____ Date enacted _____ ☒ No	☒ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below)

Enclosure	INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.

ISSUES FOR FURTHER STUDY	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting actions taken for each recommendation..
The State has limited enforcement actions that can be taken when violations are cited at a food establishment.	❏ X Yes G.S. 106-124.1 Date enacted 12-1-03 ❏ No	❏ X Action taken ❏ No action taken (Explain below) Civil penalty authority added to NC Food, Drug and Cosmetic Act. Meat and Poultry Inspection Service (MPIS) has had the authority since 1995. _____
Home food processors are not required to be inspected annually.	❏ Yes G.S. _____ Date enacted _____ ❏ X No	❏ Action taken ❏ X No action taken (Explain below) All food processors are subject to inspection. There is no mandate to inspect food processors annually. Compliance history and products produced are factors when determining inspection frequency. _____
The farm-to-school and the gleaning programs are not subject to any type of food or pesticide testing.	❏ Yes G.S. _____ Date enacted _____ ❏ X No	❏ Action taken ❏ X No action taken (Explain below) All foods are subject to inspection and testing. All farms that grow produce items that participate in the gleaning program are equally subject to the same oversight for pesticide surveillance testing as nonparticipating farms. All farms are subject to pesticide application rules.

ISSUES FOR FURTHER STUDY	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting actions taken for each recommendation..
There are only 25 Agriculture food specialists responsible for periodic food safety and sanitation inspections at 8,163 identified food and beverage facilities.	❑ X Yes G.S. _____ Date enacted _____ ❑ No	❑ X Action taken ❑ No action taken (Explain below) Although the number of F&D inspectors is unchanged, expansion budget requests for an additional 12 inspectors and support personnel have been submitted, but no funding has been authorized. MPIS has 108 positions dedicated to food safety at 200 plus establishments. In addition MPIS has 4 compliance officers who target illegal activity. _____
There are only 5 certified egg inspectors for the entire State.	❑ X Yes G.S. _____ Date enacted _____ ❑ No	❑ X Action taken ❑ No action taken (Explain below) Due to budget reductions the number has been lowered to four.
Agriculture has no bilingual food specialists conducting inspections.	❑ X Yes G.S. _____ Date enacted _____ ❑ No	❑ X Action taken ❑ No action taken (Explain below) No new resources have been added for bilingual food specialist (F&D). MPIS has at least 4 inspectors fluent in languages other than English. In Egg Inspection a big need is Chinese speaking inspectors. Posters and instruction sheets are produced in Chinese.
There are no formal risk-based assessments to identify adequate inspection frequencies to maximize inspection efforts.	❑ X Yes G.S. _____ Date enacted _____	❑ X Action taken ❑ No action taken (Explain below) MPIS enforces the HACCP (Hazard Analysis and Critical Control Point Systems) regulations in all fully inspected meat and poultry facilities under its jurisdiction. The seafood inspection program in F&D also uses the HACCP approach to inspection. The remainder of F&D and Egg ~~Inspection set inspection frequencies based on risk of products being~~

	❑ No	Inspection set inspection frequencies based on risk of products being produced and market analysis.

ISSUES FOR FURTHER STUDY	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting actions taken for each recommendation..**
Some regulatory programs do not provide inspectors with a master list of all establishments needing inspections.	❑ Yes G.S. _____ Date enacted _____ ❑ X No	❑ Action taken ❑ X No action taken (Explain below) F&D inspectors are provided with an updated listing of all facilities to be inspected. MPIS inspectors are assigned to specific plants and a complete list of inspected establishments is available. Egg Inspectors are assigned territories and each inspector is responsible for developing their own market outlet lists. _____
Apiculture food safety inspectors performing similar duties are not similarly equipped.	❑ X Yes G.S. _____ Date enacted _____ ❑ No	❑ X Action taken ❑ No action taken (Explain below) All F&D inspectors have desk top computers and cell phones. MPIS inspectors have laptops and other personal equipment items. Poultry Health Technicians, Veterinary Medical Officers, Compliance Officers, and Area Supervisors have cell phones. Egg Inspectors have laptops, but do not have state issued cell phones. To equip all inspection personnel with the same equipment will require additional funds. _____
Many of the State's laboratories are outdated and cannot provide needed tests	❑ X Yes G.S. _____ Date enacted _____ ❑ No	❑ X Action taken ❑ No action taken (Explain below) Expansion budget requests have been submitted to update equipment and expand personnel in the F&D lab. No additional funding has been provided through June 30, 2004. With respect to the Animal Disease Diagnostic labs, one small lab was closed and a biosafety level 3 lab was added in Raleigh. For all the department's food safety labs there remains a need for more laboratory capacity, advanced technology equipment, more realistic equipment and supply replacement budgets, and salaries commensurate with similar duties performed in the private sector and at public universities.

The General Assembly should consider studying the present food safety system to determine if the structure could be improved.	❑ X Yes G.S. _____ Date enacted _____ ❑ No	❑ X Action taken ❑ No action taken (Explain below) As a result of the Performance Review of the NC Food Safety System, the department worked with the Governor to develop Executive Order No. 52. The EO addressed the status of the current food safety system and established a Food Safety Task Force. The charge to the Task Force includes many of the elements that a study committee on the current food safety system would address. In the absence of funding for the Task Force, an ad hoc volunteer committee was formed to address the issues highlighted in the Performance Review. The initial report to the Governor is attached. In addition, the department and NC Public Health were given the opportunity to participate in revisions to the NC State Hazard Mitigation Plan. Several of the department's elements in the plan involve food safety in addition to infectious diseases in humans and animals. A copy of the plan may be obtained from Emergency Management.

NC Department of Environment and Natural Resources
FOOD SAFETY SYSTEM
Follow-up

ISSUES FOR FURTHER STUDY	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting actions taken for each recommendation..
The State has limited enforcement actions that can be taken when violations are cited at a food establishment.	❑ Yes G.S. _____ Date enacted _____ X No	X Action taken ❑ No action taken (Explain below) This agency has requested that the NC Department of Agriculture & Consumer Services delegate embargo power to us. We are still awaiting their decision. The Food Code Committee has reviewed the enforcement chapters of the 2001 Food Code and advocated use of the Food Code enforcement measures. These changes are proposed to move forward as part of a major rule change in 2005-06.
There are inconsistencies in the frequency of inspections and sample collections that could hamper the effectiveness of the food safety system. Some venues where food is served are not required to obtain sanitation inspections or permits.	X Yes G.S. 130A-250 Date enacted ❑ No	X Action taken X No action taken (Explain below) _____ Action taken prior to the auditor's report being published brought the vast majority of street fairs under regulation. Events sponsored by non-profits and political fundraisers are still exempt. Memos related to the inclusion of street fairs have been sent to the county health departments. A number of exemptions still remain in G.S. 130A-250
The county food sanitation inspection program is understaffed.	❑ Yes G.S. _____ Date enacted _____ ❑ No	X Action taken ❑ No action taken (Explain below) The Public Health Task Force has requested funds from the legislature to provide 1 environmental health specialist per county, though this is not designated as a food position.

ISSUES FOR FURTHER STUDY	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting actions taken for each recommendation..**
There are no formal risk-based assessments to identify adequate inspection frequencies to maximize inspection efforts.	X Yes G.S. 130A-249 Date enacted not yet presented ❏ No	X Action taken ❏ No action taken (Explain below) _____ This task was given to the NC Food Safety Rules Committee (a combination of the Food Code Committee and the Critical Item Committee). They have voted for a risk-based inspection frequency. They have not revised the statute as yet. They are hoping to place it in the legislature in the next long session.
The General Assembly should consider studying the present food safety system to determine if the structure could be improved.	❏ Yes G.S. _____ Date enacted _____ ❏ No	X Action taken ❏ No action taken (Explain below) DENR placed this subject into consideration for the interim report of the Food Safety and Security Task Force. The interim report is being made in response to Governor's Executive Order 52.

NC Department of Health and Human Service, Division of Public Health
FOOD SAFETY SYSTEM
Follow-up

ISSUES FOR FURTHER STUDY	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting actions taken for each recommendation..
Many of the State's laboratories are outdated and cannot provide needed tests	❏ Yes G.S. _____ Date enacted _____ ❏ No	**X** Action taken: **NC State Laboratory of Public Health** 1. GA provided SFY03-05 Continuation Budget funding of $681,800 of the $1,042,610 per year requested which has helped to replace some antiquated State Laboratory equipment cited in the audit. 2. Federal funding from the CDC improved bioterrorism preparedness provided for the purchase of an additional BSL-3 Laboratory in Raleigh (State Lab) and three BSL-2 + Laboratories at the three regional Laboratories in Buncombe, Mecklenburg and Pitt counties. 3. Federal funding through the CDC BT grant is funding a Feasibility Study exploring the building of a new NC State Laboratory of Public Health.
The General Assembly should consider studying the present food safety system to determine if the structure could be improved.	❏ Yes G.S. _____ Date enacted _____ ❏ No	**X** Action taken Formal recognition of NC Food Safety and Security Task Force by Executive Order No. 52 on 9/12/03. The Task Force is co-chaired by the Agriculture Commissioner and the State Health Director, with three specific duties. These duties include (1) "assessing the vulnerability of the State's food system to criminal and terrorist acts" and making recommendations for improved safety and security of the food supply, among other goals, (2) recommending specific legislation related to food safety and security and (3) recommending "budget, staffing and resource adjustments necessary to improve the ability of State departments and agencies to protect the safety and security of the State's food supply system to criminal or terrorist acts".

DEPARTMENT OF ADEMINISTRATION
STATE CONTRUCTION
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
1. SCO should formalize its review deadlines and develop design review performance standards for all reviewers based on those deadlines. Additionally, SCO should correct the backlog calculations to redefine the backlog.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>67%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>Review times formalized, performance standards not implemented due to quality concerns, backlog calculations redefined</u>
2. SCO management should determine whether the informal deadlines need to be adjusted. Further, management should explore the feasibility of implementing an express plan review process for state construction projects. Lastly, Department and SCO management should identify any legislative changes needed to allow implementation of an express review process. If the Secretary decides to pursue an express review process, then she should request from the General Assembly the necessary legislative changes.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>50%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>Informal deadlines adjusted, express review feasiblity explored and determined inappropriate for SCO.</u>
3. SCO management should identify all capital improvement projects that are still on-going from 1999 and verify that INTERSCOPE contains accurate and complete data for those projects, correcting as necessary. Efforts should continue to fully develop INTERSCOPE to better serve SCO clients and improve oversight of state construction projects. Once the consultant's evaluation is completed, Department management should request funding to complete INTERSCOPE development. Efforts to upgrade personal computers for the staff should also continue.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>80%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>Projects identified and INTERSCOPE verified, INTERSCOPE still under development, INTERSCOPE funding available, Computers upgraded with next update scheduled for 2006</u>

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
4. The Commission should review the established evaluation criteria for appropriateness. Specific procedures should be established for handling designer individual project ratings at or below 2.5 or cumulative designer ratings at or below 3.5. A clear definition of "final acceptance" and "final report" dates should be included and used consistently by the Commission and SCO staff. SCO management should establish clear procedures for conducting and maintaining the evaluation process. Once the procedures have been clarified, the Commission should use the evaluation results to determine the continued qualification of all contractors and selection of designers for state construction work.	❏ Yes G.S. _____ Date enacted _____ ❏ No	❏ Fully implemented ✓ Partially implemented <u>40%</u> complete (Explain below) ❏ Not implemented (Explain below) <u>SBC Subcommittee established, research underway, efforts hampered by limited meeting schedule due to budget reductions.</u>
5. The Commission and SCO should review the change order process with the Attorney General's Office to determine any legal implications with requiring identification of the party causing the change order. SCO staff should not approve change orders unless the proper change order form has been fully completed for documentation purposes.	❏ Yes G.S. _____ Date enacted _____ ❏ No	✓ Fully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below) <u>Change order process modified, staff re-trained to ensure that the modified change order is completed prior to approval.</u>
6. The Commission and SCO management should consider modifying SCO's procedures to require involvement of facilities management personnel in the plan review process for the purpose of identifying maintenance issues before construction. This should reduce the number of maintenance problems, help to standardize the infrastructure systems for state buildings, and save the State unnecessary maintenance costs.	❏ Yes G.S. _____ Date enacted _____ ❏ No	✓ Fully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below) <u>SCO Construction Manual modified.</u>

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
7. The General Assembly should evaluate the effect of legislation decentralizing the oversight responsibilities for State construction projects. If the State Construction Office is to provide data on the overall State capital improvement plan, consideration should be given to requiring periodic status reports of all decentralized projects to SCO and the Commission. This change would ensure a better flow of information to the General Assembly, allowing all construction projects paid for by State funds to be reported in a consolidated format.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✓ Not implemented (Explain below) Audit Report submitted to General Government Subcommittee, SCO is not aware of any action on the part of the General Assembly in responding to this recommendation.
8. SCO should proceed with plans to compare the proposal projections of HUB participation to the actual use. These figures should then be reported to the HUB Office for determination of compliance with GS 143-128.2 (a). Department management should fill the remaining position authorized by SB914 as soon as possible to handle the additional HUB requirements.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented 50% complete (Explain below) ❑ Not implemented (Explain below) HUB tracking implemented, reports generated monthly, position eliminated due to budget reductions.
9. The Secretary, SCO, and the HUB Office should consider continuing evaluation of the points system used to determine good faith effort. Consideration should be given to continued used of a committee composed of general contractors, construction managers, and HUB owners to determine the requirements and related points to use in determining good faith effort.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Minority Business Capital Project Advisory Board established, board reviewed point system and decided not to make any recommendations at this time, however, they may in the future.

DEPARTMENT OF ADEMINISTRATION
STATE CONTRUCTION
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
10. Department management should continue its efforts to fill the positions approved in SB914 as soon as possible. Purchase and Contract along with the HUB Office should complete the development of Vendor Link and establish procedures for contacting HUBs who do not have Internet access.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>80%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>HUB Office positions filled, SCO position eliminated due to budget reductions, vendor link enhanced, procedures for HUBs without internet access established.</u>
11. The General Assembly should consider the suggestions made by the professional groups for increased HUB and subcontractor participation. The Secretary of the Department of Administration and the State Construction Office should take the lead in exploring the feasibility of suggestions that are not already included in the guidelines. For areas already addressed by legislation or in the guidelines, SCO should implement procedures to assure compliance. The HUB Office should develop a method to assure that all HUBs are aware of guidelines, including those who do not have Internet access.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented <u>80%</u> complete (Explain below) ❑ Not implemented (Explain below) <u>General Assembly has not made changes, SCO involved in expliring feasibility of suggestions, procedures in place to assure compliance, HUB has established procedures for HUBs without internet access.</u>
12. SCO management, in conjunction with Department personnel, should give priority to developing and implementing workload measures.12 Once implemented, management should use the workload data to support staffing requests.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✓ Not implemented (Explain below) <u>Unable to define workload measures that did not have significant quality and liability drawbacks. Positions not requested.</u>

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Supporting documentation attached
13. Department and SCO management should evaluate the need for more design reviewers. Data should be collected on workloads, as well as the average amount of leave time used by Design Review staff. Once this data is accumulated and analyzed, management should make a decision on the need for more staff.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✓ Not implemented (Explain below) <u>Unable to define workload measures that did not have</u> <u>significant quality and liability drawbacks. Positions not</u> <u>requested.</u>
14. SCO and Department management should pursue funding for the approved salary upgrades. Management should also explore alternative methods of increasing staff salaries such as the "fast track review" process discussed on page 16.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) <u>Salary upgrades funded, alternative methods explored, not</u> <u>found to be appropriate and needed.</u>
15. SCO management should develop and maintain a comprehensive, formal manual of written policies and procedures detailing the daily operations and processes of each section. Management should train all employees on current policies and procedures and provide staff updates on a continuing basis. Management should also develop a plan for cross training employees.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ✓ Partially implemented 80% complete (Explain below) ❑ Not implemented (Explain below) <u>SCO Construction Manual is 90% complete, training ongoing,</u> <u>additional items still awaiting inclusion in Construction</u> <u>Manual.</u>

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Supporting documentation attached**
16. SCO should monitor its permanently assigned vehicle usage to ensure that the minimum mileage threshold is achieved and maintained. Further, SCO management should turn in a second vehicle to reduce costs.	❑ Yes G.S. _____ Date enacted _____ ❑ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) <u>Vehicle use monitored, one vehicle returned to MFM</u>.

NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.
AND
SMART START PROGRAM
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
NCPC and the local partnerships should ensure that the State Smart Start resources are spent for activities, materials, and equipment that are closely aligned with the mission and objectives of the program. Specifically, the partnerships should ensure their policies and procedures follow prudent business practices. Since the Smart Start program is heavily dependent on State funding, the General Assembly should consider requiring the local partnerships and NCPC to adopt cost principles that are patterned after State policies. Such a change would improve controls over expenditures while reinforcing the tie with program objectives.	X Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented X Partially implemented __95% complete (Explain below) ❑ Not implemented (Explain below) The General Assembly did not enact legislation requiring the local partnerships and NCPC to adopt cost principles that are patterned after State policies. However, NCPC has developed Smart Start Cost Principles that were applicable to NCPC and all local partnerships effective July 2003. Both State and Federal guidelines were considered in the development of these Cost Principles.
NCPC and the local partnerships should limit the number of employees attending the same out-of-state conferences due to the costs. NCPC and the partnerships should institute a policy whereby staff attending will share information acquired with other partnership staff upon return.	❑ Yes G.S. _____ Date enacted _____ X No	Fully implemented Partially implemented __% complete (Explain below) X Not implemented (Explain below) As noted in our response to the report, there are legitimate reasons as to why more than one employee may attend a conference and, therefore, a policy is not needed. As circumstances warrant, NCPC limits the number of employees attending the same out-of-state conferences and requires employees to share information acquired.
The local partnerships should comply with legislation regarding expenditure of funds for capital improvements or playground projects. NCPC, in its oversight role, should immediately review all capital expenditures at all partnerships. NCPC should require repayment of unallowable costs or consider decreasing the allocation for any partnerships that violate legislative restrictions regarding expenditures of funds. In the future NCPC should approve only authorized capital improvements and purchases.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) It is the intent of the local partnerships to comply with legislation regarding the expenditure of funds for capital improvements or playground projects, and NCPC does not approve capital improvements prohibited by legislation. In addition, NCPC has approved a policy to decrease the allocation for any partnership that violate legislative restrictions regarding expenditures of funds.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
NCPC should develop and maintain a centralized filing system with files for each partnership that clearly document the oversight and assistance provided to partnerships. This central file should include all documentation for the strategic plan approval process and support for conclusions reached and decisions made.	❑ Yes G.S. _____ Date enacted _____ **X No**	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) NCPC has developed and maintains a centralized filing system with files for each partnership that documents oversight and assistance provided and includes all documentation for the strategic plan approval process and support for conclusions reached and decisions made.
NCPC management should review staff assignments and responsibilities. Staff in the Planning Services Unit and Fiscal Services Unit should be required to schedule periodic on-site monitoring and technical assistance visits to local partnerships. In addition, NCPC should adequately follow-up and document recommended corrective actions in a timely manner.	❑ Yes G.S. _____ Date enacted _____ **X No**	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) NCPC performs periodic on-site financial and programmatic monitoring and technical assistance visits to local partnerships. The monitoring function has been enhanced to provide for follow-up and documentation of correction of issues noted.
NCPC should immediately notify the Governor and the appropriate legislators regarding the existing Board vacancies. The legislators should appoint new members as soon as possible. Additionally, NCPC staff should establish a set procedure for dealing with Board issues such as resignations as soon as they arise to assure compliance with the legislation controlling the Smart Start program.	❑ Yes G.S. _____ Date enacted _____ **X No**	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) NCPC promptly notifies the Governor and appropriate legislators regarding Board vacancies, and the legislators have appointed new members. NCPC has established a procedure for dealing with Board issues such as resignations when they arise.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
NCPC should formally adopt and enforce a policy regarding Board attendance that complies with the intent of the authorizing legislation. Further, the Board minutes should consistently reflect whether absences are excused for each member absent. NCPC should ensure that meetings are held often enough to provide adequate oversight of the program administration. We suggest the Board meet every other month.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) NCPC has adopted a policy regarding attendance, and the Board minutes reflect whether absences are excused. The Board did not feel that only bimonthly meetings were necessary.
The NCPC Board Chair and Secretary should sign and date a copy of the minutes of each meeting in a timely manner to indicate these are the official minutes of the Board. Further, minutes should contain a list of all Board members present and/or absent and provide detailed activity of all items discussed and voted upon. Minutes of the last meeting should continue to be distributed to all members prior to the next meeting for review and approval at the next meeting. Finally, NCPC should comply with the open meetings requirement contained in legislation and provide adequate notice of all Board meetings.	❑ Yes G.S. _____ Date enacted _____ **X** No	❑ Fully implemented **X** Partially implemented ___95_% complete (Explain below) ❑ Not implemented (Explain below) All recommendations have been implemented with the exception that only the Board Secretary signs minutes and submits to the full board for approval.
Local partnerships should adopt attendance policies and/or enforce existing attendance policies. NCPC should consider revising its current local Board composition policy to reduce the number of required positions. Local partnerships should follow NCPC policy to allow certain members to appoint designees in their absence. NCPC should require that mandated Board members appoint a designee to attend in their absence. Local partnership Boards should follow NCPC policy regarding the use of proxies and amend their by-laws to reflect NCPC guidelines. Lastly, NCPC should establish a policy prohibiting voting by polling absent members and utilizing polling to meet quorum requirements.	❑ Yes G.S. _____ Date enacted _____ **X** No	❑ Fully implemented **X** Partially implemented _75__% complete (Explain below) ❑ Not implemented (Explain below) NCPC has developed an alternative local board structure and has provided the local partnership boards guidance on the use of proxies, designees, etc. As separate and independent corporations, the local partnership boards must adopt attendance policies.

NORTH CAROLINA PARTNERSHIP FOR CHILDREN, INC.
AND
SMART START PROGRAM
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The local Board Chair and Secretary/Treasurer should sign and date a copy of the minutes of each meeting to indicate these are the official minutes of the Board. Further, these minutes should contain a list of all Board members present and/or absent, state whether a quorum was met, and provide detailed activity of all items discussed and voted upon. Local Boards should continue to distribute minutes of the last meeting to all members prior to the next meeting for review and approval at the next meeting.	❑　Yes G.S. _____ Date enacted _____ **X**　No	**X**　Fully implemented ❑　Partially implemented _____% complete (Explain below) ❑　Not implemented (Explain below) NCPC has provided guidance to the local partnerships in this area in the form of a template for minutes that reflect all of the necessary information.
The General Assembly should consider adding a requirement to develop a child-specific database to the Smart Start legislation. While we recognize that Smart Start activities encompass a great variety of services and providers, we believe that child-specific data could be captured. The availability of this data would significantly enhance the ability to evaluate program outcomes.	**X**　Yes G.S. _____ Date enacted _____ ❑　No	❑　Fully implemented ❑　Partially implemented _____% complete (Explain below) **X**　Not implemented (Explain below) No legislation has been proposed.
The General Assembly should authorize an independent review of the program evaluation function of Smart Start and the evaluation of the educational effectiveness of the program. This review should assess evaluation procedures used and validity of data acquired in previous reports. Further, the review should include effectiveness measures to evaluate the educational impact and design of the Smart Start program. The expertise of the State Superintendent of the Department of Public Instruction and local school superintendents should be sought in this review.	**X**　Yes G.S. _____ Date enacted _____ ❑　No	❑　Fully implemented ❑　Partially implemented _____% complete (Explain below) **X**　Not implemented (Explain below) No legislation has been proposed.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Based upon our observation s of the similarities between the programs, More at Four should be an activity within the Smart Start Program. If the programs are combined, the State could achieve cost savings and efficiencies through combining administrative staffs and the associated costs. Further, Greater coordination and accountability of existing programs could be achieved.	**X** Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) **X** Not implemented (Explain below) No legislation has been proposed.

INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.		
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** Please provide documentation supporting implementation status for each recommendation..
DJJDP management should place a priority on **updating and approving the policies and procedures regarding security and safety issues**. Further, management should devise a plan to address the safety and security shortcomings outlined above, **requesting additional funding as needed**. The estimated cost to **fence Dobbs and Samarkand** is $2.2 million. If the fences are constructed, DJJDP should continue to evaluate the use of inmate labor supplied by the Department of Correction to construct the fences (as was done at Swannanoa) as a means of controlling costs. The estimated cost of **installing surveillance cameras** is $412,500. Lastly, providing additional radios could also enhance the use of **two-way radio communications** and improve safety and security at the Centers. The estimated cost to provide these radios is $174,700.	❏ Yes G.S. _____ Date enacted _____ ☑ **No**	1 Concur ☑ **Fully implemented** ❏ Partially implemented % complete (Explain below) ❏ Not implemented (Explain below) • YDC and Detention Center Policy addressing security and safety - Policy timeline (June 2004) - Complete YDC policy training schedule (June 2004) • Repair and renovation list (June 2004) • 2004 Summary of Recommended Repair and Renovation Projects • Fence at Dobbs - Project completed at Dobbs (July 2003) • Two way radio communication - Project completed: Swannanoa required the placement of a router in order to address frequency issues (June 2003) • Surveillance Cameras included in 2004 repair and renovation list. Awaiting OC25 approval. • Implementation of Detention Center Policies - With Secretary for review and signature • Fence at Samarkand - Fence at Samarkand was listed on original repair and renovation submitted to OC. Funding allocation did not allow for this item to be included for implementation.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DJJDP management, along with administrators at each Center, should **re-examine** the use of buildings and **movement of juveniles on campus**. The goal should be to minimize the need to move juveniles from secure locations to less secure locations. Additionally, **staffing levels at each Center should be examined** to assure adequate coverage at all times. (See page 61 for discussion of staffing issues.)	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	2 Concur ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Safety and Security memo addressing among other items movement of students and staffing levels sent to all YDC Directors. Request for individual action plans (November 2003) • Responses from each YDC Director regarding Safety and Security memo - Michael Furrie, Director Swannanoa (January 2004) - Jean Steinberg, Acting Interim Director Stonewall (January 2004) - Glenn Elmore, Director Dobbs (January 2004) - Donald Burns, Director Samarkand (January 2004) - Kathy Porras, Director C.A. Dillon (January 2004) • Movement of Staff and Juveniles to Promote Security and Safety DRAFT: Schweitzer (February 2004) • Documented Counseling for Staff who Fail to Secure Doors - Email: Miller (January 2004) • Proper Storage & Supervision of Brooms, Mops, Etc. - Email: Miller (January 2004) • Supervision of Juveniles - Email: Miller (October 2003)
Using the shortcomings identified above, DJJDP and Center administrators should **prioritize needed repairs and renovations** to ensure the security and safety of the juveniles and staff. Buildings that can no longer be used should be identified and **new construction considered**. (See discussion on page 21.)	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	3 Concur ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • 2004 Recommended Repair and Renovation Projects

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
We commend DJJDP management for its foresight in requesting funds to construct three new Youth Development facilities, and we fully support the need for new facilities. New facilities would not only improve the security and safety of the juvenile offenders and staff, but would offer significant operational and management savings from more efficient operations. Since plans for the new facilities have not been finalized, we **encourage DJJDP to develop several options for the consideration of the <u>General Assembly</u>.** One such option might be to construct five new, smaller facilities at the current locations or on nearby State-owned land. A second option worth consideration is building three new facilities and significantly renovating two existing facilities. While we cannot estimate the cost of these two options, both would allow DJJDP to provide residential services at locations across the State and to minimize the distances relatives would have to travel to visit the juveniles.	☑ **Yes** **G.S.** **142-83** Date enacted _____ ❑ No	4 Concur ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Ongoing process. Options have been developed and provided to the General Assembly for their consideration. - PowerPoint Presentation (May 2004)
DJJDP management should **identify the most critical physical layout problems and take steps to amend** them. A funding **request should be made to the <u>General Assembly</u>** for short-term renovations to these sites. **Staffing levels** for these sites should also be closely examined to determine whether they could be improved. Lastly, management should continue to pursue **funding for new construction**. (See discussion on page 26.)	☑ **Yes** **G.S.** **142-83** Date enacted _____ ❑ No	5 Concur ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below**)** ❑ Not implemented (Explain below) • Repair and renovation list (June 2004) • 2004 Summary of Recommended Repair and Renovation Projects • Directors have submitted staffing needs to meet minimum shift without using Behavioral Specialists or Campus Supervisors as part of the minimum shift. The planning process for the capital building program will include recommended staffing levels for direct care, education, clinical, and other facility staff positions. - DJJDP Facility Staffing Plan (June 2004) • Funding for new construction presented to General Assembly. Included as special provision by Governor. Currently not included in House or Senate budget version. - DJJDP Youth Development Facilities Finance Act – Special Provision (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP should continue to **monitor the number of juveniles housed at each Detention Center** closely in order to **prevent overcrowding**. Existing procedures to transfer juveniles to other centers should be followed when overcrowding is detected. Further, DJJDP should **examine the number of commitments by county** to determine whether more Detention Centers are needed.	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	6 Concur ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Juvenile Detention Utilization Report in North Carolina DJJDP Research and Statistics Section (January 2004) • Hiring of 2 transportation workers at Dobbs in order to address the use of direct care staff for transport

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
All suspected **child abuse allegations should be reported** to the local County Department of Social Services, DJJDP Facility Director, and DJJDP Central Office within the established timelines as previously prescribed under the North Carolina Administrative Code. **Policies and procedures should be updated** and revised as soon as possible to mirror those regulations. Specific, step-by-step procedures including a checklist should outline timeframes, chain-of-command reporting, and document requirements. **A system for distributing and updating these procedure manuals should also be implemented**. Once the revised polices and procedures are finalized, all staff should receive training on reporting suspected child abuse allegations. Annual **training should be mandated** and documented for all employees. This training should be **coordinated with local County Department of Social Services** personnel to ensure that all parties understand the process and their part in it. Further, **suspected child abuse records should be centralized within the facility Director's office**, a list of all reported suspected abuse should be maintained, and controls implemented to secure records. DJJDP management should **strongly consider establishing an independent committee for each facility composed of employees, local county Department of Social Services staff, local law enforcement officials, judges, district attorneys, parents, and concerned citizens to periodically review the overall process for reporting and investigating incidents of abuse and neglect and to make recommendations for improvements to protect the informant and juvenile from possible retaliation.**	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	<u>7 Concur w/ qualifications</u> ☑ **Fully implemented** ☐ Partially implemented % complete (Explain below) ☐ Not implemented (Explain below) • Interim Policy: Reporting Abuse and / or Neglect - DJJDP 6 (May 2003) • Implementation of Written Policy System - DJJDP 7: Flowchart 7 Distributing Policy • Immediate Basic Procedure: Reporting and Handling Sexual and Physical Abuse Allegations - Email: Miller (December 2003) • Review from the book "Reporting Child Abuse and Neglect in North Carolina" addressing reporting child abuse and neglect - Memo: Schweitzer (March 2004) • Representation on the Division of Child Development Task Force Abuse and Neglect Task Force Report (February 2004) - Letter to Secretary Carmen Hooker Odom: *Abuse and Neglect Task Force Report* Recommendation 5: definition of "caretaker" (March 2004) • Reporting Abuse and / or Neglect Revised Policy - Replaces DJJDP 6 Interim Policy (April 2004) • Abuse and Neglect Policy Training provided to every employee in the Department and infused into new employee orientation (ongoing 2004) • Abuse and Neglect Task Force - Task Force membership list (2004) - Meeting date: July 29, 2004

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
DJJDP management should **petition the State Board of Education** and the North Carolina Department of Public Instruction to **modify the Standard Course of Study** for the Youth Development Center schools. The modified curriculum should more closely address the needs of the juvenile offenders. This **curriculum should include elements of the Standard Course of Study, along with:** ➢ basic / applied skill instruction, ➢ general equivalency degree (GED) and workforce investment act (WIA) programs, ➢ community based instruction and related employability skills training, ➢ career pathway curriculum and vocational programs based on labor market demand, ➢ literacy programs, ➢ pro-social skills training, ➢ physical / health education and recreation programs, ➢ art, music, and drama, ➢ performing arts opportunities for juveniles both on and off campus, and ➢ animal therapy programs.	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	8 Concur w/qualifications ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Determination that no modification of the Standard Course of Study was made. - Discussions with DPI (July 2003; September 2003) • 2002 – 2003 Educational Services Accomplishments One pager

DJJDP should require that the Youth Development Centers maintain a **centralized education file** for each juvenile containing all required education records and documentation. This file should remain with the juvenile if he/she is transferred from one Center to another and should be forwarded to the Local Education Authority if the juvenile returns to public school.	❑ Yes G.S. _____
	
	Date enacted _____
	
	☑ **No**
		9 Concur
		
		☑ **Fully implemented**
		❑ Partially implemented % complete (Explain below)
		❑ Not implemented (Explain below)
		
		• State record retention schedule for DJJDP education records was approved by the State Records center (March 2003)
		  - Signed Records Retention and Disposition Schedule (March 2003)
		• Compliance specialist for special education hired. Responsible for records review of special education records (2003)
		• Records will be audited at least two times per year
		  - Email: Young (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The DJJDP Superintendent should work with the Department of Public Instruction to **examine the qualifications and classification for Youth Development Center teachers** to determine whether these instructors should be on a **separate salary schedule**. Further, the Superintendent should request feedback from the building principals who utilize the block schedule to **determine the strengths and problems the schools are experiencing with the block schedule**. That information should be used to support, modify, or abandon the block schedule.	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	10 Concur ☑ **Fully implemented** ☐ Partially implemented % complete (Explain below) ☐ Not implemented (Explain below) • Determination was made that there should not be a separate salary schedule. - Discussions with DPI regarding (July 2003) • Teacher and Educator Compensation Provisions - Memo: Washington (August 2003) • Block schedule discontinued at all YDCs as of July 1, 2003
DJJDP management should develop and implement a process for the approval **of customized programs at the Youth Development Centers**. This process should not only justify the need for the program, but also **identify all resources** that will be needed on a continuing basis. Center staff should **solicit more involvement of local businesses** for identification of need and support of all specialized vocational programs. A **formal system of follow-up for the released juveniles should be implemented** that includes assistance in finding work in the vocation for which they received training. Lastly, DJJDP should develop a **method of assessing the applicability of the training** provided by the Centers. **Modifications to the specialized programs** should be made to keep them relevant and in **vocational areas** where the released juveniles will be able to find work.	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	11 Concur ☑ **Fully implemented** ☐ Partially implemented % complete (Explain below) ☐ Not implemented (Explain below) • Career Development Programs at YDCs (2003 – 2004) • Request and responses for information on actions taken in the way of soliciting local businesses for support of the vocational programs at YDCs. - Email: Miller (February 2004) • Vocational Program Assessment One Pager (February 2004) • Data on Vocational end of course test for YDCs (Spring 2003) • Perkins Fund Allotment School Expenditures (September 2003) • New schedule implemented with electives (July 2003) • Post release supervision process training (November 2004) - Departmental Policy • Collaborative for Offender Reentry Enhancement federal grant - Grant Overview one pager (June 2004) • Providing Vocational Education to Committed Youth in North Carolina (Draft: May 2004) - Policy Proposal: Terry Sanford Institute of Public Policy

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management should take steps in include departmental education administrators in the budget preparation process. Management should, with input from the Education Superintendent, critically **examine the budget allocation decisions for the Center schools**. Every effort should be made to assure funding is sufficient, taking into account the needs of the juvenile population at each school. Specific **needs should be determined and prioritized for each Center school,** and an equipment replacement schedule should be developed. The budget should include **requests for a computer lab in each Center, along with a wide area network (WAN)** to connect the Centers directly with the Central Office and allow internet access. Lastly, management should work to determine a **stable source of funding for needed computers and internet access.** (See page 82 for technology plans.)	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	12 Concur w/ qualifications ☑ **Fully implemented** ☐ Partially implemented % complete (Explain below) ☐ Not implemented (Explain below) • Movement of Education to Deputy Secretary (December 2003) • Funding has been equitably distributed since 2000 (based on number of students at each Center) • Needs for Each Center School - Memo: Young (September 2003) • School Improvement Plans (2003 – 2005) - Dillon - Dobbs - Jackson - Samarkand - Swannanoa • 2003 Accomplishments: Technical Services • Swannanoa WAN completed (March 2004) • Update on E-Rate Funding (February 2004) • Educational Technology Plan approved by State Board of Education (2004 – 2005) • 5 MIS positions have been requested in order to provide continued support in the development, implementation, and maintenance of the Department's computer information network. Appears 4 positions will be approved pending General Assembly passage. (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management should determine **the number and type of positions needed to adequately staff its educational Central Office**. DJJDP's Education Superintendent should consider reorganizing her Central Office staff to better utilize existing resources. The Central Office technical support staff should be reassigned the duties of generalists and specialists directly assisting the Center schools. Each should be assigned a region in which one or more of the Youth Development Center schools is located. These individuals should then take over the face-to-face interaction with the schools, thereby allowing the Superintendent the time needed to perform all the normal duties of running an LEA. The Superintendent should develop a **communications template** that captures all the information about the schools that is needed. Lastly, the Superintendent should explore ways to address the isolation felt by the instructional staff. **Efforts such as semi-annual district-wide professional development or opportunities for staff** to spend a day with colleagues at one of the other Center schools should be considered.	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	13 Concur w/qualifications ☑ **Fully implemented** ☐ Partially implemented % complete (Explain below) ☐ Not implemented (Explain below) • Added Technology Specialist to Central Office staff (December 2003) • Added position to Central Office staff in charge of planning and implementing staff development activities (July 2003) • Teacher Talk Newsletter is sent in print form to each teacher monthly - Upcoming training opportunities listed each month (May 2003 – June 2004) • Four additional days of training have been provided since June 2003 in addition to four locally developed events at each YDC (includes detention teachers)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**

DJJDP management should explore the feasibility of **establishing a Parent Advisory Committee** to provide the parents' input and perspective into the programs offered at the Centers. A **quarterly publication aimed at parents** that provides various topics of interest, including information from the Central Office level to the individual Center level, would help keep parents informed of current initiatives. Further, management should require **Center Directors and Center school principals to regularly attend the local JCPC meetings** to share the perspective of their work and to be informed about the intervention strategies of the community agencies. Lastly, DJJDP management should **develop a program whereby court officials are invited to visit the Centers at least annually** to meet the Center personnel and discuss Center activities and their effect.	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	14 Concur w/qualifications
		
		☑ **Fully implemented**
		☐ Partially implemented % complete (Explain below)
		☐ Not implemented (Explain below)
		
		• Creation of Education Update: A Newsletter for Parents & Guardians
		  - March 2004 update from each YDC
		  - June 2004 update from each YDC
		• Creation of brochure discussing the Educational Services provided for the committed youth. Directed toward parents & Guardians
		• JCPC Principal Attendance since July 2003
		  - Email: Young (March 2004)
		• SUCCESS Calendar mailed to every parent (January 2004)
		• On going training of judges in Juvenile Judge Certification Program. Visit to YDC and detention center are part of the training. Open houses for judges during holiday seasons.
		  - Email Attachment: Stephens (June 2004)
		• Steps being taken to consider a parent advisory committee at each YDC. Departmental recommendation of locating facilities closer to communities will enhance family involvement and improve the feasibility of parent involvement or advisory committees.
		  - Email Attachment: Stephens (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management should issue a **clear statement about the importance and role of treatment in the system**. The **Chief Clinical Officer should be included in the Executive Committee** and development of the clinical system should be a standard agenda item for meetings. **Draft program policies and procedures with specific goals and timetables should be finalized as soon as possible and disseminated to staff at the Centers. Staffing levels should be adequate** so that clinical staff does not have to perform custodial roles on a routine basis. (See discussion on page 61 relative to staffing.)	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	15 Concur w/qualifications ☑ **Fully implemented** ☐ Partially implemented % complete (Explain below) ☐ Not implemented (Explain below) • Head of Clinical Services (Dr. Martin Pharr) included on management team • Concerted efforts made to fill Counselor Technician vacancies. - Email Attachment: Pharr / Pirrello (June 2004) • Rehabilitation/Habilitation Services Policy - YD/YC 6.0 Treatment Philosophy and Implementation - YD/YC 6.1 Availability of Mental Health Services - YD/YC 6.2 Emergency Mental Health Services - YD/YC 6.3 Suicide Risks and Attempts - YD/YC 6.4 Substance Abuse Treatment Services - YD/YC 6.5 Social Work Services - YD/YC 6.6 Psychology Services - YD/YC 6.7 Recreation Services - YD/YC 6.8 Movies - YD/YC 6.10 Specialized Programs

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management should articulate **a clinical philosophy and program that ties all activities** (school, cottage life, vocational preparation, recreation, behavioral treatment, group treatment, individual treatment, and family treatment) of the Centers together into a cohesive approach. Management should _convene a task force_ composed of Central Office staff and individuals from the Youth Development Centers to construct a multi-dimensional treatment philosophy and approach for implementation at all Centers. All current treatment components should be included (behavioral, group therapy, individual therapy, substance abuse treatment), as well as some additional ones such as family treatment. Working with individuals representing all facets of Center operations, the Task Force should **propose an improved daily schedule of activities**. The various **scheduling plans at the Centers should be examined** to identify the plan that allows adequate time for treatment programs. This plan should then become the standard for the Centers. **Treatment activities should not be relegated to the end of the day or be squeezed into a two-hour block.**	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	16 Concur w/qualifications ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Movement of Treatment to Deputy Secretary (December 2003) • Revised written guidelines and procedures pertaining to the newer model disseminated in January 2003 - Department Response regarding audit Recommendation 16 • Master schedules have been reviewed and adjustments made as necessary at each YDC • Plan for Blending the Educational and Treatment Schedules - Memo: Miller, Young, Pharr, Pirrello (November 2003) • Task Force - Department audit recommendation response
DJJDP management should clearly **define the procedures** to be used by Center staff to transition from the Core Competencies Program to the new individual needs based therapeutic model. **The transition plan should include a behavioral approach** to cottage life management that incorporates the best parts of the Competencies Program, as well as flexibility to include individualized behavioral goals for each juvenile. Management would do well to draw upon the experience and wisdom of exemplary staff from each Center to craft an improved model**. All Center staff should then receive training and specific direction from DJJDP management on implementation of the new behavior management plan and the individual needs based model.**	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	17 Concur w/qualifications ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Social Worker Supervisors and Clinical Directors at the local facilities have implemented a new system of Individual Treatment Plan development and monitoring which guides juvenile participation in both individual and group activities. These treatment plans include individualized behavior goals from each juvenile. Management staff regularly meet to share experiences and "lessons learned". • Clinical managers meet with each class of new employees in Basic Training to discuss the philosophy of treatment and implementation in daily activities. • PowerPoint Presentation Statewide training conference held June 2003 to promote skills in various therapeutic interventions consistent with person-centered treatment and resilience theory.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**

DJJDP management **should inventory and further assess its clinical assets**. Clinical leaders and staff at the facilities should be regarded as the clinical program's primary asset. Consideration should be given to a **possible reorganization** that "accentuates the positive," putting more juveniles in contact with more organized programs and Centers. Further **programs such as those noted should be developed at all Centers**. Management should consider the possibility of **utilizing Swannanoa to a greater extent from a clinical aspect.** This Youth Development Center has strong clinical leadership, ready access to more qualified professionals than any other Center, three well-developed specialty programs that serve as a good foundation for enhancement, and unused capacity or potential for expansion. In this configuration, Swannanoa would be a first choice for treatment of violent offenders and juveniles with severe substance abuse disorders and would share the sexual offenders' population with Dillon. Samarkand would continue as the female facility. DJJDP would look at the other two facilities to provide additional substance abuse treatment, treatment of non-violent offenders, and treatment of individuals with specific identified needs such as MR/DD. The possibility of closing one Youth Development Center altogether should be explored since this frees up the most resources. (See discussion of facility needs on page 21.)	❑ Yes
	G.S.
	_____
	
	Date enacted
	_____
	
	☑ **No**
		18 Concur w/qualifications
		
		☑ **Fully implemented**
		❑ Partially implemented % complete (Explain below)
		❑ Not implemented (Explain below)
		
		• Presentation By Dr. Pratt from the Commonwealth of Virginia regarding clinical programming
		  - North Carolina findings (2004)
		• Noted well-developed programs
		  - Department Response regarding audit Recommendation 18
		• Pursing use of standardized mental health screening, assessment and referral protocol to be effective at court intake as per consultant Dr. Pratt.
		  - Action steps on Dr. Pratt's recommendations (June 2004)

DJJDP management should work **with Center staff to address the obstacles to group treatment options for juveniles**. Each Youth Development Center should have **an active group program** that provides groups on a range of issues and subjects pertinent to all juveniles, plus targeted groups for special populations.	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	19 Concur ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Each YDC has developed new group programs to target the needs of juveniles identified on their plans of care • Process of developing new groups is ongoing as additional needs are identified • Special Status Review Board - Draft

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management should work to assure **adequate funding to continue contracting for psychiatric services** at the Centers. DJJDP should **reconsider the role and model of individual treatment**. Limited resources in this area make it imperative that therapy time be used in the most advantageous way possible. The current **approach of making therapy available to a select group of juveniles who seem most willing or most in need should be reviewed.** One possibility is to schedule individual therapy to juveniles in four to six session courses of treatment, provided flexibly and intermittently over the course of the individual's stay at the Center. Each treatment block should have a primary focus as determined by the individual's treatment plan. This will allow staff to see more juveniles overall and will encourage juveniles to use their time more efficiently. Additionally, management should **address staffing issues in the clinical area**, working for staff ratios that allow more individualized treatment for the juveniles. Additional staff is needed to fully bring the treatment programs to life. Most critical is the need to free up behavior specialists from constant coverage responsibilities so that they can concentrate behavioral treatment goals including development of effective interpersonal skills.	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	20 Concur w/qualifications ☑ **Fully implemented** ☐ Partially implemented % complete (Explain below) ☐ Not implemented (Explain below) • Inclusion of physicians was found to be logistically untenable. Registered nurses provide medical information / input. • The types of group treatment have been increased in order to address needs identified through the Assessment and Treatment Planning process. Clinical Directors routinely report the caseloads of therapists with the numbers served via group and individual modalities. • Clinical Services Monthly Report (examples) - Dillon - Dobbs - Jackson - Samarkand - Swannanoa • Flow of information / paperwork in regards to monthly Clinical Service Reports - Email Attachment: Pharr / Pirrello (June 2004) • Facility Directors have submitted staffing needs to meet minimum shift requirements excluding Behavioral Specialists and Campus Supervisors. The planning process for the capital building program will include recommended staffing levels for direct care, education, clinical, and other facility staff positions.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**

DJJDP management should work with Center staff to develop a **family treatment option by establishing a task force to explore this issue.** This group should be composed of staff from the Centers, Court Counselors, and representatives of the Division of Mental Health, Developmental Disabilities, and Substance Abuse, Department of Health and Human Services. **Treatment methods should be developed to address these questions:**
▪ How can the Centers address family issues even if the family cannot or will not attend?
▪ What type of treatment can be provided to families during visitation or other times when the family is on campus?
▪ How can the Court Counselors and Area Programs provide family treatment in their own communities that is coordinated with the work at the Centers, especially during transition from the Youth Development Center and after the juvenile is released?
The Centers will need to be creative in developing a family component and will need assistance from community providers, including Court Counselors and Area Mental Health Programs. **Funding should be sought from the <u>General Assembly</u> for this much needed clinical component**.
	❏ Yes G.S. _____ Date enacted _____ ☑ **No**	<u>21 Concur</u>
		
		❏ Fully implemented
		☑ **Partially implemented 75% complete (Explain below)**
		❏ Not implemented (Explain below)
		
		• Questions above were submitted to each YDC
		   - Email: Pirrello (February 2003)
		• YDC Responses (March 2004)
		   - Dillon
		   - Dobbs
		   - Jackson
		   - Samarkand
		   - Swannanoa
		• Enhance Family Involvement in the Juvenile Justice System Policy Proposal: Terry Sanford Institute of Public Policy (September 2003)
		• Pilot effort for delivery of family therapy by a local service provider in conjunction with work being done by Department staff in regards to substance abuse.
		   - Email Attachment: Stephens (June 2004)
		• Funding has been requested for therapeutic programs which include a family component. Awaiting General Assembly budget approval. (June 2004)
		
		Outstanding:
		• Establishment of Task Force. Task Force issues being addressed during monthly meetings with representatives from the Division of Mental Health for consultation around particular issues. Currently defining and aligning service definitions so that youth involved with the Department and their families may receive appropriate treatment from both Departments.
		   - Email Attachment: Stephens (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..

We commend DJJDP management for establishing the ntralized Assessment and Treatment Planning Centers. Management should continue efforts to fine-tune the procedures used at the Centers. A plan to integrate the Centers into the education / treatment options at the Youth Development Centers should be developed and implemented. However, the Assessment and Treatment Planning Center concept will not work well without the support of clinical staff at the Youth Development Centers. A process of mutual education involving Assessment and Treatment Planning Center and Youth Development Center staff is needed to improve the utility and proper use of the assessments. Efforts should be intensified to train Center staff on the broad advantages of the centralized assessment function for the system as a whole.	❑ Yes
	G.S.
	_____
	
	Date enacted
	_____
	
	☑ **No**
		<u>22 Concur</u>
		
		☑ **Fully implemented**
		❑ Partially implemented % complete (Explain below)
		❑ Not implemented (Explain below)
		
		• Assessment and Treatment Planning Center (ATPC) Policies
		  - YD/YC 2.0 Admissions
		  - YD/YC 2.1 Daily Operations
		  - YD/YC 2.2 Behavior Management
		  - YD/YC 2.3 Assessments
		  - YD/YC 2.3.1 Educational and Vocational Assessments
		  - YD/YC 2.4 Plan of Care
		  - YD/YC 2.5 Departure
		  - YD/YC 2.6 Transfers
		  - YD/YC 2.7 Individualized Treatment Plan
		  - YD/YC 2.8 Juveniles Records/Transfer of Records
		• Integration of Assessment Center Data 2003 – 2004
		  - Update: Dr. Young (February 2004)
		• Top clinical management meets with each class of new employees in Basic Training to discuss the advantages of a centralized assessment center and how the information learned can be used to best meet the needs of the individual juveniles.
		  - PowerPoint Presentation
		• Presentation By Dr. Pratt from the Commonwealth of Virginia regarding clinical programming
		  - North Carolina findings (2004)
		• Pursing use of standardized mental health screening, assessment and referral protocol to be effective at court intake as per consultant Dr. Pratt.
		  - Action steps on Dr. Pratt's recommendations (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..

DJJDP management should **determine the reasons for vacancies**. For positions not held vacant because of the budget situation, management should **devise strategies for filling positions sooner.** A possible strategy would be to reclassify positions to higher pay grades. (See discussion on page 63.)	☐ Yes
	G.S.
	
	_____
	
	Date enacted
	_____
	
	☑ **No**
		23 Concur
		
		☑ **Fully implemented**
		☐ Partially implemented % complete (Explain below)
		☐ Not implemented (Explain below)
		
		• Review of reasons for separation for 2003 calendar year
		  - List: Prout (March 2004)
		• Recruitment strategies devised for filling positions sooner
		  - Memo: Washington (June 2004)

DJJDP management should **examine field staffing levels**, taking into account such things as type of juveniles, average daily population, specific identified needs, etc. Management **should determine the staffing levels needed** to adequately staff the Youth Development and Detention Centers. This information should **used to request from the <u>General Assembly</u> additional staffing where needed.**	☐ Yes
	G.S.
	
	_____
	
	Date enacted
	_____
	
	☑ **No**
		24 Concur
		
		☑ **Fully implemented**
		☐ Partially implemented % complete (Explain below)
		☐ Not implemented (Explain below)
		
		• Directors have submitted staffing needs to meet minimum shift without using Behavioral Specialists or Campus Supervisors as part of the minimum shift. The planning process for the capital building program will include recommended staffing levels for direct care, education, clinical, and other facility staff positions.
		  - DJJDP Facility Staffing Plan: See Recommendation 5 (June 2004)
		• Proposing a one to eight (staff to student) staffing ratio for new facilities
		• Additional positions in expansion budget (March 2004)
		  Note: Legislature still in session. (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management should continue to take steps **to improve employee retention**. Some areas to consider are job advancement, salary upgrades through position reclassification, and improved training. Management **should consider requesting the Office of State Personnel to conduct a study to determine whether positions should be upgraded.**	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	25 Concur ☑ **Fully implemented** ☐ Partially implemented % complete (Explain below) ☐ Not implemented (Explain below) • Developed plan to upgrade salaries through equity adjustments and compensating new hires closer to maximum qualifying salary. Department secured $340,000 in funds for in ranges and salary adjustments. • Internal comparative review of institutional direct care classes and salaries in other state agencies (DHHS, DOC) indicated that DJJDP positions are appropriately classified. Current descriptions did not justify upgrades. However, the new facility design requires different task and new job descriptions. • Studying direct care supervisory roles to resolve inequities. Establishing a new class title. • Specific Direct care staff in the Youth Development Centers has been upgraded through in-range adjustments or upward reallocation. - Memo: Washington (June 2004) • Office of State Personnel granted Youth Counselor classification specifications as submitted by DJJDP. - Memo: Washington (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE <u>CHANGE</u>	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management should **re-examine staffing levels at each Center**, taking into account such things as type of juveniles, average daily population, specific identified needs, etc. Using this information, management should **determine the organizational structure and staffing levels needed at each Youth Development and Detention Centers** to adequately staff these functions.	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	<u>26 Concur</u> ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Directors have submitted staffing needs to meet minimum shift without using Behavioral Specialists or Campus Supervisors as part of the minimum shift. The planning process for the capital building program will include recommended staffing levels for direct care, education, clinical, and other facility staff positions. - DJJDP Facility Staffing Plan: See Recommendation 5 (June 2004) • Proposing a one to eight (staff to student) staffing ratio for new facilities • Additional positions in expansion budget (March 2004) Note: Legislature still in session. (June 2004)
DJJDP should **determine the optimum juvenile to direct care staff ratio.** (See next finding.) Behavioral Specialists should not be used in maintaining the optimum ratio. This information should then be **used to request additional positions** as needed at the Youth Development and Detention Centers.	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	<u>27 Concur</u> ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Directors have submitted staffing needs to meet minimum shift without using Behavioral Specialists or Campus Supervisors as part of the minimum shift. The planning process for the capital building program will include recommended staffing levels for direct care, education, clinical, and other facility staff positions. - DJJDP Facility Staffing Plan: See Recommendation 5 (June 2004) • Proposing a one to eight (staff to student) staffing ratio for new facilities • Additional positions in expansion budget (March 2004) Note: Legislature still in session. (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management should **develop and implement juvenile to staff ratios for direct care, education, and treatment staff. Management should take into account staffing needs**, such as time off for heath care and training, and juvenile characteristics and needs.	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	<u>28 Concur</u> ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Directors have submitted staffing needs to meet minimum shift without using Behavioral Specialists or Campus Supervisors as part of the minimum shift. The planning process for the capital building program will include recommended staffing levels for direct care, education, clinical, and other facility staff positions. - DJJDP Facility Staffing Plan: See Recommendation 5 (June 2004) • Proposing a one to eight (staff to student) staffing ratio for new facilities • Additional positions in expansion budget (March 2004) Note: Legislature still in session. (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP should develop and **implement span of control policies** that allow adequate supervision over direct care staff at Youth Development and Detention Centers. Consideration should be given to the **specific duties required of the direct care supervisors**, as well as the type of juvenile offenders housed at each Center.	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	<u>29 Concur</u> ☑ **Fully implemented** ☐ Partially implemented % complete (Explain below) ☐ Not implemented (Explain below) • Recommendation 2 and individual YDC Director responses regarding safety and security measures. • YDC and Detention Center Policy addressing security and safety. See Recommendation 1 for: - Policy timeline (June 2004) - Complete YDC policy training schedule (June 2004)
DJJDP should **establish caseload standards** for Court Counselors. Management should then **examine current caseload data to determine whether staff should be reassigned** to ensure caseloads are more evenly distributed among Districts.	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	<u>30 Concur</u> ☐ Fully implemented ☑ **Partially implemented 90% complete (Explain below)** ☐ Not implemented (Explain below) • Juvenile Justice Caseload Research (November 2003) - Memo: Bateman / White • Caseload Standards Study Group (July 2003) - Current Finding / Next Steps **Outstanding:** • Reporting procedures have changed since July 2003 study group report. Working to re-establish the data for current caseloads. **Continued consideration of weighted caseloads in the assignment of positions**. Formula to be used in requesting additional court counselor positions. - Email Attachment: Stephens (June 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP should provide **training on how to interact with juveniles in emergency situations** and specific job-related training **to all staff** regardless of position. The **employees' input for training suggestions should be solicited through an annual survey** or other method. Specific training needs identified during the audit included enhanced training of clinical staff at all levels. **Statewide networking and training opportunities should be revived. Better clinical training** for cottage life staff is critical. Particular areas where **training is needed include understanding conduct disorders, using redirecting and de-escalation techniques, and working with families.**	☐ Yes G.S. _____ Date enacted _____ ☑ **No**	31 Concur w/qualifications ☐ Fully implemented ☐ Partially implemented % complete (Explain below) ☑ **Not implemented (Explain below)** • Orientation that addresses crisis situation as well as day-to-day duties is required for all facility staff. • Staff in position that provide direct supervision of juveniles required to complete a 24-hour program "Facility Specific Safety, Security and Supervision" within the first two weeks of employment. • Pending Staff Development Policy, the establishment of training advisory committees will occur and training needs identification survey will be developed and distributed to facility staff within 60 days of TAC meeting. • Curricula under development for a grant funded training program "Creating Success on the Front Lines" is a statewide training that includes relationship building, counseling skills, and working with families. Implementation slated for fall 2004. • Crisis Prevention Institute (CPI) training is conducted on a request basis. CPI offers techniques in the area of redirecting and de-escalation. **Outstanding:** • Staff Development Policy is under review by the Office of State Personnel (OSP). Once Policy is approved by OSP training will commence as outlined. - DJJDP / HR 11: Staff Development and Training

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management, along with the Staff Development and Training Section and Directors at the Centers, should explore ways to **ensure staff receive the required training within the established timeframes**. A possible solution might be to pay staff overtime to attend training on weekends or other scheduled time off. Such a solution would require **specific funding approved by the <u>General Assembly</u>**. Management should **devise a plan to ensure that all employees receive the required basic training as soon as possible after hiring**. This training is especially critical for those employees who have direct daily interaction with juveniles. Since vacancies have a profound affect on training, management should work with Center Directors to **devise a training plan that alternates training at each Center for all employees in the department who have not received it.** Further, the Central Office and Centers should take appropriate steps to **ensure all training is properly recorded in the applicable training database.** Individuals who have responsibility for monitoring compliance with training requirements should have access to these databases.	❑ Yes G.S. _____ Date enacted _____ ☑ No	32 Concur w/qualifications ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Positions included in Options Analysis will allow sufficient coverage for training release. • Meeting with facility managers continues on a regular basis to reinforce the need for prompt scheduling of trainees, timely completion of orientation and allocation of resources to Field Officer functions. • Increased the number of basic training classes from four to six per year since July 2002. • Design Team meeting for database development - Memo: Perry (December 2003) • Additional positions requested in expansion budget (March 2004) Note: Legislature still in session (June 2004) • Feasibility of having one session of basic training in the western area, one in the central area and one in the eastern area. - Memo: Thacker (June 2004)
DJJDP management should place a high priority in **finalizing all policies and procedures** related to departmental operations. Once these procedures are in place, management should **ensure that Youth Development and Detention Centers have copies** of the manuals and all employees are notified and trained on the new policies. DJJDP management should also **monitor the adherence to the new procedures** to ensure consistent performance of operations across all facilities.	❑ Yes G.S. _____ Date enacted _____ ☑ No	33 Concur ❑ Fully implemented ☑ **Partially implemented 80% complete (Explain below)** ❑ Not implemented (Explain below) • YDC and Detention Center Policy Implementation - Timeline (June 2004) - YDC Training schedules (June 2004) • Implementation of Written Policy System - (See recommendation 7) **Outstanding:** • Site visits / monitoring the adherence to the new procedures will take place after all employees have been trained. August 30, 2004 target date.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
DJJDP management should **define the expected matrix organizational structure for the Centers**. Lines of authority and responsibility (both direct and indirect) should be **clearly defined, identified, and communicated** to all staff at the Youth Development Centers. Staff should adhere to organizational reporting lines. **Changes in program initiatives, policies, and procedures should be immediately documented and relayed to the Youth Development** Center Directors, as well as the program staff directly responsible for implementation. Each Center should also have **the opportunity to provide input into program changes** to help identify how those changes will impact the daily implementation of services rendered to the juveniles in the facility.	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	34 Concur ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • YDC Director's Management Team Meetings - Minutes: May 2004, April 2004, March 2004, January 2004, and December 2003 • Plan for Blending the Educational and Treatment Schedules - Memo: Miller, Young, Pharr, Pirrello (November 2003) • Monthly clinical, director, and education meetings • Weekly "transition team" meetings at Central Office • Signed organizational chart (May 2004)
DJJDP should continue with ongoing plans to implement the statewide information system NC-JOIN. **Monthly and quarterly status reports should be closely monitored** by the IRMC and CJIN. **GANNT charts** depicting the progress of project tasks, timelines, critical paths, target dates, and the overall status should be examined thoroughly. Actual completion dates should be **compared to original projected completion dates** to identify any slippages in the NC-JOIN project to prevent the mistakes made during J-NET. The opportunities for improvements **identified in the *Quality Assessment* report should also be incorporated in plans and closely followed. Any deviations from the projected plan schedule or budget for the project should be identified immediately by DJJDP staff and corrective actions initiated.**	❑ Yes G.S. _____ Date enacted _____ ☑ **No**	35 Concur ☑ **Fully implemented** ❑ Partially implemented % complete (Explain below) ❑ Not implemented (Explain below) • Project Status Report to Information Resource Management Commission - December 2003 • NC-JOIN Update presentation to CJIN - PowerPoint (February 2004) • Risk Watch List - Excel Spread sheet (February 2004) • Final Report to the Legislature (May 2004)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..

The **General Assembly** should critically review its process for approving and funding long-term information system projects. Prior to approval of any project, an adequate and **stable funding stream should be identified**. Funding needs for completing the development of the NC-JOIN project should be given a **priority by the General Assembly** since the State has already invested considerable time and funds into this project. DJJDP management should continue to identify alternative funding sources to complete the development of NC-JOIN in the event that the State cannot or does not completely fund the project. Additionally, the **General Assembly should review the ongoing information system funding needs of DJJDP to assure adequate infrastructure and support staff to keep the database going after development is complete.**	❑ Yes
	G.S.
	
	_____
	
	Date enacted
	
	_____
	
	☑ **No**
		36 Concur
		
		☑ **Fully implemented**
		❑ Partially implemented % complete (Explain below)
		❑ Not implemented (Explain below)
		
		• Budget estimates for Phase 4 plus reoccurring maintenance
		  - Email: Lowe (December 2003)
		• Additional funding possibilities
		  - Email: Haley (February 2004)
		• DJJDP IS Expansion Budget Summary
		  - 2003 – 2005 Biennium Spreadsheet

Department of Crime Control and Public Safety
State Aircraft Operations
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The General Assembly should consider establishing a centralized aircraft operations division within an existing agency for better coordination and to achieve efficiencies of passenger aircraft operations. The main aircraft functions that would comprise the passenger services are now located in the Departments of Commerce and Transportation and UNC-AHEC-MedAir. Commerce, Transportation, Highway Patrol, and MedAir have maintenance functions that would be consolidated. Because of the need for regional location of the Forest Resources aircraft, those mechanics would not be physically relocated. Rather, they would report administratively to the consolidated head mechanic. The Department of Transportation already has an established Aviation Division and would be the logical choice for the consolidated aircraft operations division. The other agencies would then purchase passenger flight time and maintenance services from the consolidated operation. The specialized law enforcement functions would continue to operate and house their respective aircraft at their current locations and have the option of using the consolidated maintenance operation.	✓ Yes G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ✓ Not implemented (Explain below) **Full implementation of this recommendation requires legislative action. As of this writing, the General Assembly has not taken such action. The principal function of the State Highway Patrol's Aircraft Operations Section is airborne law enforcement, not passenger transport. Accordingly and in keeping with this recommendation, the Patrol continues to maintain its aircraft internally and to house them at four separate facilities statewide**.
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RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The General Assembly should direct that an independent contractor perform a comprehensive study of the operational condition of all State-owned and supported aircraft. This study should include recommendations on when to replace the aircraft, the required number of maintenance staff, and the feasibility of contracting for all maintenance as a possible cost saving measure, as well as contracting for pilots. (See discussion on page 33). Additionally, the General Assembly should consider whether there is a need for all aircraft now owned and maintained by the State. The contractor developed plan should include a recommendation on how to divest the State's ownership of any aircraft deemed unnecessary. Pending the contractor's study, the agencies and programs should address the staffing levels for mechanics, determining how many mechanics are needed for effective operation.	✓ Yes G.S. _____ Date enacted _____ ❏ No	❏ Fully implemented ❏ Partially implemented _____% complete (Explain below) ✓ Not implemented (Explain below) **Full implementation of this recommendation requires legislative action. As of this writing, the General Assembly has not taken such action. The Patrol's Aircraft Operations Section currently has two full-time mechanics that are responsible for maintaining nine helicopters. The Patrol has consulted the National Business Aviation Administration guidelines to determine the appropriate number of mechanics to effectively conduct its aviation operations. On the basis of those guidelines, a request is being made for two additional staff, a chief mechanic and a mechanic.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The General Assembly should consider legislation that establishes statewide policies and procedures for administration and use of State aircraft. Such legislation should address, but not be limited to: • requiring documented purpose and justification for every flight, • requiring signed authorization from public officials or agency heads • describing cost calculation for flights charged to agencies while acknowledging that some costs are subsidized by the aircraft operating agency, • identifying all passengers on flights, and • describing circumstances where family members are permitted to accompany state officials or agency heads. While aircraft operations remain separate, each agency maintaining and operating State aircraft should establish internal policies and procedures consistent with existing guidelines. If the General Assembly establishes a consolidated aircraft operations function, then that entity should have the responsibility of developing and implementing statewide polices and procedures for aircraft use.	✓ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✓ Not implemented (Explain below) **Full implementation of this recommendation requires legislative action. As of this writing, the General Assembly has not taken such action. The State Highway Patrol has established its own policies and procedures for the administration and operation of its aircraft. A copy of these policies and procedures is available upon request**.
Crime Control and Public Safety management should give consideration to purchasing larger aircraft for use by the Highway Patrol. A study should be conducted to identify the appropriate type and number of aircraft to allow the Patrol to execute rescues as well as conduct its primary law enforcement missions.	❑ Yes G.S. _____ Date enacted _____ ✓ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) **In May 2004, the Terry Sanford Institute of Public Policy, Duke University, completed a study for the State Highway Patrol, "Evaluating the Costs, Benefits, and Funding Strategies for Acquisition of New Aircraft." The study concluded that the**

		Patrol should seek funding to purchase two Bell 407 helicopters to add to its fleet. The Bell 407 helicopters would enable the Patrol to undertake rescue missions. A copy of the study is available on request.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
Operational costs for all State operated aircraft should be captured by aircraft. This information would improve the administration of flight operations and would allow more informed decisions on the efficiencies of each aircraft. A consolidated flight operations division may enhance the State's ability to capture this data. (See discussion on page 12.)	✓ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✓ Not implemented (Explain below) **Full implementation of this recommendation requires legislative action. As of this writing, the General Assembly has not taken such action. The State Highway Patrol Aircraft Operations Section has completed cost analyses for each of its aircraft for Calendar Years 2002 and 2003. Copies of these analyses are attached.**
The State should establish a consistent statewide methodology for billing rates by type of aircraft. Consideration should be given to the factors included in private aircraft cost evaluator service models and updated periodically. Consideration should also be given to any existing national costs policies (see page 28) in establishing a consistent statewide methodology. The consolidated aircraft division should maintain documentation on the methodology used to compute billable rates.	✓ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ✓ Not implemented (Explain below) **Full implementation of this recommendation requires legislative action. As of this writing, the General Assembly has not taken such action. The State Highway Patrol's aircraft are used to conduct airborne law enforcement activities, not passenger transport. Therefore, no billing is done.**

DEPARTMENT OF COMMERCE
STATE AIRCRAFT OPERATIONS
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should consider establishing a centralized aircraft operations division within an existing agency for better coordination and to achieve efficiencies of passenger aircraft operations. The main aircraft functions that would comprise the passenger services are now located in the Departments of Commerce and Transportation and UNC-AHEC-MedAir. Commerce, Transportation, Highway Patrol, and MedAir have maintenance functions that would be consolidated. Because of the need for regional location of the Forest Resources aircraft, those mechanics would not be physically relocated. Rather, they would report administratively to the consolidated head mechanic. The Department of Transportation already has an established Aviation Division and would be the logical choice for the consolidated aircraft operations division. The other agencies would then purchase passenger flight time and maintenance services from the consolidated operation. The specialized law enforcement functions would continue to operate and house their respective aircraft at their current locations and have the option of using the consolidated maintenance operation.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should direct that an independent contractor perform a comprehensive study of the operational condition of all State-owned and supported aircraft. This study should include recommendations on when to replace the aircraft, the required number of maintenance staff, and the feasibility of contracting for all maintenance as a possible cost saving measure, as well as contracting for pilots. (See discussion on page 33). Additionally, **the General Assembly should** consider whether there is a need for all aircraft now owned and maintained by the State. The contractor developed plan should include a recommendation on how to divest the State's ownership of any aircraft deemed unnecessary. Pending the contractor's study, *the agencies and programs should address the staffing levels for mechanics, determining how many mechanics are needed for effective operation.*	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____ *Each aircraft model is designed for a specific purpose; therefore DOC's 3 models have different systems, engines and electronics. It is necessary to have our mechanic & an asst/backup who are specifically trained for each type aircraft. Special tools and equipment are needed for each aircraft. Approximately 80% of the parts are not interchangeable.*
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RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The General Assembly should consider legislation that establishes statewide policies and procedures for administration and use of State aircraft. Such legislation should address, but not be limited to: • requiring documented purpose and justification for every flight, • requiring signed authorization from public officials or agency heads • describing cost calculation for flights charged to agencies while acknowledging that some costs are subsidized by the aircraft operating agency, • identifying all passengers on flights, and • describing circumstances where family members are permitted to accompany state officials or agency heads. While aircraft operations remain separate, *each agency maintaining and operating State aircraft should establish internal policies and procedures consistent with existing guidelines.* If the General Assembly establishes a consolidated aircraft operations function, then that entity should have the responsibility of developing and implementing statewide polices and procedures for aircraft use.	☐ Yes G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) _____ _____ _____ *DOC has had an OPERATIONS MANUAL since 1990 stating our policies and procedures consistent with existing guidelines. Previous hard copy was supplied to field auditor and we're attaching electronic copy of manual with minor changes to be reissued effective 7/1/04 after having gone through one of our periodical reviews. (see additional attachment)*
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RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Operational costs for all State operated aircraft *should be captured by aircraft*. This information would improve the administration of flight operations and would allow more informed decisions on the efficiencies of each aircraft. A consolidated flight operations division may enhance the State's ability to capture this data. (See discussion on page 12.)	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *DOC captures operational costs by aircraft. This information can be viewed online in the North Carolina Accounting System. Cost Center # 11121184, King Air B-200 Airplane; #11121186, Citation B; #11121187, Sikorsky*
The State should establish a consistent statewide methodology for billing rates by type of aircraft. Consideration should be given to the factors included in private aircraft cost evaluator service models and updated periodically. Consideration should also be given to any existing national costs policies (see page 28) in establishing **a consistent statewide methodology. The consolidated aircraft division should maintain documentation on the methodology used to compute billable rates.**	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____
Billable rates should be computed using the statewide procedures once they are established and updated as directed in those procedures. *The Department of Commerce should establish a policy on how billable rates should be computed and then annually evaluate those rates to ensure that policy is being followed* until the statewide procedures are established. (See discussion on page 27.)	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *DOC has consistently applied the same methodology for computing the billable rates for each type of aircraft since they were put in service & will adopt the statewide procedures when established.*

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The Department of Commerce should develop detailed policies and procedures for billing aircraft invoices so that all invoices will be billed consistently. **Statewide policies and procedures should be followed once established.**	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *DOC has had a consistent process for billing aircraft invoices & will adopt statewide process once established. (see additional attachment)*
The Department of Commerce should compute the actual cost per hour for each aircraft using the actual expenditures per aircraft when available. When actual charges cannot be determined by aircraft, then allocating by hours used or some other method is appropriate to distribute cost. The agency should determine the appropriate method for computing depreciation and document the method used. Statewide policies and procedures should be followed once established.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *DOC's cost allocation takes the line items and allocates that figure (or figures) over all the aircraft by the <u>number of operating hours</u> the aircraft flew. We had no formulas to use to create the "operating costs per aircraft" spreadsheet and we allocated all costs the way we thought would be best. There are no guidelines & we would use the statewide method once established.* *<u>Depreciation of Aircraft:</u>* *The Governmental Accounting Standards Board (GASB) Statement 34 requires governmental funds to report depreciation on depreciable capital assets in the governmental-wide statements for the 2002 Comprehensive Annual Financial Report (CAFR). <u>The OSC will calculate the depreciation for the governmental funds for those agencies who use the FA system.</u> In July of each fiscal year, Maintenance and Depreciation (MAD) controls are reset and depreciation calculated. See OSC MEMO on the SIG dated March 13, 2002 from Don Waugh, Asst State Controller.*

Senior management for the Departments of Commerce and Transportation *should immediately devise a flexible 40-hour workweek schedule for pilots to eliminate the need for compensatory time and/or overtime.* Further, to maximize the State's investment in these employees, they should be assigned additional duties when they are not flying and should be required to report to work every day. Consolidation of the passenger aircraft operations, as discussed on page 12, may reduce the number of pilots needed and / or increase productivity of the pilots. Consideration should be given to contracting for needed pilots to potentially reduce costs. (See discussion on page 22.)	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *DOC's Air Transportation Service is not a 40-hour workweek operation. Our mission is to serve the State 24/7 with passenger flight service. We have three different type aircraft requiring 2 pilots trained, certified, & well experienced on each of the type aircraft for each trip. We have a total of 6 pilots. Trips can typically leave in the very early hours of the morning. Trips can return late into the night and/or they can require the pilots to spend overnights and/or weekends.* *All pilots while at home base and not on duty will maintain cell phone contact with the scheduler and be available for duty when called unless on scheduled time off or sick leave. See OPERATIONS MANUAL, Section I,I. Duty Times for a better understanding of the pilots time.*

INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should consider legislation that establishes statewide policies and procedures for administration and use of State aircraft. Such legislation should address, but not be limited to: • requiring documented purpose and justification for every flight, • requiring signed authorization from public officials or agency heads • describing cost calculation for flights charged to agencies while acknowledging that some costs are subsidized by the aircraft operating agency, • identifying all passengers on flights, and • describing circumstances where family members are permitted to accompany state officials or agency heads. While aircraft operations remain separate, each agency maintaining and operating State aircraft should establish internal policies and procedures consistent with existing guidelines. If the General Assembly establishes a consolidated aircraft operations function, then that entity should have the responsibility of developing and implementing statewide polices and procedures for aircraft use.	❑ Yes G.S. _____ Date enacted _____ ❑ No	☒ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *DENR had internal policies and procedures prior to the audit. We are working to ensure that the policies and procedures are being followed consistently.*

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Operational costs for all State operated aircraft should be captured by aircraft. This information would improve the administration of flight operations and would allow more informed decisions on the efficiencies of each aircraft. A consolidated flight operations division may enhance the State's ability to capture this data. (See discussion on page 12.)	☐ Yes G.S. _____ Date enacted _____ [X] No	[X] Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) ***Prior to the audit, DENR was capturing operational costs on monthly flight sheets and maintenance work orders for each aircraft. We are continuing to maintain these records.*** ***This is a manual process. Documentation is maintained in the DFR Kinston and Hickory regional facilities.***
The State should establish a consistent statewide methodology for billing rates by type of aircraft. Consideration should be given to the factors included in private aircraft cost evaluator service models and updated periodically. Consideration should also be given to any existing national costs policies (see page 28) in establishing a consistent statewide methodology. The consolidated aircraft division should maintain documentation on the methodology used to compute billable rates.	❑ Yes G.S. _____ Date enacted _____ [X] No	[X] Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) ***The rates charged for state owned DFR aircraft are derived through general rules found in the aviation industry, and formulas furnished by aircraft manufacturers.*** ***DFR also operates several aircraft owned by the US Forest Service, which are on loan to DFR. The rates charged for these aircraft are based on agreements with the federal agency and are uniform across the United States for each type of aircraft.***

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The Division of Forest Resources should compute billing rates using the statewide procedures once they are established and update as directed in those procedures. Rates for each type of aircraft in its fleet should be recomputed using these consistent cost categories. Until the statewide policies are established, the Department of Environment and Natural Resources should establish a department policy on costs computation. Further, to be better prepared to assign actual costs to each aircraft the Division should develop a cost tracking system that identifies the actual costs for each aircraft. This data should be provided to the consolidated aircraft division for consideration in establishing a statewide methodology for computing billable rates.	❑ Yes G.S. _____ Date enacted _____ **X** No	❑ Fully implemented **X** Partially implemented _50_% complete (Explain below) ❑ Not implemented (Explain below) _____ *A new method for capturing the cost of each aircraft is being developed. A barcode system has been implemented to track all aircraft parts in stock. This system will produce reports indicating the cost and utilization of the parts by aircraft registration number.*
The Division should ensure that all pilots and aircraft officials are trained on which flights should be billed and on how to code all flights properly. Division financial personnel should conduct periodic reviews of billed flights to assure that billings are prepared in accordance with statewide policies once established by the consolidated aircraft operations division or the current Divisional policies.	❑ Yes G.S. _____ Date enacted _____ **X** No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) *The Division is implementing a reorganization of the aviation section. All staff now report the Chief Pilot to aid in ensuring consistency. Staff responsible for ensuring that all reimbursable flights are properly billed have been instructed in our policies and procedures. Division pilots have been trained to ensure that all flights are recorded on the proper forms and that proper documentation is observed.*

DEPARTMENT OF TRANSPORTATION
STATE AIRCRAFT OPERATIONS
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should consider establishing a centralized aircraft operations division within an existing agency for better coordination and to achieve efficiencies of passenger aircraft operations. The main aircraft functions that would comprise the passenger services are now located in the Departments of Commerce and Transportation and UNC-AHEC-MedAir. Commerce, Transportation, Highway Patrol, and MedAir have maintenance functions that would be consolidated. Because of the need for regional location of the Forest Resources aircraft, those mechanics would not be physically relocated. Rather, they would report administratively to the consolidated head mechanic. The Department of Transportation already has an established Aviation Division and would be the logical choice for the consolidated aircraft operations division. The other agencies would then purchase passenger flight time and maintenance services from the consolidated operation. The specialized law enforcement functions would continue to operate and house their respective aircraft at their current locations and have the option of using the consolidated maintenance operation.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____ **No legislative action has been undertaken to date. DOT has investigated the maintenance element, considering locations, facilities, participating agencies, and manufacturer support and parts. NCDOT and NCDOC continue to jointly share office and hangar space at the DOT aviation facility.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should direct that an independent contractor perform a comprehensive study of the operational condition of all State-owned and supported aircraft. This study should include recommendations on when to replace the aircraft, the required number of maintenance staff, and the feasibility of contracting for all maintenance as a possible cost saving measure, as well as contracting for pilots. (See discussion on page 33). Additionally, the General Assembly should consider whether there is a need for all aircraft now owned and maintained by the State. The contractor developed plan should include a recommendation on how to divest the State's ownership of any aircraft deemed unnecessary. Pending the contractor's study, the agencies and programs should address the staffing levels for mechanics, determining how many mechanics are needed for effective operation.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____ **No legislative action has been taken to date. DOT has completed a study by an independent contractor with recommendations as to replacement aircraft to meet future needs. The study addressed operational needs, maintenance, and acquisition costs.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should consider legislation that establishes statewide policies and procedures for administration and use of State aircraft. Such legislation should address, but not be limited to: • requiring documented purpose and justification for every flight, • requiring signed authorization from public officials or agency heads • describing cost calculation for flights charged to agencies while acknowledging that some costs are subsidized by the aircraft operating agency, • identifying all passengers on flights, and • describing circumstances where family members are permitted to accompany state officials or agency heads. While aircraft operations remain separate, each agency maintaining and operating State aircraft should establish internal policies and procedures consistent with existing guidelines. If the General Assembly establishes a consolidated aircraft operations function, then that entity should have the responsibility of developing and implementing statewide polices and procedures for aircraft use.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____ **No legislative action has been taken to date. NCDOT currently has procedures, which it uses that reflect the intent of the recommendation.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
Operational costs for all State operated aircraft should be captured by aircraft. This information would improve the administration of flight operations and would allow more informed decisions on the efficiencies of each aircraft. A consolidated flight operations division may enhance the State's ability to capture this data. (See discussion on page 12.)	☐ Yes G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) _____ _____ **NCDOT has enhanced the capture of aircraft costs through BSIP and internal record keeping and reports by aircraft and group.**
The State should establish a consistent statewide methodology for billing rates by type of aircraft. Consideration should be given to the factors included in private aircraft cost evaluator service models and updated periodically. Consideration should also be given to any existing national costs policies (see page 28) in establishing a consistent statewide methodology. The consolidated aircraft division should maintain documentation on the methodology used to compute billable rates.	☐ Yes G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) _____ _____ **NCDOT has evaluated the rate structure to facilitate similar rates for NCDOT/NCDOC flight charges. Currently the hourly limit is used by most agencies, however, others include per mile, seat-mile, destination flat rate (aircraft), destination flat rate (seat), etc. Any unit chosen would be based on the total operational expenses captured through direct and indirect costs, and the current policy at NCDOT of full cost recovery.**
The Department should examine the methodology BSIP uses to determine hourly aircraft rates for reasonableness. See discussion on methods for computing billable rates on page 27. This information should be supplied to the consolidated aircraft division to consider when it establishes a statewide methodology for setting aircraft reimbursement rates. Once statewide procedures are established, the Department should use those, updating as those procedures direct.	☐ Yes G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) _____ **NCDOT has undertaken extensive measures with BSIP personnel to insure proper accounting for the aircraft and the resulting rate. The rate is partially reflective of the age of the aircraft and NCDOT is currently considering a fleet transition to newer equipment based upon the previously mentioned study.**

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Senior management for the Departments of Commerce and Transportation should immediately devise a flexible 40-hour workweek schedule for pilots to eliminate the need for compensatory time and/or overtime. Further, to maximize the State's investment in these employees, they should be assigned additional duties when they are not flying and should be required to report to work every day. Consolidation of the passenger aircraft operations, as discussed on page 12, may reduce the number of pilots needed and / or increase productivity of the pilots. Consideration should be given to contracting for needed pilots to potentially reduce costs. (See discussion on page 22.)	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____ **NCDOT pilots are subject to call 24/7. When missions are scheduled for early morning or late evening arrivals/departures, the work day is shifted according to minimize overtime. Weekend work is also common. Pilots are assigned additional duties when those duties do not detract from their on-call status.** **It is also worth noting that the co-location of the Transportation and Commerce pilots has resulted in an improvement in pilot-sharing and virtually eliminated the need for contract pilots.**

DEPARTMENT OF JUSTICE
STATE AIRCRAFT OPERATIONS
Recommendations Follow-up

INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.		
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** Please provide documentation supporting implementation status for each recommendation..
The General Assembly should consider establishing a centralized aircraft operations division within an existing agency for better coordination and to achieve efficiencies of passenger aircraft operations. The main aircraft functions that would comprise the passenger services are now located in the Departments of Commerce and Transportation and UNC-AHEC-MedAir. Commerce, Transportation, Highway Patrol, and MedAir have maintenance functions that would be consolidated. Because of the need for regional location of the Forest Resources aircraft, those mechanics would not be physically relocated. Rather, they would report administratively to the consolidated head mechanic. The Department of Transportation already has an established Aviation Division and would be the logical choice for the consolidated aircraft operations division. The other agencies would then purchase passenger flight time and maintenance services from the consolidated operation. The specialized law enforcement functions would continue to operate and house their respective aircraft at their current locations and have the option of using the consolidated maintenance operation.	❑ Yes G.S. _____ Date enacted _____ ❑ No Not applicable. The Department of Justice will defer to the expertise of the State Auditor's Office as to whether any recommended policy changes need to be implemented through legislative or other administrative means.	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Consolidating SBI Air Wing operational activities with general public activities could compromise the integrity and confidentiality of ongoing law enforcement investigations. The original State Auditor report documented that the SBI Air Wing incurred the lowest per hour operating costs of any state agency aircraft operation (see table 1, page 13). The SBI would consider utilizing these centralized maintenance activities if service costs prove to be better then its existing maintenance contract and law enforcement integrity standards are not compromised.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The General Assembly should direct that an independent contractor perform a comprehensive study of the operational condition of all State-owned and supported aircraft. This study should include recommendations on when to replace the aircraft, the required number of maintenance staff, and the feasibility of contracting for all maintenance as a possible cost saving measure, as well as contracting for pilots. (See discussion on page 33). Additionally, the General Assembly should consider whether there is a need for all aircraft now owned and maintained by the State. The contractor developed plan should include a recommendation on how to divest the State's ownership of any aircraft deemed unnecessary. Pending the contractor's study, the agencies and programs should address the staffing levels for mechanics, determining how many mechanics are needed for effective operation.	❑ Yes G.S. _____ Date enacted _____ ❑ No Not applicable. The Department of Justice will defer to the expertise of the State Auditor's Office as to whether any recommended policy changes need to be implemented through legislative or other administrative means.	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) Not implemented (Explain below) The Department of Justice would willingly cooperate and participate in a General Assembly or State Auditor directed study of the operational condition of state owned aircraft.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The General Assembly should consider legislation that establishes statewide policies and procedures for administration and use of State aircraft. Such legislation should address, but not be limited to: • requiring documented purpose and justification for every flight, • requiring signed authorization from public officials or agency heads • describing cost calculation for flights charged to agencies while acknowledging that some costs are subsidized by the aircraft operating agency, • identifying all passengers on flights, and • describing circumstances where family members are permitted to accompany state officials or agency heads. While aircraft operations remain separate, each agency maintaining and operating State aircraft should establish internal policies and procedures consistent with existing guidelines. If the General Assembly establishes a consolidated aircraft operations function, then that entity should have the responsibility of developing and implementing statewide polices and procedures for aircraft use.	❑ Yes G.S. _____ Date enacted _____ ❑ No Not applicable. The Department of Justice will defer to the expertise of the State Auditor's Office as to whether any recommended policy changes need to be implemented through legislative or other administrative means.	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) Not implemented (Explain below) The SBI has established internal policies and procedures that promote cost effective and efficient use of its air fleet that are uniquely tailored to its law enforcement uses. Those policies address the items recommended by the State Auditor. While no statewide policy and procedure legislation is being considered at this time, any future legislation should consider the unique law enforcement mission of the SBI Air Wing.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Operational costs for all State operated aircraft should be captured by aircraft. This information would improve the administration of flight operations and would allow more informed decisions on the efficiencies of each aircraft. A consolidated flight operations division may enhance the State's ability to capture this data. (See discussion on page 12.)	❑ Yes G.S. _____ Date enacted _____ ❑ No Not applicable. The Department of Justice will defer to the expertise of the State Auditor's Office as to whether any recommended policy changes need to be implemented through legislative or other administrative means.	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Not applicable to the DOJ/SBI. The original State Auditor report documented that the SBI Air Wing incurred the lowest per hour operating costs of any state agency aircraft operation (see table 1, page 13). All SBI Air Wing operational costs are tracked and managed in a discreet separate cost center. This existing cost structure provides meaningful and effective information to support management decision-making. The accounting, administration and analysis costs of disaggregating this data further down on a per plane basis could exceed any expected managerial benefits.

The State should establish a consistent statewide methodology for billing rates by type of aircraft. Consideration should be given to the factors included in private aircraft cost evaluator service models and updated periodically. Consideration should also be given to any existing national costs policies (see page 28) in establishing a consistent statewide methodology. The consolidated aircraft division should maintain documentation on the methodology used to compute billable rates.	❑ Yes G.S. _____ Date enacted _____ ❑ No Not applicable. The Department of Justice will defer to the expertise of the State Auditor's Office as to whether any recommended policy changes need to be implemented through legislative or other administrative means.	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Not applicable to the DOJ/SBI. Because of the SBI Air Wing's unique and specialized law enforcement mission, developing billable hour rates for non-law enforcement passengers would not be required. This response is consistent with the findings referenced in the original 2003 Performance Audit of State Aircraft Operations (see page 13, Table 1).

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The General Assembly should consider establishing a centralized aircraft operations division within an existing agency for better coordination and to achieve efficiencies of passenger aircraft operations. The main aircraft functions that would comprise the passenger services are now located in the Departments of Commerce and Transportation and UNC-AHEC-MedAir. Commerce, Transportation, Highway Patrol, and MedAir have maintenance functions that would be consolidated. Because of the need for regional location of the Forest Resources aircraft, those mechanics would not be physically relocated. Rather, they would report administratively to the consolidated head mechanic. The Department of Transportation already has an established Aviation Division and would be the logical choice for the consolidated aircraft operations division. The other agencies would then purchase passenger flight time and maintenance services from the consolidated operation. The specialized law enforcement functions would continue to operate and house their respective aircraft at their current locations and have the option of using the consolidated maintenance operation.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) xNot implemented (Explain below) _General Assembly has not considered establishing a centralized passenger aircraft division. The 2004 Appropriations Act includes House Bill #1572 and Senate Bill # 1188 to require the University of North Carolina at Chapel Hill to continue to operate the Horace Williams Airport…to continue air transportation support for AHEC from that location until a replacement facility that is accessible to the University of North Carolina at Chapel Hill becomes operational. _____ _____ _____

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The General Assembly should direct that an independent contractor perform a comprehensive study of the operational condition of all State-owned and supported aircraft. This study should include recommendations on when to replace the aircraft, the required number of maintenance staff, and the feasibility of contracting for all maintenance as a possible cost saving measure, as well as contracting for pilots. (See discussion on page 33). Additionally, the General Assembly should consider whether there is a need for all aircraft now owned and maintained by the State. The contractor developed plan should include a recommendation on how to divest the State's ownership of any aircraft deemed unnecessary. Pending the contractor's study, the agencies and programs should address the staffing levels for mechanics, determining how many mechanics are needed for effective operation.	☐ Yes G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) xNot implemented (Explain below) _General Assembly has not directed such a study. UNC-AHEC-Medical Air enthusiastically supports a comprehensive study of existing and future aircraft. _____ _____ _____

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should consider legislation that establishes statewide policies and procedures for administration and use of State aircraft. Such legislation should address, but not be limited to: • requiring documented purpose and justification for every flight, • requiring signed authorization from public officials or agency heads • describing cost calculation for flights charged to agencies while acknowledging that some costs are subsidized by the aircraft operating agency, • identifying all passengers on flights, and • describing circumstances where family members are permitted to accompany state officials or agency heads. While aircraft operations remain separate, each agency maintaining and operating State aircraft should establish internal policies and procedures consistent with existing guidelines. If the General Assembly establishes a consolidated aircraft operations function, then that entity should have the responsibility of developing and implementing statewide polices and procedures for aircraft use.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented xPartially implemented __50____% complete (Explain below) Not implemented (Explain below) General Assembly has not considered legislation for statewide policies and procedures for administration and use of State aircraft. UNC-AHEC-Medical Air complies with the recommendation. The flight request notes the passenger information, purpose of flight, billing procedure, supervisor approval, and pre-approval for spouse/family member. UNC-AHEC-Medical Air has a specific passenger eligibility policy where individuals will be traveling on state or university business. The policy further elaborates on criteria related to the North Carolina AHEC Program. _____ _____ _____
	❑	

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
Operational costs for all State operated aircraft should be captured by aircraft. This information would improve the administration of flight operations and would allow more informed decisions on the efficiencies of each aircraft. A consolidated flight operations division may enhance the State's ability to capture this data. (See discussion on page 12.)	❏ Yes G.S. _____ Date enacted _____ ❏ No	xFully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below) _UNC-AHEC-Medical Air generates monthly internal reports listing operating statistics and costs by aircraft. _____ _____ _____
The State should establish a consistent statewide methodology for billing rates by type of aircraft. Consideration should be given to the factors included in private aircraft cost evaluator service models and updated periodically. Consideration should also be given to any existing national costs policies (see page 28) in establishing a consistent statewide methodology. The consolidated aircraft division should maintain documentation on the methodology used to compute billable rates.	❏ Yes G.S. _____ Date enacted _____ ❏ No	❏ Fully implemented ❏ Partially implemented _____% complete (Explain below) xNot implemented (Explain below) __Statewide methodology for billing rates by type of aircraft has not been established. UNC-AHEC-Medical Air charges a per-mile/per passenger rate for in-state flights and an hourly rate for out-of-state flights. The methodology to compute these billable rates has been documented. _____ _____ _____

INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.		
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** Please provide documentation supporting implementation status for each recommendation..
The universities should continue to maintain records showing which employees have been issued p-cards. These records should continue to contain details relative to the types of purchases and dollar limits on purchases for each p-card user. Records of users should be updated periodically as required by the individual university's policies and procedures. (See discussion on page 15.)	❑ Yes G.S. _____ Date enacted _____ ✓ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) We currently maintain p-card records which indicate users having been issued p-cards. Those records indicate the type and dollar limit of all purchases for each p-card users. These records are updated immediately as deletions or additions occur.
P&C should establish a statewide policy for cancellation of procurement cards clearly outlining the time frame within which cards should be cancelled. Further, P&C should implement and/or enforce stronger sanctions for statewide policy violations. University purchasing departments should ensure approval documentation is complete prior to card issuance. All participating universities should establish policies and procedures for formally reviewing inactivity and necessity of procurement card accounts at least annually. Cards should be cancelled immediately if found to be unnecessary. Each authorizing department should maintain adequate documentation to support procurement card transactions. Purchasing departments should assure that all required information is entered into the procurement card database. Finally, for universities that are maintaining decentralized documentation, electronic approvals should be utilized.	❑ Yes G.S. _____ Date enacted _____ ✓ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The university has developed a policy of reviewing individual cardholders accounts for inactivity on an annual basis. We currently require all p-card users to submit to the P-Card Administrator a monthly reconcilement of all purchases made, along with original receipts for documentations. We reconcile all p-card users accounts to the procurement card database monthly.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The State Purchasing Office should consider increasing the single transaction spending limit for p-cards to $5,000 to be consistent with established spending limits for small purchases using the regular procurement system. Each university should conduct a review of procurement card usage to determine if spending limit increases are necessary. If increases are necessary, then the universities making that determination should request approval from P&C for increased per transaction limits. Finally, each cardholder should be provided periodic training updates. This training should emphasize the importance of adhering to spending limits and the penalties that occur when limits are exceeded or circumvented, as well as review any other changes to policies and procedures. Further, P&C should establish a standardized system for monitoring violations and imposing sanctions. Consideration should be given to implementing a points system10 such as utilized in other states.	❑ Yes G.S. _____ Date enacted _____ ✓ No	✓ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) We have conducted a review of our p-card usage and determined that our single transaction limit should be increased to $2,500 from $750. We currently provide a review of the p-card user's guide to all new cardholders prior to them receiving their p-cards. We also conduct annual workshops for all p-cardholders to acquaint them the proper use and to provide updates on the p-card program.
P&C, as the statewide P-Card Administrator, should modify the contract with the bankcard company to require the highlighting of purchases that have exceeded the established spending limit on the monthly statement. The university departments should be required to report all violations of policy immediately to the university P-Card Administrator. The university P-Card Administrator should investigate such transactions and administer proper sanctions. Additionally, all transactions exceeding authorized spending limits should be reported to the Vice Chancellor and/or Chancellor of Finance at the respective universities.	❑ Yes G.S. _____ Date enacted _____ ✓ No	❑ Fully implemented ✓ Partially implemented ___70___% complete (Explain below) ❑ Not implemented (Explain below) Currently the P-Card Administrator notifies the Department Head and/or Manager when any cardholder violation exceeds the authorized spending limits. A revision to the P-Card Users Guide will be made to reflect that supervisors are required to report any cardholder violations to the University P-Card Administrator immediately. The P-Card Administrator will continue to monitor cardholders spending limits. As part of the revision, a monthly report will be sent to the VC of Business & Finance and NC State P-Card Administrator for all transactions exceeding the authorized spending limit.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The universities have adequate controls in place to ensure that p-cards are not used to circumvent any purchasing laws, rules, regulations or policies if p-card use is expanded. Therefore, each of the participating universities should increase use of procurement cards for routine small purchases by allowing all employees making small purchases to use the cards. Additionally, the universities should consider increasing their single transaction limit to the maximum allowed by P&C and establishing single vendor cards for high volume and recurring purchases with higher single transaction limits. The universities should request prompt payment discounts from these vendors. Lastly, P&C should lead a study on the feasibility of consolidating purchases for all participating universities and state agencies to increase rebates to the overall benefit of the State.	❑ Yes G.S. _____ Date enacted _____ ✓ No	❑ Fully implemented 　✓ Partially implemented __75____% complete (Explain below) □ Not implemented (Explain below) The University is increasing their transaction limit to $2,500 to handle the small dollar purchases.

North Carolina University System Procurement Card Operations
Appalachian State University
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
New users should work closely with P&C to properly establish programs. They should also consult with universities that have fully implemented pcard programs for insight on efficiently operating the program.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____
UNC-Asheville, North Carolina Central University, Elizabeth City State University, and Fayetteville State University should develop a strategy for implementing a procurement card system as soon as feasible. These universities should apply to P&C for approval once they have updated their current procurement procedures to allow for the use of p-cards. Appalachian State University, UNC-Pembroke, UNC-Charlotte, UNCGreensboro, NC School of the Arts, Western Carolina University, and Winston-Salem State University should continue efforts to implement a procurement card program. All universities should seek insight from the five pilot universities to enhance the success of implementing the program.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _60___% complete (Explain below) ❑ Not implemented (Explain below) _About 40% of our departments have not been trained or issued Purchasing Cards. _____ _____ _____

INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.		
RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** **Please provide documentation supporting implementation status for each recommendation..**
The universities should continue to maintain records showing which employees have been issued p-cards. These records should continue to contain details relative to the types of purchases and dollar limits on purchases for each p-card user. Records of users should be updated periodically as required by the individual university's policies and procedures. (See discussion on page 15.)	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented Yes ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The ECU ProCard Manager and Assistant Manager maintains an Access database of past and present cardholders including their name, card account number, department, spending level, status, and the ECU budget code tied to each card. (See Exhibit A) ECU is provided a monthly account listing by MBNA of all cardholders. The Director of Materials Management reviews all new cardholders monthly. (See Exhibit B) ECU generates and reviews a monthly Procurement Card Users List (FPPR0935) from the ProCard database. (See Exhibit C) ECU sends an annual memo and Verification of Cardholder Status questionnaire to Deans and Department heads, which requests departments to review their card program status. Records are updated from responses to this form. (See Exhibit D)
P&C should establish a statewide policy for cancellation of procurement cards clearly outlining the time frame within which cards should be cancelled. Further, P&C should implement and/or enforce stronger sanctions for statewide policy violations. University purchasing departments should ensure approval documentation is complete prior to card issuance. All participating universities should establish policies and procedures for formally reviewing inactivity and necessity of procurement card accounts at least annually. Cards should be cancelled immediately if found to be unnecessary. Each authorizing department should maintain adequate documentation to support procurement card transactions. Purchasing departments should assure that all required information is entered into the procurement card database. Finally, for universities that	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented Yes ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) ECU's policy regarding violations and cancellations of cards can be found at the following website: http://www.ecu.edu/business_manual/mat149.htm#mat149g (See Exhibit E)

are maintaining decentralized documentation, electronic approvals should be utilized.		Cards are cancelled immediately upon termination of employment as stated in Cardholder Policies and Procedures, which can be found at the following website: http://www.ecu.edu/purchasing/purcard/Policies.htm (See Exhibit F) ECU adheres to the Procurement Card Violation Reporting Policy adopted 02/19/04. (See Exhibit G) Department Heads/Directors must approve with their signature all requests for a new card from their respective department. (See Exhibit H) The annual Verification of Cardholder Status questionnaire requires departments to review the necessity of ProCards in their department. (See Exhibit D) ECU is provided an Account Statement Exceptions report by MBNA monthly. We review this report every other month (6 times per year) and send a notice to any cardholder that has had no activity on their card for at least 12 cycles. (See Exhibit I) ECU maintains centralized documentation and does not utilize electronic approvals.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation..**
The State Purchasing Office should consider increasing the single transaction spending limit for p-cards to $5,000 to be consistent with established spending limits for small purchases using the regular procurement system. Each university should conduct a review of procurement card usage to determine if spending limit increases are necessary. If increases are necessary, then the universities making that determination should request approval from P&C for increased per transaction limits. Finally, each cardholder should be provided periodic training updates. This training should emphasize the importance of adhering to spending limits and the penalties that occur when limits are exceeded or circumvented, as well as review any other changes to policies and procedures. Further, P&C should establish a standardized system for monitoring violations and imposing sanctions. Consideration should be given to implementing a points system10 such as utilized in other states.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _80___% complete (Explain below) ❑ Not implemented (Explain below) ECU was granted approval to increase the procurement card transaction limit up to $5000 on March 2, 2004 (See Exhibit J) After a review of card spending trends, ECU decided to implement a transaction increase pilot for 6 months with focus on the University Storerooms, University Printing and Graphics, and select cardholders that demonstrated high volume card usage. This requires Department Head and ProCard Manager approval. (See Exhibit K) ECU is offering a new level of spending campus wide, which will be implemented in the next couple of weeks. (See Exhibit L) Changes in policy and procedure an any other ProCard details that affect the entire ProCard user's group are communicated via an email distribution list maintained by the ProCard Manager. All cardholders and reconcilers are required to attend a ProCard training session prior to being issued a card.
P&C, as the statewide P-Card Administrator, should modify the contract with the bankcard company to require the highlighting of purchases that have exceeded the established spending limit on the monthly statement. The university departments should be required to report all violations of policy immediately to the university P-Card Administrator. The university P-Card Administrator should investigate such transactions and administer proper sanctions. Additionally, all transactions exceeding authorized spending limits should be reported to the Vice Chancellor and/or Chancellor of Finance at the respective universities.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented Yes ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The ProCard Administrator reviews all transactions on a daily basis and will question any purchase that appears to have exceeded spending limits or split transactions to circumvent the system. Any other potential abuse or violation of state term contract is investigated. (See Exhibit M)

		Reconcilers are to report any unusual spending patterns or concerns to the ProCard Administrator immediately for investigation. All pre-approved transactions that will exceed an individual's card spending limits are noted on the Exceptions Transactins Log maintained monthly. (See Exhibit N) The ProCard Administrator will consult with the Director or Associate Director of Materials Management as necessary.
The universities have adequate controls in place to ensure that p-cards are not used to circumvent any purchasing laws, rules, regulations or policies if p-card use is expanded. Therefore, each of the participating universities should increase use of procurement cards for routine small purchases by allowing all employees making small purchases to use the cards. Additionally, the universities should consider increasing their single transaction limit to the maximum allowed by P&C and establishing single vendor cards for high volume and recurring purchases with higher single transaction limits. The universities should request prompt payment discounts from these vendors. Lastly, P&C should lead a study on the feasibility of consolidating purchases for all participating universities and state agencies to increase rebates to the overall benefit of the State.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _50____% complete (Explain below) ❑ Not implemented (Explain below) ECU is in the process of reducing small dollar requisitions and check requests. Effective January 1, 2005, Accounts Payable will no longer accept a check request form for registrations, memberships, and subscriptions. It will be a requirement for these items to be processed via a ProCard. ECU is currently compiling statistics on departments that repeatedly have small dollar purchasing needs, but continue to use the Purchase Order System versus the ProCard. These departments will be a target for increased marketing of the ProCard Program. ECU has not established single vendor cards and thus has not negotiated prompt payment discounts for such vendors. ECU is considering and looking into ways to increase card spending, and thus increase our rebate; however, we are opposed to the consolidation of rebates as a benefit to the State, but would strongly urge P&C to allow each individual University maintain and use their rebate as necessary. ECU currently uses the rebate to fund our card program including printing materials, and attending card conferences.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
UNC-Asheville, North Carolina Central University, Elizabeth City State University, and Fayetteville State University should develop a strategy for implementing a procurement card system as soon as feasible. These universities should apply to P&C for approval once they have updated their current procurement procedures to allow for the use of p-cards. Appalachian State University, UNC-Pembroke, UNC-Charlotte, UNC-Greensboro, NC School of the Arts, Western Carolina University, and Winston-Salem State University should continue efforts to implement a procurement card program. All universities should seek insight from the five pilot universities to enhance the success of implementing the program.	❑ Yes G.S. _____ Date enacted _____ X No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) X Not implemented (Explain below) Training for new employees, implementing improved internal control procedures, and planning for a new computer system delayed our development of a strategy to implement a procurement card system. We will develop our strategy to implement a procurement card system by October 31, 2004. _____ _____ _____
Those universities that have not yet adopted p-cards should compare the effectiveness of their current purchasing policies and procedures to those offered by universities with p-cards. Then management at each university should develop a formal strategy for establishing a p-card system to take advantage of benefits for the respective universities.	❑ Yes G.S. _____ Date enacted _____ X No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) X Not implemented (Explain below) After addressing the aforementioned priorities, we plan to compare the effectiveness of our current policies and procedures to those offered by universities with p-cards. We will complete our comparisons and related research by September 30, 2004. _____ _____ _____

North Carolina Central University Procurement Card Operations
North Carolina Central University
Recommendations Follow-up

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<td>IMPLEMENTATION STATUS
Please provide documentation supporting implementation status for each recommendation.</td>
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<td>❑   Yes
G.S.
_____

Date enacted

_____

X   No</td>
<td>❑   Fully implemented
❑   Partially implemented _____% complete (Explain below)
X   Not implemented (Explain below)

I am pleased to report that NCCU is developing a strategy for implementing a procurement card system. Currently, the Purchasing Department is updating the procurement procedures in preparation for the implementation of the Banner system. The Banner modules will be implemented in stages beginning with the finance system in January 2005.

We recognize the importance of implementing the procurement card system to realize the benefits associated with efficiency, effectiveness and cost savings. Our institution will continue to refine the procurement policies and procedure, train the card users, and adopt the procurement card system on a gradual schedule.</td>
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<td>Those universities that have not yet adopted p-cards should compare the effectiveness of their current purchasing policies and procedures to those offered by universities with p-cards. Then management at each university should develop a formal strategy for establishing a p-card system to take advantage of benefits for the respective universities.</td>
<td>❑   Yes
G.S.
_____

Date enacted

_____

❑   No</td>
<td>❑   Fully implemented
❑   Partially implemented _____% complete (Explain below)
❑   Not implemented (Explain below)
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NC School for the Arts

North Carolina University System Procurement Card Operations
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
New users should work closely with P&C to properly establish programs. They should also consult with universities that have fully implemented pcard programs for insight on efficiently operating the program.	☐ Yes G.S. _____ Date enacted _____ ☑ No	☐ Fully implemented ☐ Partially implemented _____ % complete (Explain below) ☑ Not implemented (Explain below) _Contact with P+C will take place once Policy + Procedures are fully developed._
UNC-Asheville, North Carolina Central University, Elizabeth City State University, and Fayetteville State University should develop a strategy for implementing a procurement card system as soon as feasible. These universities should apply to P&C for approval once they have updated their current procurement procedures to allow for the use of p-cards. Appalachian State University, UNC-Pembroke, UNC-Charlotte, UNCGreensboro, NC School of the Arts, Western Carolina University, and Winston-Salem State University should continue efforts to implement a procurement card program. All universities should seek insight from the five pilot universities to enhance the success of implementing the program.	☐ Yes G.S. _____ Date enacted _____ ☑ No	☐ Fully implemented ☑ Partially implemented _20_ % complete (Explain below) ☐ Not implemented (Explain below) _We are In the process of writing Policies + Procedures. Draft copy attached._

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North Carolina University System Procurement Card Operations
North Carolina State University
Recommendations Follow-up

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<td colspan="3">INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.</td>
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<td>RECOMMENDATION</td>
<td>REQUIRED LEGISLATIVE CHANGE</td>
<td>IMPLEMENTATION STATUS
Please provide documentation supporting implementation status for each recommendation.</td>
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<td>The universities should continue to maintain records showing which employees have been issued p-cards. These records should continue to contain details relative to the types of purchases and dollar limits on purchases for each p-card user. Records of users should be updated periodically as required by the individual university's policies and procedures. (See discussion on page 15.)</td>
<td>❑ Yes
G.S.
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Date enacted

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XX No</td>
<td>XX Fully implemented
❑ Partially implemented _____% complete (Explain below)
❑ Not implemented (Explain below)

NCSU has maintained the records noted in the recommendation in the past and will continue to do so. (See Exhibit 1)</td>
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<td>P&C should establish a statewide policy for cancellation of procurement cards clearly outlining the time frame within which cards should be cancelled. Further, P&C should implement and/or enforce stronger sanctions for statewide policy violations. University purchasing departments should ensure approval documentation is complete prior to card issuance. All participating universities should establish policies and procedures for formally reviewing inactivity and necessity of procurement card accounts at least annually. Cards should be cancelled immediately if found to be unnecessary. Each authorizing department should maintain adequate documentation to support procurement card transactions. Purchasing departments should assure that all required information is entered into the procurement card database. Finally, for universities that are maintaining decentralized documentation, electronic approvals should be utilized.</td>
<td>❑ Yes
G.S.
_____

Date enacted

_____

XX No</td>
<td>XX Fully implemented (for NCSU recommendations)
❑ Partially implemented _____% complete (Explain below)
❑ Not implemented (Explain below)

NCSU uses an internal on-line application for all pcards, and this application requires supervisory approval prior to processing by the Purchasing Card Administrator. Our operations manual includes procedures for pcard issuance, cancellation, and inactivity (cancelled aster 6 months). We utilize an on-line program for reporting and reconciliation, and it requires both cardholder and reconciler to review and approve every purchase on a monthly basis. Cards are cancelled if the reconciliation is not performed. (See Exhibits 2-4)</td>
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RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
The State Purchasing Office should consider increasing the single transaction spending limit for p-cards to $5,000 to be consistent with established spending limits for small purchases using the regular procurement system. Each university should conduct a review of procurement card usage to determine if spending limit increases are necessary. If increases are necessary, then the universities making that determination should request approval from P&C for increased per transaction limits. Finally, each cardholder should be provided periodic training updates. This training should emphasize the importance of adhering to spending limits and the penalties that occur when limits are exceeded or circumvented, as well as review any other changes to policies and procedures. Further, P&C should establish a standardized system for monitoring violations and imposing sanctions. Consideration should be given to implementing a points system10 such as utilized in other states.	❑ Yes G.S. _____ Date enacted _____ **XX** No	**XX Fu**lly implemented (for NCSU recommendations) ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The university requested and received a single-transaction limit increase from $2,500 to $5,000. Cardholders receive periodic updates and training. Since January we have contacted our cardholders concerning four issues - the upcoming tax exempt status, opening the pcard to certain types of travel, our procedures for requesting a single-transaction limit increase, and the rollout of our internal requirements for purchasing off the state contracts. (See Exhibits 5 & 6)
P&C, as the statewide P-Card Administrator, should modify the contract with the bankcard company to require the highlighting of purchases that have exceeded the established spending limit on the monthly statement. The university departments should be required to report all violations of policy immediately to the university P-Card Administrator. The university P-Card Administrator should investigate such transactions and administer proper sanctions. Additionally, all transactions exceeding authorized spending limits should be reported to the Vice Chancellor and/or Chancellor of Finance at the respective universities.	❑ Yes G.S. _____ Date enacted _____ **XX** No	**XX** Fully implemented (for NCSU recommendations) ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) P&C issued guidelines for reporting spending limit violations earlier this year. The Purchasing Card Administrator prepares a monthly report of any violations, and this report is forwarded to the Executive Director for Financial Services for review. There have been no violations since this report began in January of '04. (See Exhibit 7)
The universities have adequate controls in place to ensure that p-cards are not used to circumvent any purchasing laws, rules, regulations or policies if p-card use is expanded. Therefore, each of the participating universities should increase use of procurement cards for routine small purchases by allowing all employees making small purchases to use the cards. Additionally, the universities should consider increasing their single transaction limit to the maximum allowed by P&C and establishing single vendor cards for high volume and recurring purchases with higher single transaction limits. The universities should request prompt payment discounts from these vendors. Lastly, P&C should lead a study on the	❑ Yes G.S. _____ Date enacted _____ **XX** No	**XX** Fully implemented (for NCSU recommendations) ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) To the extent possible, NCSU will increase the use of cards, however we continue to believe some employees at the university are better prepared than others to complete the tasks (maintaining receipts, reconciling, meeting deadlines) associated with using pcards.

feasibility of consolidating purchases for all participating universities and state agencies to increase rebates to the overall benefit of the State.		As mentioned, NCSU requested and received a $5,000 single-transaction limit from P&C. To the extent possible, NCSU works with specific vendors to establish "ghost cards" as a means to increase business with those vendors, and we request some type of incentive for doing this. We are also working with Purchase and Contract to raise the pcard limit for large dollar purchases. This would decrease internal processing costs and increase the rebate coming back to the university.

North Carolina University System Procurement Card Operations
DOA – Division of Purchasing and Contracts
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
New users should work closely with P&C to properly establish programs. They should also consult with universities that have fully implemented pcard programs for insight on efficiently operating the program.	☐ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) P&C is working closely with current and prospective p-card users.
The Secretary of the Department of Administration should request additional staff for the P&C Compliance Review Section. These employees should be assigned the responsibility of conducting periodic compliance reviews of universities (and other State agencies) with p-card programs. Consideration should be given to allowing P&C to receive a portion of each participating state entity's rebate from use of procurement cards to offset the cost of additional state level staff. (See page 18 for rebate information.) P&C should also require the universities to report serious violations to the statewide P-Card Administrator as another monitoring tool. The bankcard reports, along with any reported violations, should be used by P&C to assess compliance with established rules and regulations.	☐ Yes G.S. _____ Date enacted _____ X No	☐ Fully implemented X Partially implemented 80% complete (Explain below) ☐ Not implemented (Explain below) P&C is analyzing compliance positions as part of larger re-organization and cross-training initiative and may request additional positions in the 2005 legislative session. Reporting requirements for serious violations developed with input from users. Policy publicized effective 2-19-04. Rebates are part of study to be conducted by OSBM.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
P&C should establish a statewide policy for cancellation of procurement cards clearly outlining the time frame within which cards should be cancelled. Further, P&C should implement and/or enforce stronger sanctions for statewide policy violations. University purchasing departments should ensure approval documentation is complete prior to card issuance. All participating universities should establish policies and procedures for formally reviewing inactivity and necessity of procurement card accounts at least annually. Cards should be cancelled immediately if found to be unnecessary. Each authorizing department should maintain adequate documentation to support procurement card transactions. Purchasing departments should assure that all required information is entered into the procurement card database. Finally, for universities that are maintaining decentralized documentation, electronic approvals should be utilized.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Cancellation policy added to p-card guidelines effective 4-30-04. P-card use is monitored as part of overall compliance reviews. Serious non-compliance may result in review exceptions with consequences up to and including decrease in purchasing delegation.
The State Purchasing Office should consider increasing the single transaction spending limit for p-cards to $5,000 to be consistent with established spending limits for small purchases using the regular procurement system. Each university should conduct a review of procurement card usage to determine if spending limit increases are necessary. If increases are necessary, then the universities making that determination should request approval from P&C for increased per transaction limits. Finally, each cardholder should be provided periodic training updates. This training should emphasize the importance of adhering to spending limits and the penalties that occur when limits are exceeded or circumvented, as well as review any other changes to policies and procedures. Further, P&C should establish a standardized system for monitoring violations and imposing sanctions. Consideration should be given to implementing a points system10 such as utilized in other states.	❑ Yes G.S. _____ Date enacted _____ X No	❑ Fully implemented X Partially implemented 30% complete (Explain below) ❑ Not implemented (Explain below) Blanket transaction limit increase deferred pending analysis of use since statewide implementation and changes in E-Procurement that could impact p-card use. Requests from campuses for increases reviewed promptly. Increases granted based on justification and proposed usage monitoring.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
P&C, as the statewide P-Card Administrator, should modify the contract with the bankcard company to require the highlighting of purchases that have exceeded the established spending limit on the monthly statement. The university departments should be required to report all violations of policy immediately to the university P-Card Administrator. The university P-Card Administrator should investigate such transactions and administer proper sanctions. Additionally, all transactions exceeding authorized spending limits should be reported to the Vice Chancellor and/or Chancellor of Finance at the respective universities.	❑ Yes G.S. _____ Date enacted _____ X No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) Card Financials Online (CFO) provides a wide range of reports and exception notifications, which can be customized by each local program administrator.
The universities have adequate controls in place to ensure that p-cards are not used to circumvent any purchasing laws, rules, regulations or policies if p-card use is expanded. Therefore, each of the participating universities should increase use of procurement cards for routine small purchases by allowing all employees making small purchases to use the cards.15 Additionally, the universities should consider increasing their single transaction limit to the maximum allowed by P&C and establishing single vendor cards for high volume and recurring purchases with higher single transaction limits. The universities should request prompt payment discounts from these vendors. Lastly, P&C should lead a study on the feasibility of consolidating purchases for all participating universities and state agencies to increase rebates to the overall benefit of the State.	❑ Yes G.S. _____ Date enacted _____ X No	❑ Fully implemented ❑ Partially implemented 20% complete (Explain below) ❑ Not implemented (Explain below) The Department of Administration requested that the Office of State Budget and Management conduct a feasibility study. Initial meeting has been held and background information provided to OSBM.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS
UNC-Asheville, North Carolina Central University, Elizabeth City State University, and Fayetteville State University should develop a strategy for implementing a procurement card system as soon as feasible. These universities should apply to P&C for approval once they have updated their current procurement procedures to allow for the use of p-cards. Appalachian State University, UNC-Pembroke, UNC-Charlotte, UNC-Greensboro, NC School of the Arts, Western Carolina University, and Winston-Salem State University should continue efforts to implement a procurement card program. All universities should seek insight from the five pilot universities to enhance the success of implementing the program.	NO	(Please provide documentation supporting implementation status.) **Partially implemented 25% complete (Explain below)** *UNC Asheville has applied to P&C to participate in a procurement card program and has sought advice from pilot schools (mainly NCSU). A P&C compliance review is scheduled for August 2004. Goal is to have a pilot program in place by January 2005 and offer campus wide by June 2005.*
Those universities that have not yet adopted p-cards should compare the effectiveness of their current purchasing policies and procedures to those offered by universities with p-cards. Then management at each university should develop a formal strategy for establishing a p-card system to take advantage of benefits for the respective universities.	NO	(Please provide documentation supporting implementation status.) **Fully implemented** *Initial review and calculations indicate improved efficiency opportunities and some cost savings. Implementation of a procurement card program rose on the University's priority list as a result of state agencies becoming tax exempted. Strategy to implement program has been developed.*

North Carolina University System Procurement Card Operations
UNC -- Charlotte
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
New users should work closely with P&C to properly establish programs. They should also consult with universities that have fully implemented pcard programs for insight on efficiently operating the program.	❑ Yes G.S. _____ Date enacted _____ ● No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ● Not implemented (Explain below) ____UNCC Agrees. We have been in contact with NCSU, UNC Chapel Hill, ECU and A&T State to learn how best to implement a p-card program. We have also received valuable information from P&C that will assist us in the implementation of our p-card program at UNCC.
UNC-Asheville, North Carolina Central University, Elizabeth City State University, and Fayetteville State University should develop a strategy for implementing a procurement card system as soon as feasible. These universities should apply to P&C for approval once they have updated their current procurement procedures to allow for the use of p-cards. Appalachian State University, UNC-Pembroke, UNC-Charlotte, UNC Greensboro, NC School of the Arts, Western Carolina University, and Winston-Salem State University should continue efforts to implement a procurement card program. All universities should seek insight from the five pilot universities to enhance the success of implementing the program.	❑ Yes G.S. _____ Date enacted _____ ● No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ● Not implemented (Explain below) _____UNCC Agrees. We have been in contact with NCSU, UNC Chapel Hill, ECU and A&T State to learn how best to implement a p-card program._____

North Carolina University System Procurement Card Operations
UNC – Chapel Hill
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The universities should continue to maintain records showing which employees have been issued p-cards. These records should continue to contain details relative to the types of purchases and dollar limits on purchases for each p-card user. Records of users should be updated periodically as required by the individual university's policies and procedures. (See discussion on page 15.)	☐ Yes G.S. _____ Date enacted _____ ✓ No	✓ **Fully implemented** ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) • The University continues to maintain records showing which employees have been issued p-cards. These records contain details relative to the types of purchases and dollar limits on purchases for each p-card user. Records of users are updated periodically as required by University's policy and procedures. A secure website, maintained by the bank, provides a real-time listing of cardholder's name and dollar limits.
P&C should establish a statewide policy for cancellation of procurement cards clearly outlining the time frame within which cards should be cancelled. Further, P&C should implement and/or enforce stronger sanctions for statewide policy violations. University purchasing departments should ensure approval documentation is complete prior to card issuance. All participating universities should establish policies and procedures for formally reviewing inactivity and necessity of procurement card accounts at least annually. Cards should be cancelled immediately if found to be unnecessary. Each authorizing department should maintain adequate documentation to support procurement card transactions. Purchasing departments should assure that all required information is entered into the procurement card database. Finally, for universities that are maintaining decentralized documentation, electronic approvals should be utilized.	☐ Yes G.S. _____ Date enacted _____ ✓ No	✓ **Fully implemented** ☐ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) • The cancellation procedure is, as follows: The Payroll system generates a report entitled, "payroll discrepancy report", detailing employees that terminate with an active P-card or P-card/Payroll departments do not match. The P-card is cancelled immediately. • The P-card Administrator ensures that approval documentation is complete prior to card issuance. The card is not physically given to the cardholder until the cardholder has completed training, and the cardholder is not scheduled for training until all the approvals are obtained • We have established a policy and procedure for reviewing inactivity monthly. UNC at Chapel Hill's P-card policies are located on the web at http://www.unc.edu/finance/mds/card/handbook.htm. The

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procedure is, as follows: The bank provides a report of cards with no activity for 120 days. The cardholder is contacted if they appear on this list and the card is either cancelled or the cardholder provides justification to retain the card.

- Each department maintains their cardholder statements and purchase receipts on file for reconciliation and supporting documentation. All required information is entered into the database.
- An electronic approval feature was added to the P-card system on 2/25/2004.

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RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
The State Purchasing Office should consider increasing the single transaction spending limit for p-cards to $5,000 to be consistent with established spending limits for small purchases using the regular procurement system. Each university should conduct a review of procurement card usage to determine if spending limit increases are necessary. If increases are necessary, then the universities making that determination should request approval from P&C for increased per transaction limits. Finally, each cardholder should be provided periodic training updates. This training should emphasize the importance of adhering to spending limits and the penalties that occur when limits are exceeded or circumvented, as well as review any other changes to policies and procedures. Further, P&C should establish a standardized system for monitoring violations and imposing sanctions. Consideration should be given to implementing a points system10 such as utilized in other states.	❑ Yes G.S. _____ Date enacted _____ ✓ **No**	✓ **Fully implemented** ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) • UNC at Chapel Hill applied for an increase in the limit to $5,000 to be determined on a card by card basis. That approval was granted by P&C on March 2, 2004. UNC at Chapel Hill grants increased limits based on spending pattern of the department and cardholder's consistently acceptable performance on random compliance reviews. • Supplemental training occurs when new information needs to be disseminated or when there is a violation.
P&C, as the statewide P-Card Administrator, should modify the contract with the bankcard company to require the highlighting of purchases that have exceeded the established spending limit on the monthly statement. The university departments should be required to report all violations of policy immediately to the university P-Card Administrator. The university P-Card Administrator should investigate such transactions and administer proper sanctions. Additionally, all transactions exceeding authorized spending limits should be reported to the Vice Chancellor and/or Chancellor of Finance at the respective universities.	❑ Yes G.S. _____ Date enacted _____ ✓ **No**	✓ **Fully implemented** ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) • UNC at Chapel Hill has changed its P-card policy to require departments to report all violations of policy immediately to the University P-card Administrator. UNC at Chapel Hill P-card policies are located on the web at http://www.unc.edu/finance/mds/card/handbook.htm. The University P-card Administrator investigates and takes appropriate action. • After the P-card Administrator receives notification from MBNA if a cardholder exceeds their single transaction limit. This can only happen in non-automated card input systems. If a cardholder exceeds their single transaction limit, the P-card Administrator, who has delegated responsibility, contacts them and reminds them of what the limit is and if there is a re-occurrence the card will be suspended. Additionally the policy has been amended to require each

		violation to be reported directly to the Associate Vice Chancellor for Finance. (see web site above)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
The universities have adequate controls in place to ensure that p-cards are not used to circumvent any purchasing laws, rules, regulations or policies if p-card use is expanded. Therefore, each of the participating universities should increase use of procurement cards for routine small purchases by allowing all employees making small purchases to use the cards. Additionally, the universities should consider increasing their single transaction limit to the maximum allowed by P&C and establishing single vendor cards for high volume and recurring purchases with higher single transaction limits. The universities should request prompt payment discounts from these vendors. Lastly, P&C should lead a study on the feasibility of consolidating purchases for all participating universities and state agencies to increase rebates to the overall benefit of the State.	❑ Yes G.S. _____ Date enacted _____ ✓ **No**	✓ **Fully implemented** ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) • The University of North Carolina at Chapel Hill has increased the single transaction limit to the maximum allowed by P&C. • The University has reviewed the potential for high volume purchases using single vendor cards. The University is not pursuing single vendor cards for high volume because greater cost reductions can be obtained through Business-to-Business (B2B) solutions for high volumes.

North Carolina University System Procurement Card Operations
UNC -- Greensboro
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
New users should work closely with P&C to properly establish programs. They should also consult with universities that have fully implemented pcard programs for insight on efficiently operating the program.	❑ Yes G.S. __n/a_____ Date enacted **February 2004___** ❑ No	**X** Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____
UNC-Asheville, North Carolina Central University, Elizabeth City State University, and Fayetteville State University should develop a strategy for implementing a procurement card system as soon as feasible. These universities should apply to P&C for approval once they have updated their current procurement procedures to allow for the use of p-cards. Appalachian State University, UNC-Pembroke, UNC-Charlotte, UNC Greensboro, NC School of the Arts, Western Carolina University, and Winston-Salem State University should continue efforts to implement a procurement card program. All universities should seek insight from the five pilot universities to enhance the success of implementing the program.	❑ Yes G.S. __n/a_____ Date enacted March 2004 ❑ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _UN CG received Pcard guidelines from NC State and UNC Wilmington. Their guidelines served as the basis for UNCG's final draft which was approved by P&C.

UNC-Pembroke

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RECOMMENDATION	**REQUIRED LEGISLATIVE CHANGE**	**IMPLEMENTATION STATUS** Please provide documentation supporting implementation status for each recommendation..
New users should work closely with P&C to properly establish programs. They should also consult with universities that have fully implemented pcard programs for insight on efficiently operating the program.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) _____ _____ _____
UNC-Asheville, North Carolina Central University, Elizabeth City State University, and Fayetteville State University should develop a strategy for implementing a procurement card system as soon as feasible. These universities should apply to P&C for approval once they have updated their current procurement procedures to allow for the use of p-cards. Appalachian State University, UNC-Pembroke, UNC-Charlotte, UNC Greensboro, NC School of the Arts, Western Carolina University, and Winston-Salem State University should continue efforts to implement a procurement card program. All universities should seek insight from the five pilot universities to enhance the success of implementing the program.	XX Yes G.S. 143-49(8) Date enacted April 1, 2003 ❑ No	UNC Pembroke ❑ Fully implemented ❑ Partially implemented _____% complete (Explain below) XX Not implemented (Explain below) 1. NC Purchase & Contract compliance review completed 9/03. 2. Final draft of policies and procedures by 7/15/04 3. MBNA Commercial Card Account Agreement by 7/31/04 4. MBNA internet demo July 2004 5. Implementation team meeting July 2004. 6. Commence limited use August 2004

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RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
The universities should continue to maintain records showing which employees have been issued p-cards. These records should continue to contain details relative to the types of purchases and dollar limits on purchases for each p-card user. Records of users should be updated periodically as required by the individual university's policies and procedures. (See discussion on page 15.)	❑　　Yes G.S. _____ Date enacted _____ ❑　　No	xFully implemented ❑　　Partially implemented _____% complete (Explain below) ❑　　Not implemented (Explain below) UNCW maintains a secured paper file of each cardholder's records. This file contains all documents associated with the card issuance and history of the card/cardholder. Also, UNCW has developed a web-based system (PACS – Purchasing Administrative Card System) that contains all data associated with the card including spending limits, compliance tracking and transaction history. Types of transactions are controlled by MCC strategy codes established on each card. This information is available on the bank's web site in the form of inquiry data and a monthly report. This report is printed and reviewed on a monthly basis by the university's P-Card Administrator. All files-paper, bank and PACS are updated immediately after a change is requested.
P&C should establish a statewide policy for cancellation of procurement cards clearly outlining the time frame within which cards should be cancelled. Further, P&C should implement and/or enforce stronger sanctions for statewide policy violations. University purchasing departments should ensure approval documentation is complete prior to card issuance. All participating universities should establish policies and procedures for formally reviewing inactivity and necessity of procurement card accounts at least annually. Cards should be cancelled immediately if found to be unnecessary. Each authorizing department should maintain adequate documentation to support procurement card transactions. Purchasing departments should assure that all required information is entered into the procurement card database. Finally, for universities that are maintaining decentralized documentation, electronic approvals should be utilized.	❑　　Yes G.S. _____ Date enacted _____ ❑　　No	❑　　Fully implemented xPartially implemented _95_____% complete (Explain below) ❑　　Not implemented (Explain below) UNCW requires an approval by the cardholder's supervisor and also by the budget authority of the default account before a card is requested from the bank. Reports are generated to reflect card usage and activity is analyzed monthly.. UNCW is in the process of updating its policies and the P-Card Administrator's procedures to reflect cancellation of a card for non-use. The original bank statements and associated receipts are kept on file by the Accounting department. Also, departments are advised to make copies of statements/receipts for departmental files.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
The State Purchasing Office should consider increasing the single transaction spending limit for p-cards to $5,000 to be consistent with established spending limits for small purchases using the regular procurement system. Each university should conduct a review of procurement card usage to determine if spending limit increases are necessary. If increases are necessary, then the universities making that determination should request approval from P&C for increased per transaction limits. Finally, each cardholder should be provided periodic training updates. This training should emphasize the importance of adhering to spending limits and the penalties that occur when limits are exceeded or circumvented, as well as review any other changes to policies and procedures. Further, P&C should establish a standardized system for monitoring violations and imposing sanctions. Consideration should be given to implementing a points system10 such as utilized in other states.	❑ Yes G.S. _____ Date enacted ___7/2003_ ❑ No	xFully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) The transaction spending limit at UNCW is currently being evaluated to match the newly increased fixed asset limit (effective 7/1/2004) of $2,500. Monthly training updates sessions are offered to all cardholders, coordinators, etc. PACS has recently been redesigned to track compliance infractions. The reports generated from this data are used to alert the P-Card Administrator to patterns of infractions. This information will be used to determine who and what type of additional training is needed.
P&C, as the statewide P-Card Administrator, should modify the contract with the bankcard company to require the highlighting of purchases that have exceeded the established spending limit on the monthly statement. The university departments should be required to report all violations of policy immediately to the university P-Card Administrator. The university P-Card Administrator should investigate such transactions and administer proper sanctions. Additionally, all transactions exceeding authorized spending limits should be reported to the Vice Chancellor and/or Chancellor of Finance at the respective universities.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented xPartially implemented __95____% complete (Explain below) ❑ Not implemented (Explain below) The P-Card Administrator receives two reports from each daily bank file (The file contains the most current transactions from the bank.) The reports immediately alert the Administrator to split transactions and transactions that exceed a cardholder's spending limit. The Administrator investigates the transactions and notifies the budget authority of the infraction. When necessary and authorized, the spending/transaction limits are increased to prevent future infractions. UNCW is in the process of developing a procedure that will require the Administrator to notify the Associate Vice Chancellor for Business Affairs - Finance of any transactions that exceed the authorized spending limit.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
The universities have adequate controls in place to ensure that p-cards are not used to circumvent any purchasing laws, rules, regulations or policies if p-card use is expanded. Therefore, each of the participating universities should increase use of procurement cards for routine small purchases by allowing all employees making small purchases to use the cards. Additionally, the universities should consider increasing their single transaction limit to the maximum allowed by P&C and establishing single vendor cards for high volume and recurring purchases with higher single transaction limits. The universities should request prompt payment discounts from these vendors. Lastly, P&C should lead a study on the feasibility of consolidating purchases for all participating universities and state agencies to increase rebates to the overall benefit of the State.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented xPartially implemented ___90___% complete (Explain below) ❑ Not implemented (Explain below) The P-Card Administrator does an initial review of all receipts; a purchasing agent then does an extensive audit of 50% of all statements received on a monthly basis. These reviews and audits are performed to check for violations of university and state purchasing laws, rules and regulations. UNCW is currently studying the increase of the p-card transaction limit to $2,500 to match the new fixed asset limit. Currently, UNCW is reviewing the feasibility of single vendor cards.

North Carolina University System Procurement Card Operations
Western Carolina University
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation.
New users should work closely with P&C to properly establish programs. They should also consult with universities that have fully implemented pcard programs for insight on efficiently operating the program.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented X Partially implemented _25_% complete (Explain below) ❑ Not implemented (Explain below) Implementation approved by P&C; policies and procedures developed with the assistance of those universities that have implemented the pcard
UNC-Asheville, North Carolina Central University, Elizabeth City State University, and Fayetteville State University should develop a strategy for implementing a procurement card system as soon as feasible. These universities should apply to P&C for approval once they have updated their current procurement procedures to allow for the use of p-cards. Appalachian State University, UNC-Pembroke, UNC-Charlotte, UNC Greensboro, NC School of the Arts, Western Carolina University, and Winston-Salem State University should continue efforts to implement a procurement card program. All universities should seek insight from the five pilot universities to enhance the success of implementing the program.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented X Partially implemented _25_% complete (Explain below) ❑ Not implemented (Explain below) All five pilot universities have indicated reconciliation software is required for utilization of the pcard. Funds are not available to purchase such software; however, it is our understanding that a pcard module is a component of Banner. The University will address the implementation of the pcard during the implementation of Banner.

NORTH CAROLINA UNIVERSITY SYSTEM PROCUREMENT CARD OPERATIONS
Winston-Salem State University
Recommendations Follow-up

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS **Please provide documentation supporting implementation status for each recommendation.**
New users should work closely with P&C to properly establish programs. They should also consult with universities that have fully implemented pcard programs for insight on efficiently operating the program.	❑ Yes G.S. _____ Date enacted _____ ❑ No	❑ Fully implemented X Partially implemented __30___% complete (Explain below) ❑ Not implemented (Explain below) <u>Currently waiting on MBNA to review Legal contract and return</u> <u>with appropriate signatures. Afterwards, we will begin_____</u> <u>implementation process with MBNA/Wachovia</u>_____ _ _____ _____
UNC-Asheville, North Carolina Central University, Elizabeth City State University, and Fayetteville State University should develop a strategy for implementing a procurement card system as soon as feasible. These universities should apply to P&C for approval once they have updated their current procurement procedures to allow for the use of p-cards. Appalachian State University, UNC-Pembroke, UNC-Charlotte, UNC-Greensboro, NC School of the Arts, Western Carolina University, and Winston-Salem State University should continue efforts to implement a procurement card program. All universities should seek insight from the five pilot universities to enhance the success of implementing the program.	❑ Yes G.S. _____ Date enacted _____ ❑ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below) <u>We have met and talked with most of the universities who</u> <u>currently have a procurement card process. This will be ongoing</u> <u>as we implement our process. They were very helpful and candid</u> <u>about problems and what to avoid during the implementation____</u> <u>process.</u>_____ _____ _____

INSTRUCTIONS: Please check the appropriate box under "Required Legislative Change" and "Implementation Status". Also supply other information as relevant. Please return the completed worksheet and supporting documentation by WEDNESDAY, JUNE 30, 2004. to Barbara_Baldwin@ncauditor.net or mail to Janet Hayes, 20601 Mail Service Center, Raleigh, NC 27699-0601.

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS
		Please provide documentation supporting implementation status for each recommendation..
NCSEAA should work in tandem with the University and Community College Systems to lobby the General Assembly to increase scholarship loan funding levels. Increasing the loan amounts would encourage more students to pursue careers in the professions singled out by the legislation creating these State student loan programs.	☐ Yes G.S. _____ · Date enacted _____ ☐ No	X Fully implemented ___ Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) While SEAA does not lobby the General Assembly, we have provided requests for additional funding in grant and need based scholarship loans. _____
NCSEAA should work with schools offering nursing degrees to provide data to the General Assembly on the current cost of a nursing education. The General Assembly should consider increasing loan appropriations to attract more students into nursing careers. The General Assembly should also consider amending the way the Nurse Education Scholarship Loan Program funds are distributed to allow NCSEAA to make individual awards for this program, as it does for the other State funded student loan programs. Consideration should be given to distributing the funds in a manner that would encourage more NESLP recipients to complete the nursing programs, i.e., larger award amounts to fewer recipients. Larger award amounts should improve recruitment and service repayment. A second option to consider would be moving NESLP into the HSM program, which would accomplish many of the recommendations.	X Yes G.S. § 90-171.65_____ Date enacted _____ ☐ No	☐ Fully implemented X Partially implemented _____% complete (Explain below) ☐ Not implemented (Explain below) SEAA does provide cost data to General Assembly upon request. SEAA has requested additional funding for the scholarship loan programs. SEAA is studying ways to achieve the goal of higher awards for the Nurse Education Scholarship Loan Program without reducing the numbers of students assisted. SEAA and the University proposed a change to permit selection of recipients and award amounts per the HSM program regulations; however, consensus with the Community Colleges on this issue has not yet been reached. We intend to explore this approach again during the long session of the General Assembly and to continue operating the NESLP as in the past for the 2004-2005 year._____ —

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should review the results of the various State funded loan programs to determine whether all programs should be continued as now defined or restructured. Serious consideration should be given to adding a merit-based component to the Nurse Education Scholarship Loan Program, or perhaps merge it into the existing HSM program. Such a change could work to improve the rate of repayment, especially repayment by service in North Carolina. A second option to consider is converting NESLP to a grant program. Further, each participating institution should consider providing initial and exit counseling. The initial counseling should be focused on the commitment required for each program. Exit counseling for those who did not complete the program should focus on identifying difficulties encountered and repayment options. Exit counseling for those completing the program should re-emphasize the student's responsibility to repay the loan, preferably through service in the State.	❑ Yes G.S. ⎯⎯⎯⎯ Date enacted ⎯⎯⎯⎯ ❑ No	❑ Fully implemented X Partially implemented _95___% complete (Explain below) ❑ Not implemented (Explain below) See previous response for actions on NESLP. We do not believe the program would be enhanced by the addition of a merit component or by converting it to a grant program; we believe "merger" into HSM is the most appropriate approach to enhancing the NESLP. Entrance and exit counseling is now being provided to the campuses and recipients online at http://www.ncseaa.edu/online_repayment_counseling.htm.
NCSEAA should establish a set of guidelines or policies for each loan program that address specific case issues. NCSEAA's staff should create the guidelines based on prior experiences. A procedure should be implemented to update the guidelines periodically and to distribute the guidelines to all staff. Once the guidelines are established, all decisions should be made based on the guidelines to ensure consistency and fair treatment of each borrower.	❑ Yes G.S. ⎯⎯⎯⎯ Date enacted ⎯⎯⎯⎯ ❑ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below)
NCSEAA should implement a policy that requires anyone with access to the file room to document removing a file, showing who removed it, when it was removed, and when it was returned. Using the bar codes now on the files should enable HEW to establish a computerized tracking system to improve the efficiency of the Division. Such a system would also enable management to hold employees responsible for the files and decrease wasted time searching for files.	❑ Yes G.S. ⎯⎯⎯⎯ Date enacted ⎯⎯⎯⎯ ❑ No	X Fully implemented ❑ Partially implemented _____% complete (Explain below) ❑ Not implemented (Explain below)

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
NCSEAA should explore loan administration best practices and use these as a guide to purchase a single database software package to replace HEWIE and MERLIN. Consideration should be given to a software package that would operate on or could be easily converted to run on the existing server platform that currently runs the federal programs GALAHAD system. This would allow NCSEAA to maintain one platform instead of two. A single database system should increase the effectiveness and efficiency of the employees by allowing them to work on all loans administered by HEW.	❏ Yes G.S. _____ Date enacted _____ ❏ No	❏ Fully implemented X Partially implemented _50_ % complete (Explain below) ❏ Not implemented (Explain below) _An "Application Transfer Team" was created to review the existing software applications and to develop comprehensive successor applications. This team is on target in its processes and will soon enter the actual software development phase of its plans. We anticipate that full implementation of a new computer system will require another 18-24 months._
As long as NCSEAA continues to use HEWIE and MERLIN, management should implement a policy requiring all supervisors and managers to periodically check records to search for keying and other errors in the database. Further, all events should be adequately documented. NCSEAA should also consider adding edits to the computer system to identify transactions that do not appear to be normal so they can be reviewed to determine if errors have occurred. (See next finding.) The review for keying errors could also be used as a management tool to evaluate employees' job performance. Lastly, prior to importing this data into a new database, NCSEAA staff should review and correct problems.	❏ Yes G.S. _____ Date enacted _____ ❏ No	X Fully implemented ❏ Partially implemented _____ % complete (Explain below) ❏ Not implemented (Explain below)
NCSEAA management should require the Manager of the Service Repayment section to run a report that identifies all borrowers under service repayment that have VOE notice sending dates in the past that show no updated input to the file. This report should be run at least quarterly to ensure that monitoring of borrower files is as timely as possible. NCSEAA should also design a computer edit to monitor VOE returns. If the completed VOE is not returned within a given time frame, the system should generate a monthly report to notify staff or automatically transfer the account to cash	❏ Yes G.S. _____ Date enacted _____	X Fully implemented ❏ Partially implemented _____ % complete (Explain below) ❏ Not implemented (Explain below)

report to notify staff or automatically transfer the account to cash collections so appropriate follow up will take place.	❑ No	

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
Management should review all temporary positions used at NCSEAA and determine if those positions are truly needed. For the temporary positions that are deemed necessary and that will be needed long term, management should seek permission to convert these positions into permanent positions and fill them as soon as possible. For all functions that are deemed necessary to be filled on a temporary basis based on workload, management should use companies that provide these services at the best rate possible.	❏ Yes G.S. Date enacted ❏ No	X Fully implemented ❏ Partially implemented _____% complete (Explain below) ❏ Not implemented (Explain below)
The director of NCSEAA should conduct a study on all positions within the HEW Division. This study should review the classification of the HEW staff and consider the current and future responsibilities as additional programs are absorbed. Once the study is completed and appropriate classifications are identified, management should work with General Administration to change the classifications and compensate these individuals at the appropriate level. A possible solution to the classification difference could be reorganization so that position responsibilities reflect pay levels.	❏ Yes G.S. Date enacted ❏ No	❏ Fully implemented X Partially implemented __90__% complete (Explain below) ❏ Not implemented (Explain below) Review is completed and work is in progress with cooperation of General Administration to reclassify some positions to achieve equity in responsibilities and compensation.

Wildlife Resources Commission 7/24/04

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RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should consider establishing a centralized aircraft operations division within an existing agency for better coordination and to achieve efficiencies of passenger aircraft operations. The main aircraft functions that would comprise the passenger services are now located in the Departments of Commerce and Transportation and UNC-AHEC-MedAir. Commerce, Transportation, Highway Patrol, and MedAir have maintenance functions that would be consolidated. Because of the need for regional location of the Forest Resources aircraft, those mechanics would not be physically relocated. Rather, they would report administratively to the consolidated head mechanic. The Department of Transportation already has an established Aviation Division and would be the logical choice for the consolidated aircraft operations division. The other agencies would then purchase passenger flight time and maintenance services from the consolidated operation. The specialized law enforcement functions would continue to operate and house their respective aircraft at their current locations and have the option of using the consolidated maintenance operation.	☐ Yes G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) WRC does not take part in any passenger service related activities, therefore this recommendation would not apply. Tommy Clark 7-2004

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should direct that an independent contractor perform a comprehensive study of the operational condition of all State-owned and supported aircraft. This study should include recommendations on when to replace the aircraft, the required number of maintenance staff, and the feasibility of contracting for all maintenance as a possible cost saving measure, as well as contracting for pilots. (See discussion on page 33). Additionally, the General Assembly should consider whether there is a need for all aircraft now owned and maintained by the State. The contractor developed plan should include a recommendation on how to divest the State's ownership of any aircraft deemed unnecessary. Pending the contractor's study, the agencies and programs should address the staffing levels for mechanics, determining how many mechanics are needed for effective operation.	☐ Yes G.S. ———— Date enacted ———— ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) WRC has not been involved in conducting a study in conjunction with an independent contractor. WRC would welcome the ability to take part in these discussions + help prepare any & recommendations. *Tommy Clark* 7-20-04

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
The General Assembly should consider legislation that establishes statewide policies and procedures for administration and use of State aircraft. Such legislation should address, but not be limited to: • requiring documented purpose and justification for every flight, • requiring signed authorization from public officials or agency heads • describing cost calculation for flights charged to agencies while acknowledging that some costs are subsidized by the aircraft operating agency, • identifying all passengers on flights, and • describing circumstances where family members are permitted to accompany state officials or agency heads. While aircraft operations remain separate, each agency maintaining and operating State aircraft should establish internal policies and procedures consistent with existing guidelines. If the General Assembly establishes a consolidated aircraft operations function, then that entity should have the responsibility of developing and implementing statewide polices and procedures for aircraft use.	☐ Yes G.S. _____ _____ Date enacted _____ _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☒ Not implemented (Explain below) WRC does not take part in any passenger related activities, however, WRC would welcome the ability to participate in any discussion concerning the statewide policies and procedures for the use of aircraft. Tommy Clark 7-20-04

RECOMMENDATION	REQUIRED LEGISLATIVE CHANGE	IMPLEMENTATION STATUS Please provide documentation supporting implementation status for each recommendation..
Operational costs for all State operated aircraft should be captured by aircraft. This information would improve the administration of flight operations and would allow more informed decisions on the efficiencies of each aircraft. A consolidated flight operations division may enhance the State's ability to capture this data. (See discussion on page 12.)	☐ Yes G.S. _____ Date enacted _____ ☑ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☑ Not implemented (Explain below) *Currently, all costs are captured by activity which may include airplane activity commingling with boating or automobile activities. Currently review accounting structure to implement this need.*
The State should establish a consistent statewide methodology for billing rates by type of aircraft. Consideration should be given to the factors included in private aircraft cost evaluator service models and updated periodically. Consideration should also be given to any existing national costs policies (see page 28) in establishing a consistent statewide methodology. The consolidated aircraft division should maintain documentation on the methodology used to compute billable rates.	☐ Yes G.S. _____ Date enacted _____ ☐ No	☐ Fully implemented ☐ Partially implemented _____% complete (Explain below) ☑ Not implemented (Explain below) *WRC does not have passenger related activities.*