STATE OF NORTH CAROLINA

**ENHANCING PERFORMANCE AND ACCOUNTABILITY
IN
NORTH CAROLINA STATE GOVERNMENT:**

Identifying Challenges (Inherent Risks) and Opportunities

JANUARY 2005

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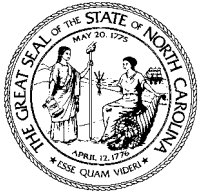## RALPH CAMPBELL, JR.
State Auditor

Performance Study

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RALPH CAMPBELL, JR.
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Office of the State Auditor

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State Auditor

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January 13, 2005

Governor Michael F. Easley
Members of Council of State
Members of Governor's Cabinet
Chief Justice I. Beverly Lake, Jr.
Members of the General Assembly
Raleigh, North Carolina

Ladies and Gentlemen:

The Office of the State Auditor is charged with conducting audits of state agencies and programs in a number of different areas. Audits encompass financial accountability and compliance, information technology use and security, investigation of fraud, waste, or abuse of state assets, and examination of state entity operations and programs to assess economy, efficiency, effectiveness, and program results.

In examining the operations of the Office of the State Auditor, my staff and I realized that we needed a more definitive method of identifying those programs and functions within state government that face significant challenges or high risks in the performance of their missions. Such a process would allow us to make the best use of our limited audit resources. At the same time, the results of an analysis of challenges and opportunities could assist the Governor, the General Assembly, and agency and institution leaders in our joint efforts to increase accountability and efficiency.

To this end, the performance audit staff in the Office of the State Auditor has established a process for identifying and ranking the challenges faced by state entities and their opportunities for improvement. This process is patterned after the United States General Accountability Office's performance and accountability challenges and high risks program. The results of this identification process can be used specifically to set priorities for performance audits[*] conducted at the discretion of the State Auditor, as well as focus resources in the other audit areas.

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[*] The Office of the State Auditor is empowered under *North Carolina General Statute* 147-64.6 to conduct performance audits of any State entity or program. Performance audits are reviews of activities and operations to evaluate whether resources are being used economically and efficiently and whether the desired operating results have been achieved.

But, a more important use may be to collect in one document a listing of issues that cut across agency/institution lines and pose significant challenges for the State's long-term health. We believe this document can give our state leaders a blueprint that identifies both the challenges faced and opportunities for improvements in how we conduct the State's business.

As government leaders and stewards of public funds, we have an obligation to enhance state government's performance and increase its accountability. This evaluation process, we believe, is the next step in the evolution of our government services. A fundamental reassessment of government programs and activities can help address our long-range fiscal challenges, weed out programs that are outdated or ineffective, and update needed programs so that they are better aligned to provide services to our citizens.

Taking advantage of opportunities and providing lasting solutions to challenges offer the potential to save billions of tax dollars, dramatically improve services to the public, strengthen public confidence and trust in the performance and accountability of our state government, and ensure the ability of government to deliver on its promises. To this end, it is my hope that the Office of the State Auditor will establish the analysis process described within this report as an on-going program within the Performance Audit Division.

Respectively,

Ralph Campbell, Jr.
State Auditor

RCjr/lw

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Study Description

An examination of the operations of the Office of the State Auditor revealed the need for a more efficient method to deploy the limited audit resources in the divisions that have leeway in audit selection. Specific objectives of the study were: 1) to develop a process by which to identify the most productive areas for Auditor-selected audits, specifically performance audits, and 2) to provide state government leaders with an assessment of the major challenges (inherent risks) and opportunities facing state agencies and institutions.

This study used available information about state agencies and institutions to identify the **possibility** of an inherent risk (the likelihood that a problem may arise if controls are not in place and operating properly) or the **possibility** of an unrealized opportunity. In general, the ratings for inherent risks are based on historic data, agency mission, and program complexity. Ratings for opportunities are based on data supplied by the agency and reviewed for reasonableness by the Auditor's staff.

We do not suggest that this study examined all aspects of every program in each agency. However, we envision three ways this information can be used productively:

1. **Inherent Risk Assessments** to identify the most productive areas for future Auditor-selected audits, specifically performance audits.
2. **Agency Management Risk Analysis** to better focus agency resources to those areas where risks are most indicated, as well as areas where potential opportunities exist.
3. **Legislative Information** State leaders and members of the General Assembly can use the data in this report to assist them in determining the areas of state government that would generate the most "return on investment."

Study Scope and Methodology

The scope of this study encompassed the agencies that comprise general state government, the institutions of the University of North Carolina System, and the institutions of the North Carolina Community College System. All programs or functions that are organizationally placed under a general state government agency or the University System or the Community College System were considered to be part of that agency or the University or Community College Systems unless otherwise noted.

Conclusions in Brief:

Using the Information—Exhibits 6, page 24 shows the results of the application of the process used to identify challenges (inherent risks) and opportunities for state agencies, universities, and community colleges. Generally, those agencies that have the largest number of employees, highest financial weight, and the largest number and most complex programs are rated in the "most concern" area of the challenges graph. For similar reasons, most of the same agencies are rated in the "most potential" area of the opportunities graph.

> From the perspective of the <u>Office of the State Auditor</u>, those agencies and programs rated in the areas of "most concern" or "most potential" are the ones where the Auditor should concentrate non-mandated audit efforts.

> From the perspective of <u>agency management</u>, specific areas of concern identified during the analysis process should garner more attention, as should specific areas of opportunities also identified during the analysis.

> From the perspective of the <u>General Assembly</u>, the agencies and programs rated in the "most concern" and "most potential" areas of the graphs are the agencies and programs that have the most direct impact on state government operations. Specific issues noted for these agencies in the Agency Profile section of this report (starting on page 37) should be considered during budget and legislative deliberations.

Statewide Cross-Cutting Issues—(page 25) The analysis revealed a number of major statewide issues that cut across all areas of state government. Several important factors affect numerous aspects of operations and demand multi-faceted consideration from *both state and local leaders*. Perhaps the most important of these is **population growth** in the state. This trend affects numerous social infrastructures within the state such as the provision of **health care** to an aging population, as well as our **transportation infrastructure** and use and conservation of our **natural resources**. These are issues that must be addressed in a coordinated fashion from both the state and local level. Specific issues identified under the categories of General Management, Financial Management and Accountability, Human Capital Management, and Information Technology Management are outlined on the following pages, as are the major issues facing higher education.

General Management—(page 28) While there are several key issues under the area of general management, the most pressing are how we encourage economic development, how we provide services to our increasingly diverse population, and provision of homeland security measures for our citizens. Cross-cutting issues identified included:

o Connecting agency short- and long-term plans to statewide plans, especially in the area of economic development
o Providing health care for our aging population
o Providing adequate funding for education at all levels
o Addressing the increasing diversity of our population
o Addressing growing homeland security and public safety needs (See State Auditor's Report, *North Carolina's Homeland Security and Bioterrorism Efforts,* October 2004: http://www.ncauditor.net/EPSWeb/Reports/Performance/PER-2004-209.pdf)
o Addressing transportation and infrastructure needs
o Balancing protection of natural resources against economic development

Financial Management and Accountability—(page 30) In the area of financial management and accountability, the issue that requires immediate attention is the development of viable performance measures for state agencies and programs. These measures will not only help agency management and government leaders in oversight of the programs, but will provide accountability to the public. Cross-cutting issues identified include:

o Accurate projections of revenues and needs
o Formation of realistic budgets
o Identification and timely collection of revenues
o Devising effective debt and investment strategies, including addressing employee retirement issues
o Development and implementation of effective internal controls
o Establishing program effectiveness measures
o Aggressive handling of accountability breeches

Human Capital Management—(page 31) The area of human capital management is a critical one for all state agencies, universities, and community colleges. The most pressing issues here deal with the state's ability to provide competitive salary and benefits packages and establishment of succession planning. Recent studies conducted by the Office of State Personnel show that North Carolina is continuing to fall behind other states in terms of salaries and benefits offered to state employees. This makes recruiting and retaining the best employees more difficult. Additionally, 16% of state employees have 20+ years of service with 32% over the age of 50. Many of these employees are in supervisory and management positions. Yet, most agencies have not established a clear plan for succession. Cross-cutting issues identified included:

o Providing competitive salary and benefits packages
o Providing job-specific training
o Establishing management and supervisory succession plans
o Decreasing turnover
o Complying with state personnel regulations
o Preventing "political" interference in personnel decisions

Information Technology Management—(page 33) In the area of information technology (IT) management, state entities face a number of problems. Perhaps the most pressing of these is obtaining realistic and continuing IT budgets. Almost all the agencies, universities, and community colleges that participated in this project noted the need to upgrade information technology equipment, programs, and applications. The benefits to the state and its citizens from these upgrades can be significant in terms of reduced costs per unit of service, increased efficiency and effectiveness of the programs, and increased satisfaction of citizens who use these services. Cross-cutting issues identified included:

o   Securing adequate IT budgets
o   Identification of needs and costs (initial and continuing)
o   Updating/replacing legacy systems and applications
o   Inter- and intra-agency compatibility
o   Completion of a statewide IT plan and adherence to statewide IT architecture requirements
o   Providing secure storage of citizens confidential data
o   Providing ready access to data, both digital and non-digital
o   Effective use of technology to better manage programs and provide services

Lastly, the area of **education** (page 34) is critical to the state's continued health. Many of the issues faced by the public schools are also ones that face the universities and community colleges. Perhaps the most critical of these is the need to deal with increasing enrollment and a more diverse student population. These factors affect not only the need for facilities, equipment, supplies, and technology, but also the very programs that are offered to train the students. Programmatic changes, as well as student diversity, require instructors who possess multiple skills and who are fluent in several languages. Cross-cutting issues affecting higher education included:

o   Increasing enrollments and increasingly diverse student population
o   Decreased state funds for both Universities and Community Colleges and decreased county funds for Community Colleges
o   Non-competitive salaries and benefits for faculty and staff
o   Significant facilities' needs (new construction, repair and renovation) (See State Auditor's Report, *Performance Review of the University of North Carolina System: Repair and Renovation Process,* January 2005   http://www.ncauditor.net/EPSWeb/Reports/Performance/PER-2005-0210.pdf)
o   Lack of funding for necessary equipment and supplies
o   Limited start-up funds for new programs necessitated by changing demands
o   Need for more multi-lingual faculty and staff
o   Need for incentives to attract students to high-demand fields

OBJECTIVES, SCOPE AND METHODOLOGY

The Office of the State Auditor conducts audits, reviews, evaluations, and studies of state agency and institution operations to assure that public money is spent wisely and accounted for accurately. To this end, one of the key goals of the Office is to conduct timely and cost-effective audits in accordance with applicable professional standards. The majority of the Auditor's staff resources, approximately 80%, are engaged in statutorily mandated financial audits. The remaining 20% of audits are conducted by other divisions within the Office that have more leeway in selecting topics for audit—Investigative Audits, Information Systems Audits, and Performance Audits.

An examination of the operations of the Office of the State Auditor revealed the need for a more efficient method to deploy the limited audit resources in the divisions that have more leeway. It was determined that a more definitive process for identifying those programs and functions within state government that face significant challenges (inherent risks) in the performance of their missions would allow better use of audit resources, specifically within the Performance Audit Division. The development of a process to better focus audit efforts fits into another key goal for the Office: to implement new initiatives wherever possible to be more proactive in strengthening governmental management.

Objectives: The broad objective for this project was to develop a process for identifying challenges (inherent risks) facing state agencies and institutions, as well as opportunities for improved service delivery. This process would then allow the Auditor to better utilize limited performance audit resources by targeting those agencies/institutions/programs/functions that would most benefit from an independent examination of their operations. Specific objectives were:

> *Objective 1*: To develop a process by which to identify the most productive areas for Auditor-selected audits, specifically performance audits.
> *Objective 2*: To provide state government leaders with an assessment of the major challenges (inherent risks) and opportunities facing state agencies and institutions.

Scope: The scope of this project encompassed the agencies that comprise general state government, the institutions of the University of North Carolina System, and the institutions of the North Carolina Community College System. All programs or functions that are organizationally placed under a general state government agency or the University System or the Community College System were considered to be part of that agency or the University or Community College Systems unless otherwise noted.

Methodology: To achieve the study objectives, we employed various techniques that adhere to the auditing standards generally accepted in the United States as promulgated in *Government Auditing Standards* issued by the Comptroller General of the United States. Those techniques included:

- □ Identification and review of the United States General Accountability Office's Performance and Accountability Program details.
- □ Broad research to identify major trends and challenges facing governments in general.
- □ Identification of existing public sources of information on North Carolina government agency and higher educational institution operations.
- □ Review of findings and recommendations from those sources and compilation of the same in a database for analysis.
- □ Analysis of financial data contained in the North Carolina Accounting System to identify "material" agencies and programs within those agencies based on budgetary criteria.
- □ Development and distribution of questionnaires for general government agency management, university managers, and community college managers soliciting input on major challenges and opportunities for their individual entities.
- □ Compilation of questionnaire responses and analyses to identify trends.
- □ Analysis of a database compiled by the State Bureau of Investigation on self-reported "Misuse of State Property" reports from agencies, universities, and community colleges.
- □ Analysis of the Auditor's Hotline database containing allegations of fraud, waste, or abuse by state agencies.
- □ Comparison and correlation of the issues identified by the above techniques.

This report highlights the resulting criteria and process for assessing performance and accountability challenges and opportunities in state government. Because of the nature of this project, we may not have identified all weaknesses in the systems, challenges facing the various agencies and institutions, or all of the potential opportunities for improving state government operations.

BACKGROUND: North Carolina's Office of the State Auditor is charged statutorily with conducting audits of various types on state agencies and programs. While the majority of the Auditor's efforts are concentrated on financial audits, the Office also has responsibility for information system audits, investigations of fraud, waste, or abuse of state assets, and performance audits of agencies, programs, or functions. Exhibit 1 shows a breakdown of resources spent in these areas for fiscal year 2004. There follows a brief description of the various types of audits conducted by the Office of the State Auditor.

Exhibit 1
Distribution of Audit Hours by Audit Type
FY2004

Information Systems 6%
Performance 11%
Fraud, Waste, Abuse 3%
Financial 80%
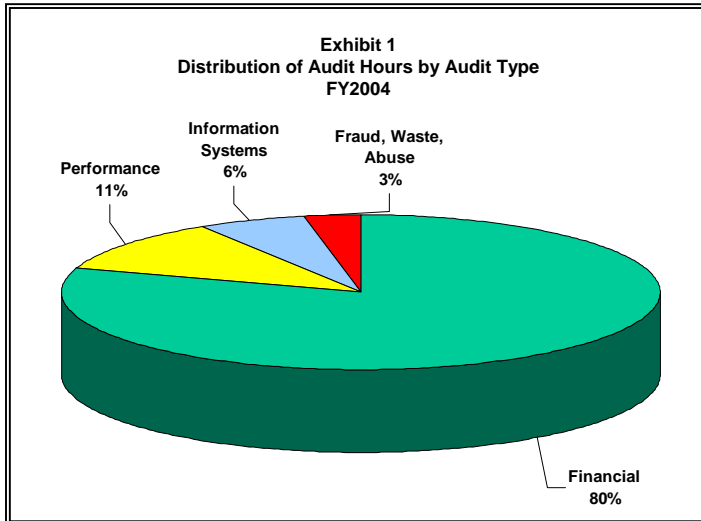
Financial audit staff conduct most audits as a part of the Auditor's statutory duties or to comply with federal government requirements. Financial statement audits and reviews are conducted as part of the state's *Comprehensive Annual Financial Report,* which contains the annual financial statements for the state of North Carolina as a whole. Another major financial audit is the state's *Single Audit Report*, which contains the results of the audit of the state's financial statements as well as the audit of the state's compliance with laws and regulations pertaining to federal grant programs.

Information Systems audit staff perform audits on agency computer systems' general and application controls designed to protect the agency's data. Information systems audits are chosen by considering the risk the computer system presents to agency operations, the type/critical information processed, and the impact the computer system has on financial operations and reporting.

Fraud, Waste, and Abuse audit staff perform investigations of allegations of improper governmental activities. Allegations can encompass violations of state or federal laws, rules, or regulations, fraud, misappropriation of state resources, or substantial and specific danger to public health and safety. Allegations are reported to the Auditor's Office through its "hotline" or relayed to the Office through verbal or written correspondence.

Performance Audit staff conduct objective, systematic examinations of evidence for the purpose of providing an independent assessment of the performance of state agencies, programs, activities, or functions. Performance audits examine the entity's or program's effectiveness, efficiency, and/or program results. The ultimate purpose of performance audits is to improve public accountability and facilitate decision-making by responsible parties. Performance reviews are conducted to re-assess a program or function that has previously been reviewed to determine whether any new information has emerged that would change the findings from the previous work. Performance studies are conducted to

determine the feasibility of new initiatives that would strengthen governmental management.

While audit selection within each of the divisions could be enhanced through the identification program described within this report, its initial use is intended to better utilize the limited resources within the Performance Audit Division. As of December 31, 2004, there are only 15 full time positions assigned to the Performance Audit division. This group has conducted an average of eight performance audits each year for the last four years. Below we discuss the performance audit process in more detail.

Selection of Performance Audit Topics: Historically, performance audits have been undertaken when (1) legislatively mandated, (2) requested by the Governor, members of the General Assembly, department/agency heads, or the general public, or (3) areas of concern have been identified through other audits conducted by the State Auditor. Exhibit 2 shows the impetus for performance audits over the past four years. The term "performance audit" will be used in this report to indicate any audit, review, or study conducted by the Performance Audit staff.

Exhibit 2
Reasons for Performance Audits
FY2000 - 2004

Agency/Public Request 6%
Joint Federal Audit 6%
Auditor Initiated 44%
Legislative Mandate/ Request 44%

Performance audits are designed to examine the operations of the entity, program, or function under audit. They encompass a wide variety of objectives and can include assessing program effectiveness and results; economy and efficiency; internal controls; compliance with laws, rules, and regulations; and prospective analyses, guidance, or summary information. Specific objectives are determined for each audit based on the reasons for the topic selection.
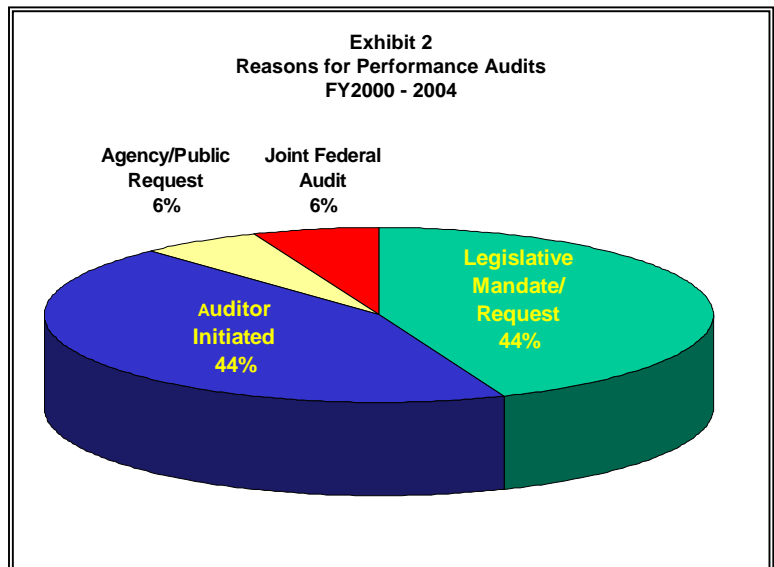
Performance audits normally require a significant amount of time to complete, ranging from 6-8 weeks to a year or more. North Carolina General Statute 147-64.6(c)(13) requires that the written response from the audited entity be included in the final report if received within 30 days from receipt of the draft report. This mandate adds thirty days to the time requirements for each audit. Exhibit 3, page 9, depicts the anatomy of a performance audit. Because of the extended time required to conduct a performance audit, the State Auditor wished to devise a method for selecting audits in those areas of state government that exhibit the highest indicators of inherent risks or that offer the most potential for improvements.

**Exhibit 3
Anatomy of Performance Audits**

N.C. Office of the State Auditor

Benefits of Performance Audits: Many of the benefits resulting from recommendations made in the Office's performance audit reports can be quantified as dollar savings for state government, while others cannot. Both types of benefits result from (1) improved services to the public, (2) changes in laws and regulations, and (3) promotion of sound agency and government-wide management. Specific financial benefits can be attributed to the work of the Auditor's Performance Audit Division when recommendations result in:

- □ Reduced annual operating costs of programs or activities,
- □ Reduced costs of multiyear projects or entitlements, or
- □ Increased revenues from debt collection, asset sales, changes in tax laws, or user fees.

Since 1993, performance audits have identified $1.2 billion in potential savings or cost reductions that could be quantified. More than 84% of the recommendations made for this period have been implemented by state agencies, with 49% of the recommendations that required legislative action having been implemented. Developing implementable recommendations is an important part of performance auditing because this helps improve how state government functions.

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INTENDED USE AND REPORTING FORMAT

ntended Use: The study described in this report is a broad, high level examination of inherent risks and unrealized opportunities at the agency or system level. It is not intended to be a performance audit or a statistical evaluation of the risks or opportunities faced by state agencies and institutions. Rather, it is a study of available information about these entities that indicate the **possibility** of an inherent risk (the likelihood that a problem may arise if controls are not in place and operating properly) or the **possibility** of an unrealized opportunity. In general, the ratings for inherent risks are based on historic data, agency mission, and program complexity. Ratings for opportunities are based on data supplied by the agency and reviewed for reasonableness by the Auditor's staff. Given this framework, there are three basic uses for the information contained in this report, as discussed below.

1) **Inherent Risk Assessments**   The original intent in conducting this study was to assess indicators of inherent risks, as well unrealized opportunities, associated with each of the state agencies discussed in this report in order to identify the most productive areas for future Auditor-selected audits, specifically performance audits. Both internal and external circumstances influence the assessed level of inherent risk. Inherent risk is generally associated with the financial operations of an entity but can and does extend to other areas of operations. In broad terms, it is the risk of a material misstatement in un-audited information assuming the absence of internal control procedures. It may be evaluated at various levels using factors such as:

   - Integrity of directors and management;
   - Management experience;
   - Unusual pressures on management;
   - Nature of the business;
   - Conditions within the industry.
   - Susceptibility to misstatement;
   - Complexity;
   - Degree of judgment involved;
   - Susceptibility of assets to loss or misappropriation;
   - Quality of specific accounting systems;
   - Unusual or complex transactions at or near the year end;
   - Transactions not subjected to ordinary processing.

2) **Agency Management Risk Analysis**   Data contained in this report can also be used by agency management to better focus agency resources to those areas where risks are most indicated, as well as areas where potential opportunities exist.

3) **Legislative Information**   State leaders and members of the General Assembly can use the data in this report to assist them in determining the areas of state government that would generate the most "return on investment." That is, the entities noted as having high risks or challenges are generally areas where additional resources would allow agency leaders to improve operations, often by increasing internal controls. Legislative users should be aware that being rated in the most concern area on the challenges graph on page 24 does not mean that the agency management has not performed its duties. Similarly, agencies that are rated in the most potential area of the

opportunities graph on page 24 does not mean that management is unaware of the potential for improvements. Again, in most cases, it indicates that given additional resources, agency management should be able to improve or expand services to its clients.

By assigning numeric values to the various criteria discussed in the following segment, the Auditor's Office was able to devise a method that allowed staff to examine agency and institution operations from the same perspective. Some of the criteria examined lent themselves to an objective rating, while other criteria were rated based on consistent subjective analysis. All criteria were discussed with agency personnel, and their comments and concerns were taken into account in the final analysis.

The resulting graphs showing challenges (or inherent risks) and opportunities (or potential) depict each of the 29 entities examined relative to the other entities. In general, those agencies with the largest number of employees, state budget, and complex programs ranked in the upper portion of the graphs. These are the agencies that exert the most influence or have the most effect on state government operations. Thus, the graphs and discussions on cross-cutting issues from both a statewide perspective and the individual agency's perspective provide the reader with a consistent high level examination of these issues.

It is important to understand that the rating of an agency in the "most concern" portion of the challenges graph **DOES NOT** indicate that agency management has not performed its duties and the rating should not be construed in that manner. Rather, it is an estimation of the level of inherent risk that the agency faces. Similarly, the rating of an agency in the "most potential" portion of the opportunities graph **DOES NOT** indicate that management has not recognized that opportunities exist for the agency. It does indicate that the opportunities, for a variety of reasons, have not been realized at the time of the study.

Report Format: This report is presented in three parts. The **first** segment (page 13) discusses the process used by staff in the State Auditor's Office to develop the rating program. The **second** segment (page 21) discusses the major statewide challenges (risks) and opportunities. The **third** segment (page 37) contains an "agency profile" that outlines the agency's major missions, challenges beyond those identified as statewide issues, as well as agency-specific opportunities. Supplemental data is contained in the appendices starting on page 71.

T his section of the report describes the process followed by the Performance Audit staff in developing a methodology to identify major challenges (inherent risks) and opportunities faced by state agencies and educational institutions in North Carolina. This project was a performance study designed to determine the feasibility of a new initiative within the Office of the State Auditor that would strengthen governmental management by allowing the Auditor to better concentrate limited audit resources. The program the Office of the State Auditor has developed is based on the United States General Accountability Office's *Performance and Accountability Challenges and High Risks* program. However, staff realized that in addition to facing inherent risks in the provision of services to our citizens, state entities may also have significant opportunities for improving the provision of those services that have not been fully explored. Therefore, the development process included the identification of opportunities as well as challenges or risks.

> *Objective 1—Program Development:* To develop a process by which to identify the most productive areas for Auditor-selected audits, specifically performance audits.

As shown in Exhibit 3, page 9, there are four major stages to each performance audit: preliminary research, planning, conducting, and reporting. The development of this project followed these stages, as described below.

Research Findings: As with any performance audit project, the first step in the process of developing a program to identify challenges and opportunities for state government entities was to conduct extensive research.

GAO's *Performance and Accountability Program*: The United States General Accountability Office (GAO) began a program in 1990 to identify and report on "high risk" programs and functions in federal government. Exhibit 4, page 14 outlines the process by which GAO initially determined the high-risk programs and functions at the

Table 1
GAO's Initial High Risk Areas
1. Strategic human capital management
2. Information security weaknesses
3. Ensuring major technology investments improve services
4. Financial accountability
5. Program management risks
6. Inefficient procurement operations
Source: GAO High Risk Series Update, 1999

federal level. GAO identified six high risk areas (Table 1). GAO initiated its high risk series by identifying government wide risks, using available information to make the determinations. Since that time, GAO has added and removed risk designations, but the general categories have remained fairly stable. As part of its high-risk series, GAO has examined various federal departments and/or functions, noting potential problems in the high-risk areas, as well as areas specific to the individual departments.

PROCESS DEVELOPMENT

Exhibit 4
GAO's Determining High-Risk Programs and Functions

Does the exposure relate to
- A program that has national significance?
- A management function that is key to performance and accountability?

No

Yes

Does the risk stem from
- An inherent vulnerability?
- A systemic problem?

No

Yes

Quantitative factors

Is the exposure to loss material in quantitative terms?

Is $1 billion or more at risk in areas such as:
- The value of major assets (e.g., loans receivable) being impaired?
- Revenue sources (e. g., taxes due) not being realized?
- Major agency assets (e.g., property) being lost, stolen, damaged, or wasted?
- Improper Payments?
- Contingencies or potential liabilities?

Qualitative factors

Could the risk be seriously detrimental to
- Health and safety?
- Service delivery?
- National security?
- National defense?
- Economic growth?
- Privacy or citizens' rights?

Or

Could the risk result in
- Significantly impaired service?
- Program failure?
- Significantly reduced effectiveness?
- Significantly reduced efficiency?
- Injury or loss of life?
- Unreliable decision-making data?
- Reduced confidence in government?
- Sensitive information?

Based on professional judgment, does the combination of qualitative and quantitative factors make the program or function high risk?

No

Yes

Are corrective measures effective?
- Has the agency demonstrated a commitment to resolve the material control weakness?
- Has substantial progress been made to strengthen controls to address the risk?
- Are corrective action plans appropriate?
- Will effective solutions be completed near term or resolve the root causes of the problem?

Yes

No

Program or function is high risk

Program or function is not high risk

See *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1, November 1999).

Source: United States General Accountability Office

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Identifying Trends: Research shows that all governmental entities are facing a number of major trends and associated challenges. (Table 2) Many of the challenges overlap and all have significant costs associated with them. Of significant importance are two factors:

1. By 2030 it's projected that approximately 20% of the population will be 65 or older, and
2. By 2025, the labor force will be growing at only about 67% of the current rate.

As concluded in GAO's work and various other examinations of governmental programs, fundamental changes are needed to make governmental programs more results oriented, more customer focused, and more collaborative.

Management texts and research further note a number of functions that consistently impact an entity's operations:

Table 2 MAJOR TRENDS/MAJOR CHALLENGES FACING GOVERNMENTS	
MAJOR TREND	**MAJOR CHALLENGE**
1. Response to terrorism □ Personal security □ Government operations	1. Costs □ Affordable □ Sustainable
2. Shift to market-oriented, knowledge-based economy	2. Economic growth □ Investment in human capital □ Training / re-training □ Trade alliances □ Increased productivity
3. Aging and diverse population	3. Human capital management □ Retirement policies □ Sustained economic growth □ Immigration issues □ Health care costs 4. Training / re-training □ Diversity training □ Focus on future needs
4. Advances in science and technology	5. Impact on quality of life □ Medicines □ Therapies □ Health care costs □ Long term care costs 6. Computer inter-connectivity □ Globalization □ Reduction of silos □ Sharing of data 7. Genetically engineered crops
Source: Summarized from various sources by OSA	

- ❖ Strategic planning
- ❖ Budget formulation and execution
- ❖ Organizational alignment
- ❖ Control and clear accountability
- ❖ Performance measurements
- ❖ Human capital strategies
- ❖ Financial management
- ❖ Information technology management and security
- ❖ Acquiring / safeguarding assets

The six areas identified by GAO for inclusion in its performance and accountability high risk analysis are closely aligned with these general management categories.

Planning the Project: The second phase of a performance audit project is to prepare a plan, identify potential areas of concentration, and identify the criteria to be used to reach conclusions.

Defining North Carolina's Categories: Using the research cited above, the Performance Audit staff identified four broad categories into which challenges and opportunities for North Carolina's agencies and institutions would most likely fall. Under each broad category, staff identified a number of sub-categories to better define the category. The categories are:

1. General management	2. Financial management and accountability
a. Organizational structure / alignment	a. Budget formulation / execution
b. Strategic planning	b. Control / accountability
c. Program management / performance measures	c. Procurement process
3. Human capital management	4. Information technology management
a. Recruiting / hiring practices	a. Identification of needs / costs
b. Performance evaluation process	b. Acquisition of IT
c. Benefits package	c. IT security

Identifying Criteria: Staff determined that the best way to present the results of this study would be to develop a way to graph the results for ease of understanding. Realizing that it would not be possible to examine each agency, university, or community college, much less each program and function within those entities, staff identified criteria that could be used in determining the entity's "materiality" or importance to state government. That is, the agency's "impact" on government operations. Staff considered a number of criteria. In general, the criteria used to rank the entities included consideration of:

1. The importance or significance of the program or function to the overall provision of mandated services to North Carolina's citizens,
2. The entity's financial weight which included net assets and operational expenditures, as well as inclusion of fiduciary and proprietary funds,
3. Level of public interest, and
4. Number of staff in relation to total number of state staff.

Appendix A, page 73, contains a ranking of entities by the number of state funded positions. Appendix B, page 75, contains a ranking of entities based on their financial weight. Based on the overall mission and programs within each entity, staff also assigned a rating for significance in terms of services provided to the government as a whole as well as to the public, and public interest based on frequency and types of media reports across the state for a six month period. In conducting this analysis, we noted that for the most part those entities that require a high percentage of the state's total budget are also ones whose mission areas are rated significant to the provision of mandated services to citizens. An example would be the Department of Health and Human Services. These entities tended to have a greater "impact" or impression.

Conducting the Analysis: The third phase of a performance audit project is to collect and analyze evidence and develop recommendations. For this initial assessment, we developed questionnaires for general government agencies, universities, and community colleges. (Appendices C, D, and E, starting on page 77 contain summary results.) These questionnaires sought input from management personnel relative to challenges and opportunities in each of the four broad categories discussed above.

Additionally, we developed a database containing findings and recommendations from prior audit reports, as well as available studies and reports conducted by the various agencies or other outside entities. Each finding was categorized using the four broad categories discussed on page 15 for analysis purposes. A rating scale was devised to

allow staff to obtain an overall rating for performance and accountability issues. An analysis of reports shown in the State Bureau of Investigation's Incident Database (containing self-reported misuse of state assets) was also conducted, as was an analysis of the allegations contained within the Auditor's hotline database relative to possible fraud, waste, or abuse of state assets. Using the same rating scale devised for the prior report findings, a numeric value was assigned to the resulting analysis. Consideration was given in each analysis for any corrective actions taken by the agency, if known.

The level of challenges was further assessed by noting those programs or functions where information technology concerns had been identified; areas where health and/or safety issues were evident; and areas of public security/defense needs. Additionally, we noted challenges identified by the agencies on their completed questionnaires. Specifically, we looked for challenges that would lead to a program failure; impair a critical service, lead to potential liability for the state; or result in reduced effectiveness. All these determinations involved the independent and subjective judgment of the professional staff within the Auditor's Office.

To determine whether the entity had opportunities for improving services, we considered the information obtained from the analyses described above. Significant weight was given to opportunities identified by the entities in their completed questionnaires in conjunction with consideration of the major missions of the entities. Additionally, we used the prior analyses to identify whether the agency could improve its use of technology, reduce costs through improved efficiency, or improve services by expanding operations through adding staff, adding locations, or increasing its budget. All these determinations involved the independent and subjective judgment of the professional staff within the Auditor's Office and discussions with agency personnel relative to the ratings for each criteria.

Table 3, page 18, contains the definitions used for each of the criteria on the challenges and opportunities worksheets. The worksheets showing the final ratings assigned to each agency after discussion with agency personnel and consideration of additional information are contained in Appendix F, starting on page 101.
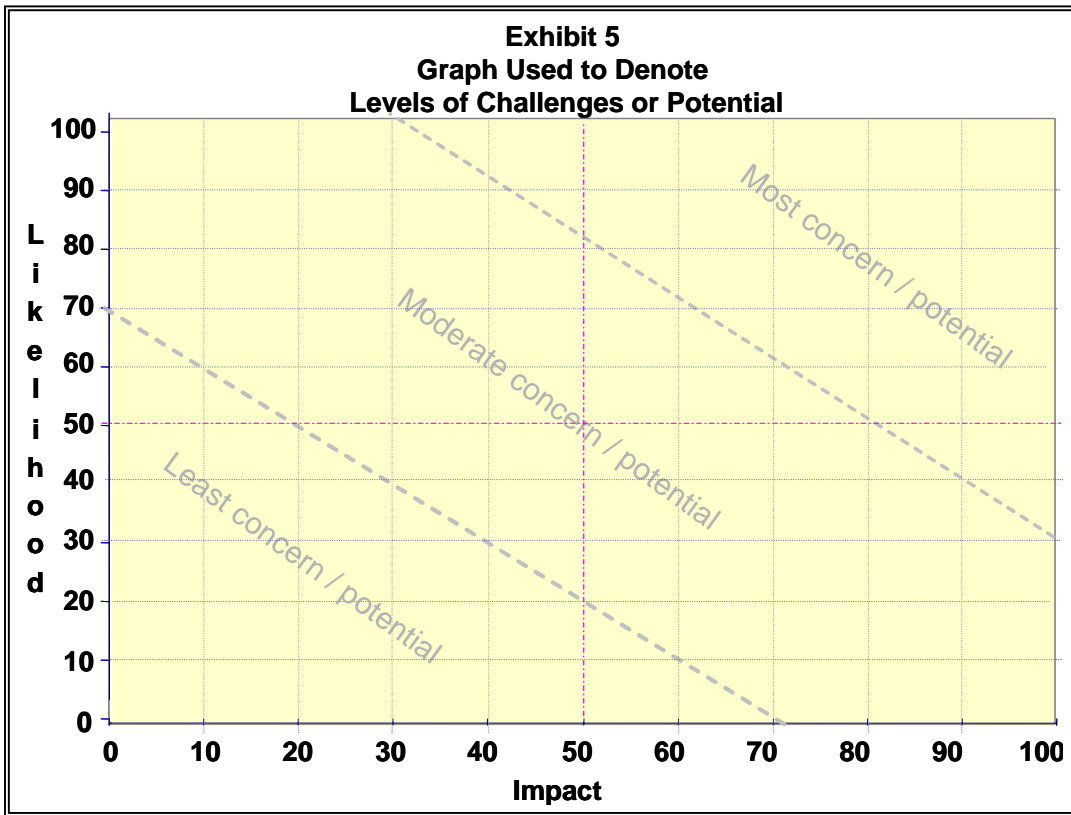
PROCESS DEVELOPMENT

Aspect/Criteria	Definition
Table 3 — Definitions for Impact and Likelihood Criteria	
Impact (Weight)	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel (15%)	Total number of state-supported positions as shown in official records from the Office of State Personnel, Department of Public Instruction, UNC-General Administration or Department of Community Colleges. (See Appendix A page 73)
Financial Weight (15%)	Rating based on the total net assets and operational expenditures for each entity at June 30, 2004 in relation to all other entities included in the study. (See Appendix B page 75)
Importance of Program or Function:	Rating based on subjective, but consistent, assessment of the effect the program or function has as a whole in comparison to all other programs and functions included in the analysis.
Government (30%)	Rating reflects the overall importance the provision of the program or function has for state government operations.
Public (30%)	Rating reflects the overall importance the provision of the program or function has for first the users of the services and secondly for the public in general.
Public Interest Rating (10%)	Rating based on analysis of media reports from across the state for the period February through August 2004, considering the number and type of reports.
Total Weight 100%	
Likelihood (Value)	**The chance that a given event will occur.**
CHALLENGES	
Performance and Accountability Issues (0-34)	Rating based on historic data, assesses the number, type, and severity of prior performance and accountability issues. The majority of prior findings related to financial and accounting issues, but also included performance, information technology, and investigative findings. Takes into account any corrective actions taken by the agency, if known.
Possibility of Misuse: SBI (0-5); OSA (0-16)	Ratings based on reports to the SBI Incident Database and the OSA Hotline Database. SBI data is self-reported by agencies on any potential misuse of state assets. Data in the OSA database are allegations of fraud, waste, or abuse by state agencies or employees. Assessment based on the number, type, and severity of reports, taking into account the resolution of the report, if known.
Decentralization (0-10)	Rating assigns a numeric value to the level of decentralization shown by the agency with "0" indicating that all functions and employees are located in the same place, and "10" indicating that the agency has locations and employees throughout the state.
Evident Health and Safety Issues (0-10)	Rating assesses the degree to which the agency deals with on-going health or safety matters either for its staff, clients, or the public in general as well as the degree to which the agency's mission directly relates to health or safety issues.
Public Security and Defense Needs (0-15)	Rating assesses the degree to which the agency deals with on-going public security or defense matters either for its staff, clients, or the public in general as well as the degree to which the agency's mission directly relates to public security and defense issues.
Agency Identified Challenges:	Issues identified on the questionnaire completed by the agency.
Lead to Program Failure (4)	Risk that the issue/concern could cause a complete shutdown of operations for a given program or for the agency as a whole.
Impair Critical Service (3)	Risk that the issue/concern would significantly impair one or more of the agency's main functions.
Potential Liability (2)	Risk that operations could result in a legal responsibility, duty, or obligation for either the agency or the state as a whole.
Reduce Effectiveness (1)	Risk that operations could result in less than the desired results/needs for the users of the system, service, or function.
Maximum Value 100	
OPPORTUNITIES	
Agency Identified Opportunities:	Opportunities identified on the questionnaire completed by the agency.
Improve Critical Service (10)	Likelihood that implementation of certain procedures would significantly improve one or more of the agency's main functions.
Improve Effectiveness (10)	Likelihood that changes to operations could result in an improvement to the provision of the desired results/needs for the users of the system, service, or function.
Reduce Costs (10)	Likelihood that changes to operations could result in a lower cost per unit of service, either current or future costs.
Improve Technologies (0-20)	Likelihood that upgrading or replacing technological tools would improve the management of the programs or services offered by the agency.
Reduce Cost Through Improved Efficiency (0-20)	Likelihood that the agency's ability to do a task within certain time, budget, and personnel constraints would improve with changes to the operations and would result in a lower cost per unit of service.
Expand Operations:	Assessment shows opportunities to improve services to citizens through:
Add Staff (0-10)	Adding staff in areas currently under-staffed or in areas not now served.
Add Locations (0-10)	Adding locations to provide easier access for clients.
Increase Program Budget (0-10)	Increasing program budgets in areas that have suffered significant cuts due to the state's budget shortfalls or adding budgets for additional services to portion of the public not now served.
Maximum Value 100	

Using the results from these various techniques, we compiled a profile for each general government agency, the University System as a whole, and the Community College System as a whole which we then graphed. (Exhibit 5 shows sample graph.) Conclusions for each entity relative to the likelihood of challenges and opportunities were plotted on separate analysis graphs. Audit staff then discussed the profiles with the applicable entity, considering the entity's comments in making final determinations. Statewide challenges and opportunities were then identified for inclusion in the second portion of this document (page 21). Agency-specific issues are discussed in the agency profile segment of the report, starting on page 37.

Exhibit 5
Graph Used to Denote
Levels of Challenges or Potential

Likelihood (y-axis): 0, 10, 20, 30, 40, 50, 60, 70, 80, 90, 100
Impact (x-axis): 0, 10, 20, 30, 40, 50, 60, 70, 80, 90, 100

Most concern / potential
Moderate concern / potential
Least concern / potential

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CROSS-CUTTING ISSUES

> **Objective 2—Cross-Cutting Issues**: To provide state government leaders with an assessment of the major challenges (inherent risks) and opportunities facing state agencies and institutions.

T his section of the report contains the conclusions reached after applying the methodology described in the previous segment. The first part of this section discusses statewide issues noted. Beginning on page 37, we also profile issues that relate to each state entity. These are the major challenges facing the state, as well as the major opportunities that the state has for improving services to its citizens.

Overview: North Carolina state government leaders face many challenges in the provision of mandated services to citizens. Recent world events have impacted all agencies and educational institutions in ways that have far-reaching effects. Many of these entities may share a common problem that results in a "high-risk" situation. Equally important, however, are the areas where state entities could significantly improve their provision of services. Those situations or opportunities considered to be cross-cutting or statewide issues have several factors in common. Specifically, they must be evident at multiple entities; affect a significant portion of the state's total budget or other resources; and need to be addressed by not only the management of individual entities, but possibly require legislative action and budget consideration.

Methodology: In developing this assessment program, we identified four major categories of challenges and opportunities facing state government leaders: 1) general management; 2) human capital management; 3) financial management and accountability; and 4) information technology management. Identification of the state's challenges and opportunities was accomplished in several phases as described in the "Process Development" segment of this report. To ensure that the analysis of overall challenges and opportunities was complete, accurate, and fair, we requested assistance from agency/institution management in the form of a questionnaire. We asked for high-level responses, not detailed issues, in the four areas identified above. We then compiled the data supplied by the agencies/institutions and correlated the responses to the issues identified in the analysis of other data to identify significant issues facing individual agencies and institutions. From this, we identified cross-cutting issues that will affect state government operations as a whole. Lastly, we met with agency and institution representatives to discuss the preliminary observations from our assessments. We considered their views in making our final determinations of key issues that face the state.

Conclusions: Exhibits 6, page 24 shows the results of the application of the process used to identify challenges (inherent risks) and opportunities for state agencies, universities, and community colleges. Generally, those agencies that have the largest number of employees, highest financial weight, and the largest number and most complex programs are rated in the "most concern" area of the challenges graph. Therefore, these are the agencies and programs where the Office of the State Auditor should concentrate its non-mandated audit efforts. Similarly, most of the same agencies are rated in the "most potential" area of the opportunities graph. Again, these are the agencies where the Auditor should concentrate efforts.

From the perspective of the General Assembly, the agencies and programs rated in the "most concern" and "most potential" areas of the graphs are the agencies and programs that have the most direct impact on state government operations. Specific issues noted for these agencies in the Agency Profile section of this report (starting on page 37) should be considered during budget and legislative deliberations.

Additionally, the analysis revealed a number of major statewide issues that cut across all areas of state government. Several important factors affect numerous aspects of operations and demand multi-faceted consideration from *both state and local leaders*. Perhaps the most important of these is population growth in the state. This trend affects numerous social infrastructures within the state, as well as use and conservation of our natural resources and our transportation infrastructure. These are issues that must be addressed in a coordinated fashion from both the state and local level.

The issues that are the most critical in the near future for state government operations fall in the categories of general management, financial management and accountability, human capital management, and information technology management. While there are several key issues under the area of general management, the most pressing are how we encourage economic development and how we handle our increasingly diverse population.

In the area of financial management and accountability, the issue that requires immediate attention is the development of viable performance measures for state agencies and programs. These measures will not only help agency management and government leaders in oversight of the programs, but will provide accountability to the public.
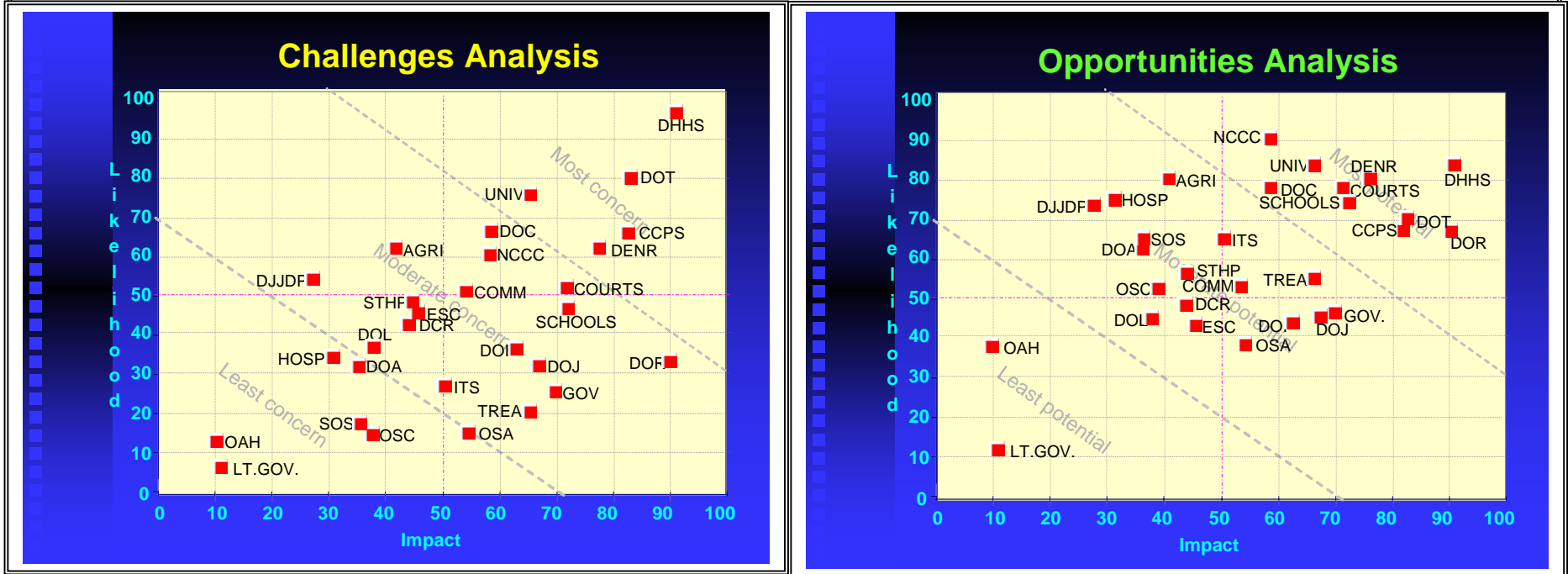
The area of human capital management is a critical one for all state agencies, universities, and community colleges. The most pressing issues here deal with the state's ability to provide competitive salary and benefits packages and establishment of succession planning. Recent studies conducted by the Office of State Personnel show that North Carolina is continuing to fall behind other states in terms of salaries and benefits offered to state employees. This makes recruiting and retaining the best employees more difficult. Additionally, 16% of state employees have 20+ years of service with 32% over the age of 50. Many of these employees are in supervisory and management positions. Yet, most agencies have not established a clear plan for succession.

In the area of information technology (IT) management, state entities face a number of problems. Perhaps the most pressing of these is obtaining realistic and continuing IT budgets. Almost all the agencies, universities, and community colleges that participated in this project noted the need to upgrade information technology equipment, programs, and applications. The benefits to the state and its citizens from these upgrades can be significant in terms of reduced costs per unit of service, increased efficiency and effectiveness of the programs, and increased satisfaction of citizens who use these services.

Lastly, the area of education is critical to the state's continued health. Many of the issues faced by the public schools are also ones that face the universities and community colleges. Perhaps the most critical of these is the need to deal with increasing enrollment and a more diverse student population. These factors affect not only the need for facilities, equipment, supplies, and technology, but also the very programs that are offered to train the students. Programmatic changes, as well as student diversity, require instructors who possess multiple skills and who are fluent in several languages.

EXHIBIT 6

Challenges Analysis

Scatter plot titled "Challenges Analysis" with axes Likelihood (y-axis, 0-100) and Impact (x-axis, 0-100). Data points labeled: DHHS, DOT, UNIV, DOC, CCPS, AGRI, NCCC, DENR, DJJDF, COMM, COURTS, STHP, ESC, DCR, SCHOOLS, DOL, DOI, HOSP, DOA, DOJ, DOR, ITS, GOV, SOS, OSC, TREA, OSA, OAH, LT.GOV. Diagonal bands labeled "Most concern", "Moderate concern", "Least concern".

Opportunities Analysis

Scatter plot titled "Opportunities Analysis" with axes Likelihood (y-axis, 0-100) and Impact (x-axis, 0-100). Data points labeled: NCCC, UNIV, DENR, AGRI, DOC, COURTS, DHHS, DJJDF, HOSP, SCHOOLS, CCPS, DOT, DOA, SOS, ITS, DOR, OSC, STHP, COMM, TREA, DCR, DOL, ESC, DO., DOJ, GOV., OSA, OAH, LT.GOV. Diagonal bands labeled "Most potential", "Moderate potential", "Least potential".

Legend:	Acronym		Acronym
Administration, Department of	DOA	Information Technology Services, Office of	ITS
Administrative Hearings, Office of	OAH	Insurance, Department of	DOI
Agriculture and Consumer Services, Department of	AGRI	Judicial System, North Carolina/ Administrative Office of the Courts	COURTS
Auditor, Office of the State	OSA	Justice, Department of	DOJ
Commerce, Department of	COMM	Juvenile Justice and Delinquency Prevention, Department of	DJJDP
Community College System, North Carolina	NCCC	Labor, Department of	DOL
Controller, Office of the State	OSC	Lieutenant Governor, Office of the	LTGOV
Correction, Department of	DOC	Public Schools System, North Carolina/ Department of Public Instruction	SCHOOLS
Crime Control and Public Safety, Department of	CCPS	Revenue, Department of	DOR
Cultural Resources, Department of	DCR	Secretary of State, Department of	SOS
Employment Security Commission	ESC	State Major Medical Plan, North Carolina	STHP
Environment and Natural Resources, Department of	DENR	Transportation, Department of	DOT
* Governor, Office of the	GOV	Treasurer, Office of the State	TREA
Health and Human Services, Department of	DHHS	University System, North Carolina	UNIV
		UNC Hospitals	HOSP

* The analysis model used puts considerable weight on the number of staff and the financial weight in computing each agency's "impact" score. Because these two criteria are low for the Governor's Office, the resulting impact score may not reflect the true impact of this Office. The Governor, as leader of the state, is responsible for all state government operations.
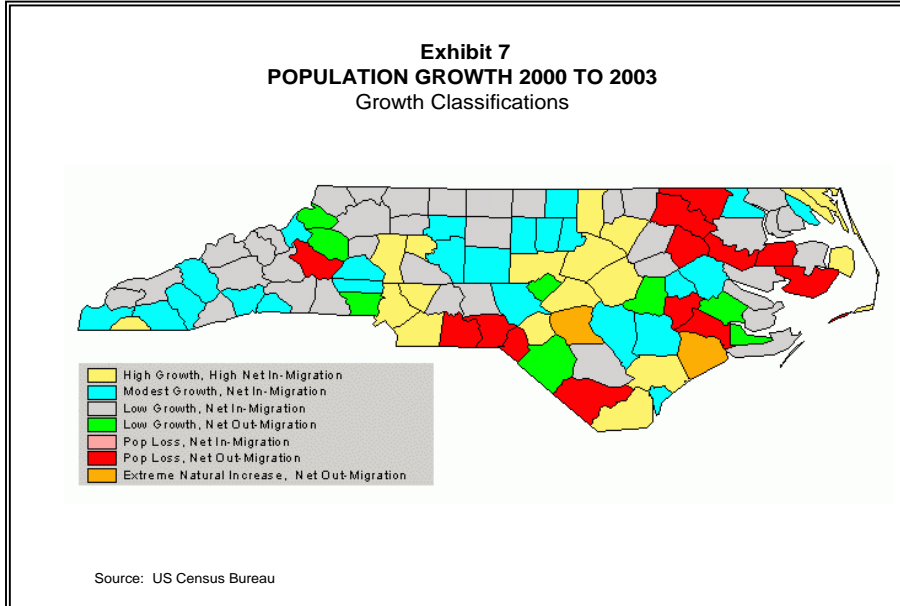
Source: Compiled by the Office of the State Auditor

CROSS-CUTTING ISSUES

Discussion of Statewide Cross-Cutting Issues

In reviewing data to establish the program for identifying challenges and risks in state government, we noted a number of issues that cut across all facets of state government operations. These issues were verified when we analyzed agency responses to questionnaires (Appendices C, D, and E, pages 77 through 100.) Below we discuss the major concerns from a statewide perspective. We have attempted to discuss issues based on their relative importance to continued governmental operations. Many of the issues affect numerous aspects of operations and demand multi-faceted consideration from both state and local leaders. One major trend, population growth, impacts several key aspects of government service. We discuss those in the next few paragraphs.

Population Growth—North Carolina's total population at January 2005 is estimated to be 8.6 million, with the Census Bureau declaring it to be the ninth fastest growing state in the nation as of 2004. Between the 1990 and 2000 census periods, North Carolina's population increased by 26%, growing by 1.4 million people. The fastest growing county was Johnston (50.0% growth), followed by Wake (47.3%), Hoke (47.2%), Union (46.9%), Brunswick (43.5%), and Pender (42.4%). Only three counties, Bertie, Edgecombe, and Washington, lost population. Three other counties, Hertford, Martin, and Scotland, had net out-migration during this period, but each had a sufficient excess of births over deaths to produce some small population growth in spite of this outflow. The two military dominated counties, Cumberland and Onslow, each had high numbers of births, low numbers of deaths, high net out-migration, and low overall growth. For these two counties, one can assume that the majority of the births become out-migrants due to the rotation of military families to other locations[†]. Exhibit 7 shows the most recent data on population growth by county.

Exhibit 7
POPULATION GROWTH 2000 TO 2003
Growth Classifications

Legend:
- High Growth, High Net In-Migration
- Modest Growth, Net In-Migration
- Low Growth, Net In-Migration
- Low Growth, Net Out-Migration
- Pop Loss, Net In-Migration
- Pop Loss, Net Out-Migration
- Extreme Natural Increase, Net Out-Migration
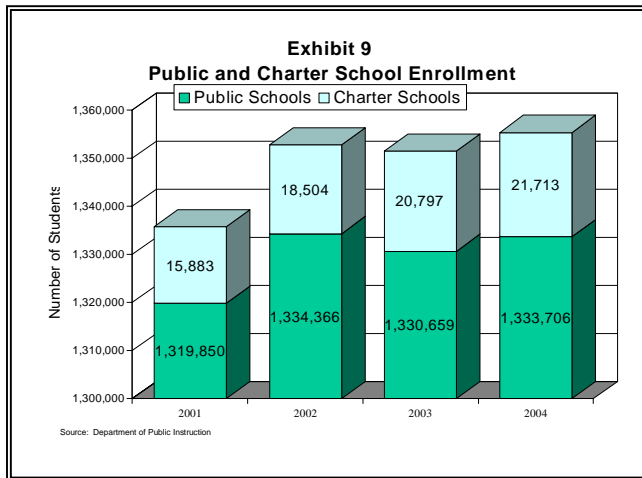
Source: US Census Bureau

[†] http://demog.state.nc.us/frame_start.html

Social Infrastructures—The demand on social infrastructures such as medical facilities and schools is also directly impacted by population growth and our aging and more diverse population. Of major concern is the fact that North Carolina's population is aging, which will increase the need for persons in health related fields. Projections are that between 2000 and 2030 there will be a 129% increase in citizens over 65. (Exhibit 8). We will need more health programs to provide needed services, more assistance to lower income citizens, and more

**Exhibit 8
Projections Age 65+**

Year	Population Age 65+
2000	969,048
2010	1,183,243
2020	1,652,288
2030	2,221,470

Source: North Carolina Division of Aging and Adult Services

facilities offering services to older persons. The continuum of care will need to be better coordinated to provide all services needed in the most effective and cost efficient manner.
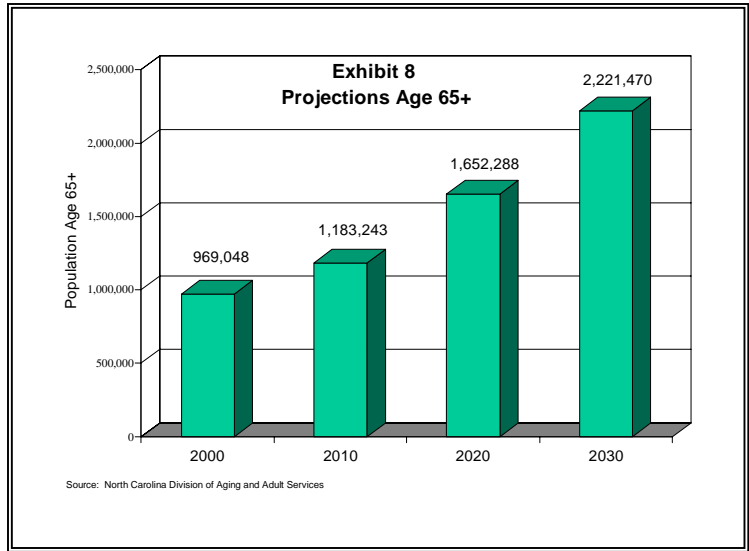
The increase in the general population also directly affects our public school system. The total number of students enrolled in public and charter schools has increased by only 1.89% overall from 2001 to 2004. (Exhibit 9) However, certain school systems and certain schools within systems have increased at a much faster rate. Of the 117[‡] local public schools systems, 79 have shown increases in average daily membership, ranging from 22.71% to 0.21%. See Appendix G, page 137.

**Exhibit 9
Public and Charter School Enrollment**

Public Schools ■ Charter Schools □

Year	Public Schools	Charter Schools
2001	1,319,850	15,883
2002	1,334,366	18,504
2003	1,330,659	20,797
2004	1,333,706	21,713

Source: Department of Public Instruction

School systems must provide not only more teachers but also more multi-lingual personnel at all levels to handle the increasing diversity of our population (see discussion on page 34). Additionally, schools will require more facilities at the same time they are struggling to find ways to maintain existing facilities. Support personnel, equipment, and

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[‡] During 2004, three systems (Cleveland, Kings Mountain, and Shelby City) merged into one (LEA 230 Cleveland), reducing the number of systems from 117 to 115.

supplies also have to increase to handle the number of students. More buses will be needed, requiring more fuel. Changing business parameters and needs will require more technology in the schools to give students the basic knowledge they will need to compete for jobs.

The demand for persons in certain fields, like health care and education, will greatly impact our higher education institutions. Community colleges and universities will have to adjust their offerings, as well as find ways to serve the increasing number of students enrolling. Community colleges especially will be pressed to respond to the need for re-training employees who have lost jobs due to failed or closed businesses. Much more emphasis will have to be placed on use of technology in all fields to allow graduates to compete for jobs. Both community colleges and universities will need more flexibility in use of funds to be able to compete for the best faculty and to construct, maintain, and equip the necessary facilities to handle the number of students.

Transportation Infrastructure—In general, those counties that have ready access to major transportation routes (highways, rail, and airports) show growth. Those areas of the state where major transportation routes are not as prevalent show little or negative growth. (See Exhibit 7, page 25) As a result of rapid growth in the metropolitan areas of the state, North Carolina's transportation infrastructure has been pressed to the limits. The influx of people and vehicles in these areas has caused traffic congestion, decreased air quality, increased maintenance needs for roads and bridges, and taxed the patience of drivers. North Carolina has traditionally addressed population growth by adding and expanding existing roads. But we cannot continue to build roads at the expense of losing wooded and natural areas. State and local leaders must now find more creative ways to address these problems. State and business leaders should give more consideration to flexible work schedules, telecommuting opportunities, increased carpooling and local bus routes, as well as other mass transit systems.

Natural Resources—With increased population growth comes strains on natural resources. The demand for clean water is heightened, as is the desire for more parks and natural areas at the same time that we are losing wooded and natural areas to new housing and shopping developments. Air quality issues become critical as the volume of pollutants increase. The importance of waste management and conservation practices increase. Planning officials must take into account the number and location of landfills and other garbage disposal facilities. The need increases for more wastewater treatment facilities capable of higher volumes. Planned growth and conservation must become key components as local and state government officials look to the future.

Discussion of Issues Affecting General Government Agencies

Each of the cross-cutting issues discussed above has a direct effect on the provision of government services. We summarize here the major challenges noted in the four broad categories identified: 1) General Management,
2) Financial Management and Accountability, 3) Human Capital Management, and 4) Information Technology Management. We have also discussed in more detail what we believe to be the issues that will require the most attention in the next few years.

1) General Management—General management includes how leaders plan, organize, direct, and control interrelated operations and supporting services to achieve defined objectives. Typically, general management is exercised through processes like strategic planning, business planning, and budgeting. The following challenges are ones facing state and general government agency leaders in this area. These are also the issues that indicate inherent risks that must be addressed by state and agency leaders.

- o Connecting agency short- and long-term plans to statewide plans, especially in the area of economic development
- o Providing health care for our aging population
- o Providing adequate funding for education at all levels
- o Addressing the increasing diversity of our population
- o Addressing growing homeland security and public safety needs (See State Auditor's Report, *North Carolina's Homeland Security and Bioterrorism Efforts*, October 2004: http://www.ncauditor.net/EPSWeb/Reports/Performance/PER-2004-209.pdf)
- o Addressing transportation and infrastructure needs
- o Balancing protection of natural resources against economic development

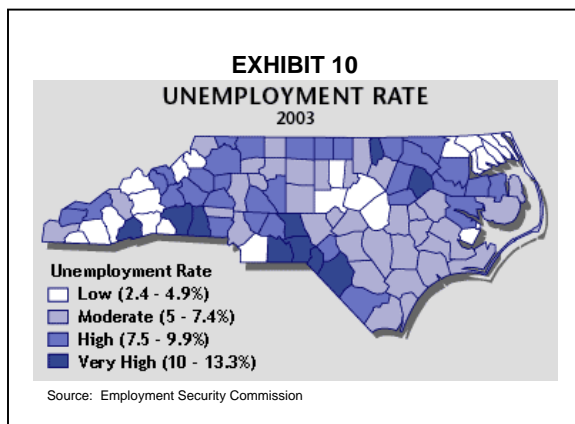## *Issues Requiring Most Attention—*

a)   Economic Development   North Carolina has traditionally been known as a national leader in agriculture and textile productions. However, recent economic developments and changing demands of the global economy have necessitated finding additional ways to assure North Carolina's economy is robust and stable. High-tech employment dropped 18% between 2001 and 2003. The number of high-tech companies plummeted nearly 45%.[§] Companies and industry organizations say the state needs to become more aggressive in recruiting and building tech companies. The service sector replaced the goods-producing sector as the leading employer over this same period. Manufacturing continued its three-decade decline.

[§] http://www.businessnc.com/archives/2004/05/unwired.html

Structural changes in the state's economy are associated with the decline of traditional industries. In 1999, four rural counties had unemployment rates above 10 percent; in 2003 the number of counties had grown to 10. (Exhibit 10,) Most of these counties were affected by job losses in traditional industries, particularly in manufacturing. While all rural regions have been affected, the highest rates are found in the southeast and Charlotte areas. Both areas were affected by job losses in textiles, apparel, and other traditional manufacturing sectors.[**]

EXHIBIT 10
UNEMPLOYMENT RATE
2003

Unemployment Rate
☐ Low (2.4 - 4.9%)
☐ Moderate (5 - 7.4%)
☐ High (7.5 - 9.9%)
☐ Very High (10 - 13.3%)

Source: Employment Security Commission

The Department of Commerce is carrying the banner for the state in recruiting new industry that addresses the changing demands. Realizing the importance of this effort, the General Assembly has established a number of business incentive programs within state government, not all of which are located within the Department of Commerce. State leaders are charged with establishing a balance between costs and benefits of these programs. The current challenge facing the state is to establish the effectiveness of these efforts. Yet, there is no comprehensive listing of the programs and their specifics, unclear procedures for coordinating the programs, and no established procedures for following up to make sure the receiving industries fulfill the obligations set forth by the programs.

b)   Population Diversity   A second major challenge for state leaders is finding ways to embrace the increasing diversity of our citizens. The Hispanic segment alone has grown 394% since 1990 according to Census Bureau data. Citizens' diversity has had a significant effect on all aspects of state government. This has fostered the need for government to promote and instill diverse cultural programs. At the state agency level, this has created the need for multi-lingual employees, forms, and instructions. A combination of population growth, economic realities, and increasing diversity has impacted all manners of social programs such as Medicaid costs, and use of food stamps, and the Women, Infant and Children Vouchers Program (WIC). The effect on the public school system, as well as higher education institutions, has been profound (see page 34). The increase in the school aged population (K-12) has resulted in overcrowded classrooms, increased operational costs, and created communication issues as the number of children for whom English is a second language has increased. The average daily membership in the public schools has increased by 4.6% for fiscal years 2001 through 2004. Agencies must continuously look for better and more effective ways to bridge diversity gaps throughout state government. Of the agencies responding to the questionnaire, 62% reported significant changes in their programs over the last four years, much of the change responding to population diversity. (Appendix C., page 77.)

[**] http://www.ncruralcenter.org/databank/trendpage_Employment.asp

2) Financial Management and Accountability—Financial management and accountability refers to the process of managing financial resources, including accounting and financial reporting, budgeting, collecting accounts receivable, risk management, and safeguarding of state assets, while evidencing a commitment to good stewardship of state funds. The following challenges are ones facing state and general government agency leaders in this area.

- o Accurate projections of revenues and needs
- o Formation of realistic budgets
- o Identification and timely collection of revenues
- o Devising effective debt and investment strategies, including addressing employee retirement issues
- o Development and implementation of effective internal controls
- o Establishing program effectiveness measures
- o Aggressive handling of accountability breeches

Issues Requiring Most Attention—

a)   Performance Measures   A major issue affecting general government agencies is the need to establish methodologies for determining program effectiveness. In response to the questionnaire the Office of the State Auditor sent to general government agencies, 66% said they do use some type of program measure to determine effectiveness. Measures are used to compare current operations and productivity with prior operations and productivity. They document the scope of work, monitor workload distribution, gauge client satisfaction, assess processes, and identify potential efficiency improvements. Some agencies use program measures to track grant funding and make recommendations for future funding needs.

However, the measures established by agencies have not, for the most part, been objectively reviewed to determine applicability and reasonableness. Requiring each agency to identify, justify, and implement effective program measures would greatly assist state leaders in improving financial management and accountability. Additionally, a central collection of program measures could be used as an indicator of similar or duplicate programs and to assure that goals as established by the General Assembly are met.

At the local level, some progress in this area has been made through the School of Government's North Carolina Benchmarking Project (NCBP).[††] The project was initiated in September 1995, providing a comparative basis for local governments to assess service delivery and costs. It allows municipalities to compare themselves with other participating units and with their own internal operations over time. The performance data have been used in numerous jurisdictions for service improvement, especially in the areas of residential refuse collection and household recycling.

[††] http://www.iog.unc.edu/programs/perfmeas/

3) Human Capital Management—Human capital management refers to educating employees and developing their skills so that they will be able to contribute to the needs of the enterprises they work for and be given a chance to excel. Human capital management also includes compensation packages, in addition to offering workers specific benefits such as vacation, sick leave, and health care coverage. Employees' collective knowledge, skills, and competencies directly relate to the accomplishment of the organization's mission and vision.

Human capital is a key factor in combating unemployment and social exclusion. Closely linked to human capital is the concept of social capital, which refers to the capacity of people to act together, create synergies and build partnerships. Social capital is a valuable source of organizational capacity and learning.

The following challenges are ones facing state and general government agency leaders in the area of human capital management.

- o Providing competitive salary and benefits packages
- o Providing job-specific training
- o Establishing management and supervisory succession plans
- o Decreasing turnover
- o Complying with state personnel regulations
- o Preventing "political" interference in personnel decisions

Issues Requiring Most Attention—

a) Providing Competitive Salary and Benefits Packages The State must compete for qualified candidates with private firms and local government jurisdictions. In North Carolina, annual salary increases for state employees were less than average market movement in four of the last five years[‡‡]. Over this five-year period, cumulative salary increases in state government trailed projected average market increases by 10.8%. Analysis of salary survey data for 49 benchmark classes conducted by the Office of State Personnel indicates state employees' salaries overall trail their equivalent labor market by approximately 11.3%. Yet, use of the state's Salary Adjustment Fund has been limited in recent years. That fact, coupled with freezes on hiring, promotions, reallocations, and other pay adjustments, has eroded the state's ability to compete for qualified, competent, and talented workers in state, regional, and national markets. Twenty-three of the 29 agencies responding (79%) reported difficulties filling positions due to salary restrictions. (Appendix C, page 77.)

Employee benefits are key ingredients in the total compensation package that is a primary attraction in the recruitment of prospective employees, particularly in occupations where skills are scarce in the labor market. Benefits are equally critical in the retention of valued and exemplary employees. A review of health insurance coverage for employees in seven southeastern states showed that five of seven (71%) southeastern states for which data was available subsidize their employees' dependent care coverage on average

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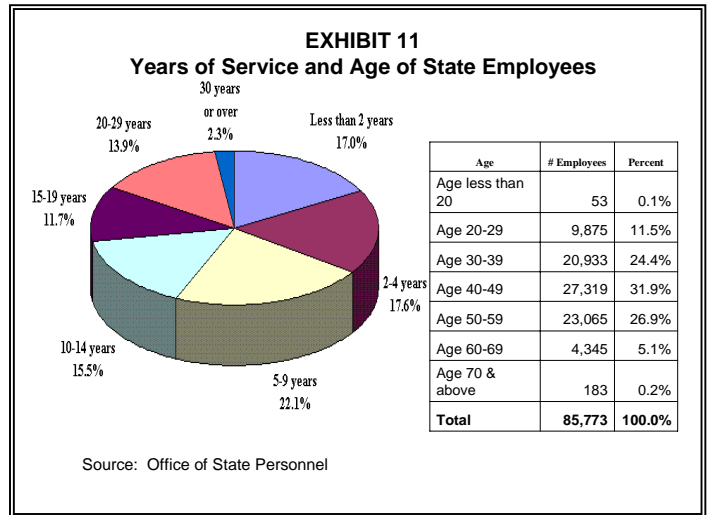[‡‡] *State of North Carolina: Compensation and Benefits Report.* Office of State Personnel, May 2004.

$324 per month. North Carolina contributes $285.92 per month for Employee Only coverage but zero additional allowance is made for dependent (family) coverage.

Another major benefit that affects recruitment effectiveness is contribution to retirement accounts for employees. North Carolina's employer contribution on behalf of employees in the Teachers and State Employees Retirement System has dropped from 5.33% to the current level of 0.22%. Out of 25 states that participated in the 2004 Total Rewards Salary Survey, 20 states reported that they contribute to employees' retirement. The average contribution is 21.55%.

All these factors have lead to greater than 15% turnover in key positions within the last four years in 48% of the agencies responding to the questionnaire. (See Appendix C, page 77.) We should note that many of agencies change top management with each administrative change. This, of course, adds to the turnover in key positions percentage. Agencies report that the number one reason employees leave state government is for a better salary, with career advancement given as the third most prevalent reason for leaving.

b)   Succession Planning   The state's workforce is aging, with "baby boomers" retiring at an increasing rate. The second most prevalent reason for employees leaving state government is due to retirement. According to 76% of agencies responding to the questionnaire (Appendix C, page 77), the average years of service for their employees is between 11-20 years. As shown in Exhibit 11, approximately 16% of state employees have 20+ years of service, with 32% over the age of 50. Projected retirements have the potential to create significant vacancy rates in the state's workforce in many areas that are critical to the delivery of services to citizens. Sixty-two percent of the agencies responding to the questionnaire reported having a program in place to train potential supervisors and managers. While the Office of State Personnel does offer some basic supervisory training for new supervisors, this program may need to be expanded to include continuing training for supervisors and managers.

EXHIBIT 11
Years of Service and Age of State Employees

Age	# Employees	Percent
Age less than 20	53	0.1%
Age 20-29	9,875	11.5%
Age 30-39	20,933	24.4%
Age 40-49	27,319	31.9%
Age 50-59	23,065	26.9%
Age 60-69	4,345	5.1%
Age 70 & above	183	0.2%
Total	**85,773**	**100.0%**

Source: Office of State Personnel

4) Information Technology Management—Information technology (IT) management encompasses the entire spectrum of technologies for information processing, including software, hardware, communications technologies, and related services from identification of need to use. The following challenges are ones facing state and general government agency leaders in this area.

- o Securing adequate IT budgets
- o Identification of needs and costs (initial and continuing)
- o Updating/replacing legacy systems and applications
- o Inter- and intra-agency compatibility
- o Completion of a statewide IT plan and adherence to statewide IT architecture requirements
- o Providing secure storage of citizens' confidential data
- o Providing ready access to data, both digital and non-digital
- o Effective use of technology to better manage programs and provide services

Issues Requiring Most Attention—

a) Realistic/Continuing IT Budgets Technological advances are constantly moving forward making information more accessible and easier to exchange. Nowhere is that technology more needed than in the public sector, not only to provide information to the general public but also to increase inter- and intra-agency compatibility to decrease duplication of information. One of the biggest challenges facing all government agencies today is trying to meet ever changing technology needs. Agencies sometimes have difficulty justifying initial capital requirements for new technology, especially in tight budget times such as we have experienced in the past four years. Also of concern is securing continual funding to maintain technology and purchase necessary technology upgrades.

We have already seen advances made that allow individuals to file their tax returns in electronic form. State agencies routinely pay contractors electronically. These advances have increased the efficiency of state government. But while these advances and others have already been implemented, many of the state agencies simply haven't been able to meet their basic technology needs.

For example, not all Department of Agriculture and Consumer Services field employees have access to email. This basic technology need, if met, would reduce processing time, speed up response times, and increase the efficiency of field operations within several divisions of the that Department. At the Secretary of State's Office, upgraded technology could allow for faster processing of corporation documents, reduction in notary suspensions and revocations, and provide time to investigate each. At the Department of Revenue, upgrades in technology would allow it to make more information about taxes and filing available on-line to the public. This could increase participation in e-filing, which would lead to faster refund turnaround times for taxpayers and more efficient

collection of taxes for the state. This would allow the state to make financial decisions based on more timely information about revenues.

While some departments have met their basic technology needs, most if not all need to upgrade existing technology capabilities to better serve the public. Whether it is email access that allows for more timely reporting from inspectors, or tax information that allows for more on-line tax filings, keeping up with the ever-changing technology needs is a major challenge across all areas of state government.

Discussion of Issues Affecting Higher Education

In analyzing the information relative to higher educational issues, we noted a number of cross-cutting challenges that will affect both the University and Community College systems. (Many of these same challenges would also apply to the public school system and are briefly discussed on page 26.) Specific issues that emerged from the analysis were:

- o Increasing enrollments and increasingly diverse student population
- o Decreased state funds for both and decreased county funds for Community Colleges
- o Non-competitive salaries and benefits for faculty and staff
- o Significant facilities' needs (new construction, repair and renovation)
- o Lack of funding for necessary equipment and supplies
- o Limited start up funds for new programs necessitated by changing demands
  - o Need for more multi-lingual faculty and staff
  - o Need for incentives to attract students to high demand fields

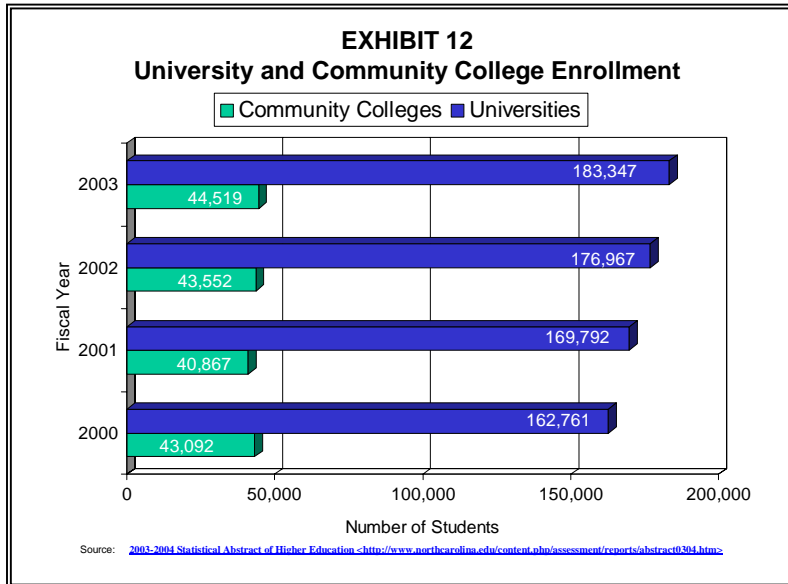## *Issues Requiring Most Attention—*

a)   Increased Enrollment   A major challenge facing our higher educational systems is the need to deal with increased enrollment. As North Carolina's population continues to increase, educational leaders are faced with a number of challenges: adequate funding, adequate facilities, sufficient faculty and staff, and the necessary resources to support the student populations.

While total appropriations have increased, educational funding levels have suffered over the past four years due to mandated cutbacks and reversions. The "appropriation per student" decreased by 7.2% for the universities and 5.7% for community colleges. As shown in Exhibit 12, page 35, during the same period, enrollment has increased for community colleges (16.0%) and universities (12.6%). Because of decreased funding, both the universities and community colleges have been forced to increase tuition and fees.

b)   Adequate Facilities   While the universities and
community colleges have benefited from the $3.1 billion dollar bond referendum passed

EXHIBIT 12
University and Community College Enrollment

■ Community Colleges ■ Universities

Fiscal Year	Community Colleges	Universities
2003	44,519	183,347
2002	43,552	176,967
2001	40,867	169,792
2000	43,092	162,761

Number of Students
0   50,000   100,000   150,000   200,000

Source: 2003-2004 Statistical Abstract of Higher Education <http://www.northcarolina.edu/content.php/assessment/reports/abstract0304.htm>

in 2000, facility needs are still a major challenge. The majority of the bond funding was designated for new construction, with approximately $300 million designated for major repair and renovations. Major repairs and renovations are defined as building or infrastructure improvements that are normally expected to do one or more of the following: extend the useful live of the building or system, improve operating efficiency, eliminate health and safety hazards, correct structural, mechanical, electrical, or other major system defects, upgrade the quality of existing facilities, or convert these assets to more useful functions. However, the universities and community colleges still have significant backlogs of repair and renovation needs (See State Auditor's Report, *Performance Review of the University of North Carolina System: Repair and Renovation Process,* January 2005   http://www.ncauditor.net/EPSWeb/Reports/Performance/PER-2005-0210.pdf

c)   Competitive Salaries and Benefits   At the university and
community college level, a significant challenge faced by leaders is the need to develop more competitive compensation packages that will allow them to recruit and retain qualified faculty and staff. Recent studies show that peer institutions have better compensation packages at both levels. As evidence of this, a number of high profile university faculty have recently accepted more lucrative positions at institutions in other states. As further evidence, Community College leaders reported that they have difficulty hiring their first or second faculty choices due to non-competitive salaries.

d)   Necessary Supplies and Equipment   Additional resources
necessary for the operation of our higher educational systems have also been negatively impacted due to reduced funding at both the state and local levels. Universities and community colleges have delayed purchases of equipment and supplies for classrooms. Many of the advanced programs, especially at the research universities, have on-going needs for more advanced equipment to continue attracting the best and brightest students.

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AGENCY CROSS-CUTTING ISSUES

This section of the report is a continuation of Objective 2. It contains the conclusions relative to agency specific issues reached after applying the methodology previously discussed. These are the major challenges, including inherent risks, facing each agency in the provision of mandated services to its clients. Additionally, each agency has opportunities for improving services to its clients. As noted in the previous section of this report, many of these entities may share a common problem that results in a "high-risk" situation for the state or share common opportunities for improvement. This section of the report discusses the major challenges and opportunities for each agency.

Agencies are listed alphabetically to assist the reader in locating a specific agency. Each agency profile consists of a brief description of the agency's main responsibilities, as well as the final ratings for "impact," "challenges," and "opportunities" as graphed on Exhibit 6, page 24. Appendix F, starting on page 101 contains the worksheets showing the ratings for all agencies examined. Additionally, we have provided a brief summary of why the agency received the scores it did for each criteria on both the challenges and opportunities worksheets at the end of this appendix. To allow the reader to easily extract information relative to an individual agency, we have presented the summary remarks for each agency on a separate page.

AGENCY CROSS-CUTTING ISSUES

<u>**Administration, Department of**</u>—(includes various commissions and the Office of State Personnel)—
(Final Impact Rating = 36.8; Challenges Rating = 30.6; Opportunities Rating = 64.0)
Created in 1957, the Department of Administration acts as the business manager for North Carolina state government. The department oversees government operations such as building construction, purchasing and contracting for goods and services, managing state vehicles, acquiring and disposing of real property, and operating auxiliary services such as courier mail delivery and the sale of state and federal surplus property. In addition, the department provides internal services and programs that include the maintenance of state-owned buildings and grounds and police security for state government facilities in Wake County. The department's programs provide advocacy, assistance, and services to diverse segments of the state's population that have been traditionally underserved. The programs coordinate many services of state agencies and work for better opportunities in education, employment, and community services for all North Carolinians.

The **Office of State Personnel** (OSP), while organizationally placed within the Department of Administration, operates independently of the department. <u>For purposes of this analysis, OSP was included in the total scores for the Department of Administration</u>. OSP serves the citizens of North Carolina by facilitating efficient and effective human resource systems through a partnership with managers and personnel directors in the agencies, universities and institutions of the State of North Carolina. OSP's mission is to provide leadership and support to agencies and universities in creating and sustaining dynamic human resource systems to attract, retain, develop, and motivate a diverse and competent workforce.

Challenges: Currently the **Department of Administration** does not have a written strategic plan outlining how to provide mandated services or to respond to program changes and budgetary constraints. With the multitude of programs for which the department is responsible, a strategic plan is an important tool for management to assure meeting its missions. One of the major responsibilities of the department is the oversight of the state's comprehensive building program. This responsibility is complicated by frequent legislative mandates for portions of the program, as well as changing standards and regulations. Much of the program has been decentralized. A major challenge for the department is maintaining safety and security for the building program (State Construction Office). A corollary program that has gained in importance over the last few years is the Historically Underutilized Business program also assigned to the department.

Another major function is the maintenance of state buildings. This responsibility relates directly those building in the Raleigh complex. It is made more difficult due to limited funding for this purpose and reduced staffing in the Facilities Maintenance Division.

Recruiting and retaining competent staff for these two areas, as well as the other programs under the department's purview, has proven to be a significant challenge due to non-competitive salaries for professional positions. Additionally, the department has seen significant reduction in the number of staff over the last four years due to the state's budget problems. Use of contracted personnel has grown in importance as the department's responsibilities have continued to increase while staffing has decreased. Yet, the department has not received any additional staff to help monitor the contracted personnel. Lastly, as with most other state agencies, the department has significant challenges in terms of funding and personnel in upgrading and using technology to better manage programs and provide services to its clients. It currently faces technology interface issues within the department and with a number of other state agencies with which it interacts on a routine basis. As the department increases its use of technology, its also needs to increase its level if information technology security to protect vital records.

Specifically for the **Office of State Personnel**, the major challenge is revising current general statutes to allow for flexibility in addressing human resource issues or adding new contemporary programs. Additionally, OSP lacks sufficient funding to recruit and retain experienced human resource employees. Lastly, OSP has a significant challenge to obtain adequate and continuing funding for technology needs. The Human Resource Information System currently used by OSP is outdated and is in need of replacement.

Opportunities: Perhaps the major opportunity for improving services to the citizens as well as to its state agency clients comes from the **Department of Administration's** identification and implementation of cost reduction programs such as its utility savings initiative and performance contracts for energy contractors. These initiatives have been quite successful in reducing costs and present significant opportunities for expansion. Additionally, the development of a written strategic plan offers management opportunities to better manage and respond to changes in responsibilities and improved coordination of the various programs assigned to the department. Lastly, upgrading technology, improving technology security, and expanding use of technology in the management of programs and provision of services offers considerable efficiencies and potential reduction in the "per unit" cost of services.

<u>Administration, Department of</u> (continued)

For the **Office of State Personnel**, major opportunities exist to improve services to agencies and employees through revising statutes to more accurately reflect current human resource needs for the state. Another significant opportunity comes in the form of updated information technology which would allow OSP to better manage programs, provide services, and more timely and accurate information to agencies, employees, and the public.

AGENCY CROSS-CUTTING ISSUES

Administrative Hearings, Office of—
  (Final Impact Rating = 10.2; Challenges Rating = 12.0; Opportunities Rating = 39.0)
The Office of Administrative Hearings (OAH) is an independent quasi-judicial agency that was established to provide a source of independent Administrative Law Judges to preside in administrative law contested cases. It was created to ensure that the functions of rulemaking, investigation, advocacy, and adjudication are not combined in the administrative process. As a consequence of this policy, North Carolina operates under what is referred to as the "central panel" system of administrative adjudication. This simply means that the eight Administrative Law Judges, who are employed by OAH, work for the central panel rather than the state agency. Besides administrative hearings, there are two other major functions of OAH. The first deals with the procedure that governs rulemaking in North Carolina. Article 2A of the Administrative Procedure Act (Chapter 150B) provides for uniform procedure for the adoption of rules, both permanent and temporary, and authorized OAH to publish the *North Carolina Register* and the *North Carolina Administrative Code*. Also, pursuant to Chapter 7A of the General Statutes, the Civil Rights Division of OAH is charged with the investigation of alleged acts of unlawful employment practice for all charges filed by state and local government employees covered under the State Personnel Act, Chapter 126 of the General Statutes.

Challenges: The Office of Administrative Hearings faces a number of challenges related to non-contiguous location of staff, staff reductions over the last four fiscal years, and the lack of a formal training program for staff. Training for civil rights investigators could be accomplished through an existing EEOC training program that would result in certification. Currently the Office does not have a written strategic plan outlining how to provide mandated services or to respond to program changes and budgetary constraints. Additionally, the Office needs to develop effective performance measures and improve controls over outsourced programs. Many of the challenges faced by the Office could be addressed through more effective use of technology to better manage programs and provide services. To accomplish this, the Office will need to update its existing technology and expand its information technology support staff.

Opportunities: All of the identified opportunities for the Office of Administrative Hearings relate to addressing the challenges discussed above. Developing a strategic plan, improving program and fiscal accountability, and increasing use of technology should allow the Office to improve its services to the citizens and employees of the state.

AGENCY CROSS-CUTTING ISSUES

Agriculture and Consumer Services, Department of—
(Final Impact Rating = 41.0; Challenges Rating = 61.6; Opportunities Rating = 80.0)
The North Carolina Department of Agriculture & Consumer Services provides educational activities to raise the understanding and importance of agriculture, laws, standards and best practices, as well as, provides information through one-on-one consultation to solve problems to boost agricultural production. The department disseminates an extensive amount of information that helps farmers with production decisions, sales, and increased income. Additionally, the department provides services to increase demand of North Carolina products through awareness efforts worldwide, manages research farms, distributes all USDA food to recipient agencies, manages the state fair, and provides food safety enforcement. Specific food safety responsibilities include: test, inspect, monitor, and enforce regulations for all food commodities (except milk and shellfish), pesticide, animal feed, seed, fertilizer, plant pest control, apiary program, apple/peach packing laws, and state egg laws; protect, sustain, and improve livestock/poultry health; and diagnose/ prevent disease outbreaks. Additionally, as a result of increased emphasis on homeland security, the department has assumed a significant role relating to food supply protection and identification and prevention of the spread of various crop- and animal-related diseases.

Challenges: The department is responsible for a large number of varied programs that affect, either directly or indirectly, all citizens of the state. To meet its responsibilities, the department employs 1,356 employees who are located throughout the state. This level of decentralization adds to the department's inherent risks of a breakdown in established controls. Additionally, the functions performed by its employees impact health, safety, public security, and defense for the public. For these reasons, it is imperative that the department have a well-designed, written strategic plan to help in the management of its important and diverse programs. Such a plan would help improve coordination and improve efficiency.

As with all state agencies, a major challenge for the department over the last four years has been how to handle budgetary and staff reductions, yet provide the critical services with which it is charged. The level of decentralization of its programs demands that the department have strong internal controls that are reviewed and revised on a periodic basis to reflect changes in program regulations. While the department has a large number of field staff, it suffers from lack of computerization and use of technology to assist those employees in the performance of their duties. As it upgrades technology, the department faces the challenge of improving its security of data.

Recruiting and retaining staff is an on-going challenge for the department, especially for professional positions where the pay levels are non-competitive. The kinds of programs for which it has responsibility require numerous multi-lingual staff. Additionally, changes in key management positions within the last four years have made it more difficult to maintain a coherent focus for the department.

Opportunities: While the department faces numerous challenges because of its size and the number and complexity of the programs assigned to it, it also has some significant opportunities for improvement. Perhaps the most beneficial change the department could make would be to automate it numerous inspection processes. This would improve the efficiency and effectiveness of field staff, as well as allow for more timely processing of inspection reports and follow up of needed changes. Increased use of technology would also allow for data trend analysis and improve the speed with which the department could identify and respond to crop or animal disease outbreaks. Because of its potential impact on department operations, technology should be a major part of the department's strategic planning process.

A second area that offers considerable return on investment is the recruiting and hiring of more multi-lingual staff to interact with the increased number of Hispanic farm workers among others. As noted elsewhere in this report, the number of Hispanics in North Carolina has increased by 394% since 1990. Many of these persons are employed in crop production areas. Expanded diversity training for field staff, as well as more multi-lingual staff, could significantly improve the department's ability to effectively interact with this portion of our population. Additionally, it could improve the safety and well being of a segment of our society that may not otherwise interact with government officials.

AGENCY CROSS-CUTTING ISSUES

Auditor, Office of the State—
     (Final Impact Rating = 53.8; Challenges Rating = 16.4; Opportunities Rating = 39.0)
The 1868 State Constitution created the Office of the State Auditor. The State Auditor is in an independent position established to review and comment on the operational and financial affairs of North Carolina State Government. General Statutes 147-64.14 mandates that all state agencies and entities partially or entirely supported by public funds are subject to audit by the State Auditor. Audits independently evaluate public program performance for the General Assembly, Governor, executive departments and agencies, governing bodies, and the general public. The law mandates that all audits be conducted in accordance with appropriate professional standards and that the state auditor be independent of the organizations to be audited. Over the years, the responsibilities of the Auditor have grown from only financial audits to include performance audits, information system audits, and fraud, waste, and abuse investigations. The Performance Audit Section was created in 1975. The Information Systems Section was created in 1983. The Fraud, Waste, and Abuse Section was created in 1988 and was given subpoena power by the General Assembly. The list of entities subject to audit also has grown, and includes financial and compliance audits of the North Carolina Partnership for Children and the local Smart Start partnerships.

Challenges: While the inherent risks facing the Office of the State Auditor are relatively low due to effective internal controls, there are some significant challenges facing the Office. The most significant challenge is how to accomplish the mandated audits given continued staffing reductions. As noted earlier in this report, approximately 80% of the Auditor's staff resources are dedicated to mandated financial audits. However, due to the state's budget shortfalls, staffing has been reduced each of the last four years. To offset these reductions and continue to meet the financial mandates, positions from other divisions have been moved to the financial division. This has decreased the Office's ability to conduct information systems audits, investigative audits, and performance audits. A second significant challenge for the Office is obtaining contractor assistance, as needed due to the loss of contracted services funds during the last four years. This loss has impacted a number of divisions within the Office, but none more than the performance audit division. Other challenges facing the Office also relate to budget needs. Specifically, travel and supply funds have been significantly reduced during this period. Both issues directly impact the Office's ability to conduct audits.

Opportunities: The Office of the State Auditor has opportunities to improve services to both citizens and state agencies through expanded programs. That is, addition of resources (staffing and contracted services funds) would allow the office to expand its audits in areas where the Auditor has more discretion in choosing the topics, i.e., information systems audits, investigative audits, and performance audits. The results of the analysis program described in this report show the areas where concentration of resources would most likely result in benefits to the state.

AGENCY CROSS-CUTTING ISSUES

Commerce, Department of— (Includes various Boards and Commissions which operate independently of the Department; however, the Employment Security Commission was pulled out and is presented separately.)

(Final Impact Rating = 53.8; Challenges Rating = 51.2; Opportunities Rating = 52.0)

The Department of Commerce is the State of North Carolina's lead agency for economic, community, and workforce development. The mission of the department is to improve the economic well being and quality of life for all North Carolinians. This mission is accomplished through various divisions. Among them are the Division of Community Assistance that assists local governments across the state through economic development, community development, growth management, and downtown revitalization. The Workforce Outreach Division operates the state's JobReady program, which builds local partnerships with businesses, schools and families to educate students on career opportunities. The Commerce Finance Center offers "one-stop financing" assistance for businesses that locate or expand in the Tar Heel State and administers the tax credits available to new and expanding industries under the William S. Lee Quality Jobs and Business Expansion Act. The Division of Business and Industry Development leads North Carolina's business and industrial recruitment efforts. North Carolina's International Trade Division through two domestic and six foreign office locations provides assistance to North Carolina businesses seeking to take advantage of overseas market opportunities. The Division of Employment and Training administers worker-training programs for unemployed and displaced workers and for workers whose family income is below 200% of the federal poverty level. The Policy, Research, and Strategic Planning Division maintains data on the state's economy for use by industrial clients, policy makers, and the general public. Other services provided by the Division include economic impact and policy analysis, program evaluation, and ad hoc research and analysis of various economic development issues. Other department responsibilities include the Tourism Division, the North Carolina Film Office, and the Division of Sports Development, to name a few.

Additionally, the department staffs and receives policy direction from three statutorily required, independently appointed boards and commissions: the Economic Development Board, the North Carolina Board of Science and Technology, and the Commission on Workforce Development. However, the following agencies report directly to their respective boards or commissions, rather than to the Secretary of Commerce. For purposes of this analysis, these boards and commissions have been included in the analysis for the Department. The exception is the Employment Security Commission, which has been discussed separately. (See page 49.)

Alcoholic Beverage Control Commission	Banking Commission
Cemetery Commission	Credit Union Commission
Employment Security Commission	Industrial Commission
Public Staff of the Utilities Commission	Rural Electrification Authority
NC Partnerships for Economic Development	Utilities Commission
	State Ports Authority

Challenges: The size and breadth of the department's responsibilities requires considerable autonomy for the divisions but at the same time considerable integration of the programs to achieve the department's missions in the most effective and economical manner. While the department has policies and procedures relative to the various programs, specific performance measures were not clearly identified for all divisions and programs. As with other state agencies, the last four years have seen both budget and staffing reductions within the department. Additionally, the department has experienced high turnover during this same period. Recruiting and retaining staff is complicated by salary limitations. Other challenges are evident in the information technology area where staff work to assure IT compliance and development of a business continuity plan. At the same time, the department has the challenge of improving IT security for sensitive data. Use of and need for information technology services has outgrown the number of IT positions and operating budget to accommodate that growth.

Opportunities: The department's main opportunities for improving operations appear to be in the information technology area. The department could significantly improve its IT efficiency and security by replacing legacy systems that have become increasingly difficult to maintain and operate efficiently. A major step in this effort would be to centralize the IT functions for the department. Additionally, the department has the opportunity to establish specific performance measures for each of its divisions and programs to assure effective use of funds.

Community College System, North Carolina—
(Final Impact Rating = 58.3; Challenges Rating = 60.4; Opportunities Rating = 90.0)
Authorized in 1957, the North Carolina Community College System is the primary agency for delivery of job training, literacy, and adult education in North Carolina. The System's mission is to open the door to high-quality, accessible educational opportunities that minimize barriers to post-secondary education, maximize student success, and improve the lives and well-being of individuals by providing:

➢ Education, training, and retraining for the workforce, including basic skills and literacy education, occupational, and pre-baccalaureate programs;
➢ Support for economic development through services to and in partnership with business and industry;
➢ Services to communities and individuals which improve the quality of life.

Challenges: The North Carolina Community College System is a major component of the state's higher education function. The system faces a number of challenges that will strain its resources over the next few years. A major challenge that the System is dealing with is **increasing enrollment** growth—16% increase from 2000 to 2003. Yet during this same period, the System has received **decreasing state appropriations** per student—negative 5.7% for the same period. This has limited salary increases for faculty and staff and made recruiting and retraining qualified employees more difficult. To handle the increased enrollment, the System has been forced to increase tuition and fees by 52.3% during the same period.

A second challenge facing the System is how it can respond to the communication and program needs of an ever **diverse population** that is also in need of remediation at all age levels before it can benefit from worker training. Community Colleges are not sufficiently staffed in Student Services to meet the counseling, financial aid and testing needs of these students. Changes in student makeup (age, program needs, ethnicity, etc.) are mandating new programs and multilingual staff. However, limited state funding has not provided adequate start up funds for new programs to address these needs. This situation has also made responding to specific business and industry training needs more difficult. Additionally, limited funding has also prevented the System from developing incentive programs to attract students to fields, such as health care technicians, where overall population changes will continue to create increased demand.

Lastly, reduced capital funding from both state and local sources has increased the System's needs to address building and infrastructure deficiencies. Despite receiving $600 million from the higher education bond referendum, the System is still facing an uphill battle to keep pace with the increasing enrollment and address the backlog of repair and renovation needs. Further complicating the System's ability to provide needed programs and training is insufficient funding to purchase and replace needed equipment.

Opportunities: While the Community College System does face a number of significant challenges, it also has some opportunities for improving services to citizens. The System is in the process of deploying a new administrative computer system that should allow for more efficient and effective administration of its programs and functions, allowing for the provision of more accurate and timely data on System operations. Additionally, the System has opportunities for expanding services and controlling costs through increasing its distance learning delivery system. This is an efficient delivery system, wherein students can access instruction anytime, anywhere; adults can continue to work full- or part-time and attend class at their homes; and instruction can be broadcasted to multiple locations (colleges) simultaneously with one instructor. To take advantage of this opportunity, the system will need proper funding. Another method of controlling costs exists through the increased use of procurement cards to streamline purchasing. Lastly, the System should be able to increase funding by applying for and receiving more grants from public and private sources and increasing public/private partnerships to expand program offerings.

AGENCY CROSS-CUTTING ISSUES

Controller, Office of the State—
(Final Impact Rating = 38.8; Challenges Rating = 14.3; Opportunities Rating = 52.0)
Established in 1986, the Office of the State Controller (OSC) provides an independent State Chief Financial Officer charged with insuring that state appropriations are expended, accounted for, and reported consistently with policies adopted by the Government Accounting Standards Board (GASB) and without influence from external sources. OSC meets this legislative directive through the comprehensive North Carolina Accounting System (NCAS), which is the tool used to insure that Generally Accepted Accounting Principles (GAAP), and GASB standards are met while providing on-line, real-time financial information to state government agencies. Included in OSC's responsibilities are cash management for all state resources, allotment control of available resources, and the centralized payroll for over 75,000 state employees. Additionally, OSC provides direction and administration for credit/debit card purchasing, electronic funds transfer, as well as input into the newly adopted e-procurement program.

Challenges: The Office of State Controller faces many of the same challenges that do other state agencies. However, as the state's financial office, the challenge of fluctuating budgets is magnified for OSC because it must be sure to maintain adequate funds to pay the state's bills. Additionally, the Office also has to deal with budgetary and staffing constraints in its operations, while responding to program and reporting changes from various standards boards. One of the major responsibilities of the Office is the oversight of financial operations that have been decentralized to state agencies. A significant challenge for the Office is oversight of outsourced functions which requires adequate personnel to accomplish. Staffing reductions have made this more difficult over the past four years. Other areas where the Office is challenged include lack of specific supervisory management training and adequate funding to update antiquated technology systems and applications. A continuing challenge for OSC is the implementation of e-commerce functions.

Opportunities: OSC also has a number of opportunities to improve services and operations. OSC is currently conducting a business infrastructure study which should help identify areas where significant changes can be made to its operations. Additionally, OSC has opportunities to identify areas where internal controls need to be strengthened through its internal control compliance reviews of agencies with decentralized financial offices. But the opportunity that offers the most potential is improving IT efficiency and security. This could be accomplished by replacing legacy systems and applications, as well as expansion of e-commerce/e-transfer functions.

Correction, Department of—

(Final Impact Rating = 58.7; Challenges Rating = 68.0; Opportunities Rating = 79.0)

North Carolina's first prison was authorized in 1868. Through the years, there have been many changes to the organization and responsibilities of the department. A major change came in 1931 when the General Assembly enacted the Conner Bill that enabled the state to take over control of all prisons and inmates. In 1974, the agency was renamed the Department of Correction with two major subdivisions, the Division of Prisons and the Division of Adult Probation and Parole. While the department has several subdivisions, its core mission is to promote public safety by the administration of a fair and humane system which provides reasonable opportunities for adjudicated offenders to develop progressively responsible behavior.

Challenges: The Department of Correction is in the process of building a number of new facilities. This building program will present a number of challenges as it progresses. Of major importance to the department is maintaining safety and security for inmates and staff, an effort that is directly affected by the inmate to staff ratio. An on-going challenge for the department is recruiting and retaining staff given the low salaries offered, especially at the facilities themselves. Approximately 33% of correctional officers resign within the first year of employment. Additionally, management must continue to develop programs to not only train staff, but to help them deal with stress caused by the job.

As with other state agencies, the department has had to deal with significant budgetary fluctuations during the last four fiscal years. Budget issues have been keenly felt by the department due to significant increases in the inmate population and in the cost of health care for inmates. The prison population has grown 24% since 1995. It is projected to increase by 31.3% by the year 2013. In addition the average age of the inmate population continues to increase. Between 1995 and 2003, the number of inmates 50 years old or older increased by 149%. As with the general population, as inmates age, medical costs continue to increase.

To deal with the budget cuts, the department has had to reduce staffing in support areas in order to maintain the necessary staffing ratios at the correctional facilities. This has led to increasing critical shortages in key support areas (MIS, accounting, engineering, personnel) and has increased the importance of more effectively using technology to better manage programs and provide services. A significant challenge for the department is finding funds to upgrade existing technology and continue to improve information technology security.

Opportunities: The department has considerable opportunities to improve efficiency of operations through the design of its new facilities. The department conducts extensive cost analysis annually on all programs to assure efficiency of operations. Other opportunities available are to improve operations in existing facilities and programs through development of other appropriate performance measures. Additionally, expanding use of technology to better manage programs and provide services, as well as expanding use of alternative programs for inmates, offer potential for reducing costs. There is also an opportunity to re-examine the classification and pay grade levels for correctional and probation and parole officers. Lastly, there are opportunities for the department to increase funding by applying for and obtaining more federal grants.

Crime Control and Public Safety, Department of—
(Final Impact Rating = 81.5; Challenges Rating = 67.5; Opportunities Rating = 68.5)

Created in 1977, the Department of Crime Control and Public Safety (CCPS) has ten divisions whose overall missions are to improve the quality of life for North Carolinians by reducing crime and enhancing public safety. The Secretary serves as the sole representative on the Governor's Cabinet for the state's law enforcement and emergency response community. Divisions of the department enforce state laws – in particular those involving alcohol, drugs and traffic – assist local agencies in preventing crime, work to maintain an effective criminal justice system, and provide aid to crime victims. Additionally, the department protects the state's citizens from natural and manmade emergencies, such as chemical spills, hurricanes, and tornadoes. By conducting public awareness programs and training, and by preparing emergency response plans, CCPS strives to prevent injuries and deaths. The department coordinates the state response to emergencies and directs relief efforts to disaster victims. CCPS also serves as North Carolina's Office of Homeland Security, and is currently spearheading efforts to strengthen the state's terrorism defenses and response capabilities.

Challenges: The Department of Crime Control and Public Safety has a number of significant challenges simply due to the myriad programs and functions for which it has responsibility. It is the point agency for the state's homeland security efforts in addition to functions relating to emergency management, law enforcement, and the National Guard, to name a few. Because of the nature of the programs within the department, it must respond to citizens' expectations and needs and has implemented internal controls to help assure accomplishment of its missions.

 The department must constantly respond to program changes, as well as budgetary fluctuations at both the federal and state levels. A significant challenge is to revise performance measures to reflect the changes to programs and expectations. To address many of these challenges, the department needs to use technology to better manage programs and provide services. This will require upgrading existing technology and continuation of its efforts to improve interoperable communications statewide.

 All these factors lead to difficulty in recruiting and retaining qualified staff. Many of the positions are for temporary and time-limited staff who are needed only when there is a need to respond to an emergency. Turnover in key management positions also creates challenges for the department, but since the top positions are appointed by the Governor, turnover is to be expected.

Opportunities: While the department has made considerable progress in improving it services to citizens, there are other opportunities for improvement. These include continuing to build on the existing emergency response structure to provide additional homeland security efforts. Refocusing internal processes to ensure efficiency and redesigning performance measures also offer the department areas for improvement. Improving information technology efficiency and security and continuing to improve statewide interoperable communications are areas of opportunities. Lastly, turnover in top appointed positions offers the opportunity for new ideas to be shared with the department.

AGENCY CROSS-CUTTING ISSUES

Cultural Resources, Department of—
(Final Impact Rating = 44.0; Challenges Rating = 41.4; Opportunities Rating = 49.0)
The North Carolina Department of Cultural Resources was formed in 1971 to serve North Carolina's citizens across the state in an outreach to broaden minds and spirits, preserve history and culture, and to recognize and promote our cultural resources as an essential element of North Carolina's economic and social well being. It was the first state organization to include all agencies for arts and culture under one umbrella. The department is comprised of the Office of Archives and History and the Office of Arts and Libraries. The Office of Archives and History, founded in 1903, preserves and maintains a record of North Carolina's rich cultural heritage through the preservation and interpretation of documents, artifacts, buildings, and by promoting history education. It sponsors programs for students and teachers including National History Day in North Carolina, the Tar Heel Junior Historian, and the History Bowl. The office includes three divisions – the Division of State History Museums, the Division of State Historic Sites, and the Division of Historical Resources. The Office of Arts and Libraries encompasses four divisions – the N.C. Museum of Art, the N.C. Arts Council, the N.C. Symphony, and the State Library of North Carolina. These divisions help to promote arts, education, and cultural experiences to citizens all across the state.

Challenges: The Department of Cultural Resources is facing a number of challenges directly related to its multi-faceted mission. Because of its many and diverse functions, the department needs a clear strategic plan for operations that includes the completion of a comprehensive inventory of all the state's assets for which the department has responsibility. The strategic plan should also allow the department to more effectively respond to mandated program changes and better deal with budgetary constraints. Current joint pilot programs underway with other agencies, such as the project with ITS to preserve and provide access to the state's digital information, should be expanded to improve services.

Additionally, the department needs to improve its internal controls and implement effective and appropriate performance measures for its staff. These issues become more important given staff reductions and turnover of personnel in key positions that the department has endured during the last four fiscal years. Lastly, the department needs to develop ways to use technology to better manage its programs and provide services to the citizens. To accomplish this, the department needs to upgrade its existing technology and continue to improve information technology security.

Opportunities: The department has a number of opportunities that are directly related to addressing the challenges identified above. These include using a strategic plan to improve efficiency, improving program and fiscal accountability through enhanced internal controls, and continuation of digital pilots and increased information technology security measures. However, many of the opportunities available to the department relate to expanding the state's holdings of cultural assets and expanding cultural and art program offerings. To achieve these opportunities, the department will require significantly increased funding during the next few years.

AGENCY CROSS-CUTTING ISSUES

Employment Security Commission—
(Final Impact Rating = 45.0; Challenges Rating = 46.9; Opportunities Rating = 42.0)
The Employment Security Commission's mission is to promote and sustain the economic well being of North Carolinians in the world marketplace by providing high quality and accessible workforce-related services. The Commission is comprised of the Employment Service Division, the Unemployment Insurance Division, and the Labor Market Information Division. The Employment Service Division seeks to fill job openings with occupationally qualified workers, to locate for the worker a job suited to his or her skills, knowledge, and abilities, and to provide technical assistance to employers on a variety of issues related to day-to-day personnel matters. The Unemployment Insurance Division provides temporary income protection to workers with coverage under the Unemployment Insurance Program during periods of involuntary unemployment. Employers share the cost of this insurance through payroll taxes collected by the Commission. The Labor Market Information Division collects, organizes, and disseminates information about the operation of the labor market such as data on job opportunities, availability of workers, and long-range trends in employment. This information is valuable to workers, employers, economists, educators, and others.

Challenges: The overall economic condition directly affects the Employment Security Commission's workload and the demands placed on it. In addition, the Commission is challenged to respond to changing and sometimes conflicting federal and state mandates. Many times this results in requests for redundant information which the Commission's aging technology cannot handle easily. These changes are made more difficult by the lack of a written strategic plan which could assist staff in developing options as conditions change. From a financial perspective, the Commission also has to cope with changes to the unemployment trust fund and changes to the unemployment tax rate. Because of the nature of the Commission's role, it is imperative that it have strong internal controls over funds and information. A major challenge is the strengthening of IT security measures for sensitive data. Recruiting and retaining staff has also been a challenge for the Commission during the last four years, as has providing job specific training. Currently, it has 495 positions vacant which it is challenged to fill in a timely manner.

Opportunities: The major opportunity open to the Commission for improving services lies in the area of information technology. As the demands for its services increases, so does the need to expand use of technology to provide those services. Replacing aging technology and improving IT security and compliance issues are a must for the Commission. Additionally, the Commission has the opportunity to increase its staff training to improve efficiency and, hopefully, help retain staff.

AGENCY CROSS-CUTTING ISSUES

Environment and Natural Resources, Department of— (NOTE: For purposes of this analysis, the Wildlife Commission and the Clean Water Trust Management Fund which are organizationally located under DENR for budget purposes were included even through they operate independently of the department.)

(Final Impact Rating = 76.5; Challenges Rating = 61.0; Opportunities Rating = 80.0)

The **Department of Environment and Natural Resources** (DENR) is the lead stewardship agency for the preservation and protection of North Carolina's outstanding natural resources. The organization, which has offices from the mountains to the coast, administers regulatory programs designed to protect air quality, water quality, and the public's health. DENR also offers technical assistance to businesses, farmers, local governments, and the public and encourages responsible behavior with respect to the environment through education programs provided at DENR facilities and through the state's school system. The agency's activities range from helping to make sure drinking water is safe to managing state parks and forests for safe and enjoyable outdoor recreation experiences.

Working with the Department of Environment and Natural Resources Secretary under its own legislative mandate is the **Wildlife Resources Commission**. Created in 1947, the Commission manages, conserves, regulates, and protects wildlife resources and administers the boating safety program in the state. The Commission consists of wildlife and fisheries biologists, wildlife enforcement officers, educators, engineers and administrative staff in nine districts across the state. Commission policies and programs are based on scientifically sound resource management, assessment and monitoring, applied research, and public input.

Created in 1996, the **Clean Water Management Trust Fund** makes grants to local governments, state agencies, and conservation non-profits to help finance projects that specifically address water pollution problems. Its 18 member, independent Board of Trustees has full responsibility over the allocation of moneys from the Fund. Funded projects must (1) enhance or restore degraded waters, (2) protect unpolluted waters, and/or (3) contribute toward a network of riparian buffers and greenways for environmental, educational, and recreational benefits. Administrative functions (finance, human resources, etc.) are provided for the Fund by the Department of Environment and Natural Resources.

Challenges: As the state's chief resource protector, the department must comply with numerous federal and state regulations. The major challenge facing the department is complying with ever-changing regulations. A second major challenge is the coordination of the various programs for which it has responsibility to ensure effectiveness and efficiency.

Dealing with budget fluctuations and staff reductions complicates the department's achievement of its missions. From a financial accountability perspective, the department is challenged to coordinate and oversee the decentralized budgets for its divisions. Each division has its own financial staff who report to the division director, not a departmental finance director.

Because of the types of programs for which it has responsibility, the department has a large number of grant funded positions which cease to exist if the grants end. Thus, recruiting and retaining staff has been an on-going challenge for the department. In many areas, staffing has been cut during the last four years which has made it more difficult to provide its mandated services.

Lastly, because of the size and complexity of the programs assigned to the department, the use of technology to improve effectiveness and efficiency is another on-going challenge. Adequate funding to upgrade existing computer systems is a major need for the department, as is improving IT security over sensitive data contained in the department's databases.

Opportunities: Perhaps the biggest opportunity for improving services for the department is through increased education of citizens relative to environmental issues. Not only would this benefit the citizens, it would benefit the state by allowing the department to concentrate on critical environmental areas where significant benefits could be realized. A second, and equally beneficial, opportunity lies in upgrading and expending the department's technology to improve efficiency and increase security of data. A third opportunity open for the department is the examination of the current fees and fines structures to determine which of those should be increased to make them more effective and to better reflect the actual costs of services. Related to this opportunity is the possibility of improving financial oversight by consolidating budget and financial functions within the department. Lastly, increased cooperation between the department and the Department of Health and Human Services for health related issues and the Department of Transportation for environmental related issues would be beneficial in reducing costs and improving efficiency.

AGENCY CROSS-CUTTING ISSUES

Governor, Office of the—(includes the Office of State Budget and Management and various commissions)
Note: While the Office of Information Technology is organizationally placed in the Governor's Office, it is profiled separately in this report. See page 55.

(Final Impact Rating = 69.5 *; Challenges Rating = 25.5; Opportunities Rating = 48.0)

The analysis model used puts considerable weight on the number of staff and the financial weight in computing each agency's "impact" score. Because these two criteria are low for the Governor's Office, the resulting impact score may not reflect the true impact of this Office. The Governor, as leader of the state, is responsible for all state government operations.

The Office of the Governor is the oldest governmental office in the state. In 1972, the Office of the Governor was created as one of the 19 departments in the executive branch of state government. Under the Governor's immediate jurisdiction are assistants and personnel needed to carry out the functions of chief executive. Not only is the Governor the state's chief executive, he also directs the state budget and is responsible for all phases of budgeting from the initial preparation to final execution. The Governor is commander-in-chief of the state's military forces. Also, he serves as chair of the Council of State. The Governor has the authority to convene a special session of the General Assembly should affairs of the state dictate such a move.

The North Carolina Constitution requires the Governor to faithfully execute the laws of the state. He has the power to grant pardons and commute prison sentences. The Governor may also issue extradition warrants and requests, join interstate compacts, and re-organize and consolidate state agencies under his direct control. The Governor has final authority over state expenditures and is also responsible for the administration of all funds and loans from the federal government.

The **Office of State Budget and Management**, headed by the Director of the Budget, serves the Governor by providing fiscal advice, formulating in detail the recommended state budget, executing the legislatively authorized budget in accordance with the Executive Budget Act (G.S. 143) and special provisions of Session Laws, estimating revenue and monitoring revenue during the course of the fiscal year in order to insure availability of funds for expenditure by agencies, providing economic analysis for budget preparation and execution, and controlling the allotment of funds for compliance by law.

One of the powers given to the Governor by the state's constitution is governmental appointments. More than 400 boards and commissions have been established either by general statute or executive order issued by the Governor. The Governor appoints individuals to serve on these boards and commissions which in turn serve a variety of institutions. For example, the University of North Carolina Board of Governors and The University of North Carolina Board of Trustees give direction to the sixteen University System's boards of trustees. Also, the regulatory Boards and Commissions of the North Carolina Community College System receive direction from the State Board of Community Colleges and the Board of Trustees of the Community Colleges. In addition to these educational institutions, the Governor also makes appointments to other regulatory boards and commissions which have binding authority in certifying, licensing, regulating and distributing or investing public money. The regulatory boards set policy governing operation of an agency or institution and enforce standards, rules and regulations. The advisory boards and commissions are responsible for making recommendations on policy and program implementation. These councils provide the Governor with research, analysis, and advice on issues, programs, and policies that affect the people of the state. Many of the advisory boards create a forum for public discourse for the purpose of promoting improvement.

Challenges: The challenges facing the **Office of the Governor** are unique in state government. The major challenge is the oversight of all of state government. As stated above, the Governor is responsible for the state budget, must deal with fluctuating revenues, and find ways to balance the state's budget. In the past four years, this has been a significant challenge due to declining state revenues and unprecedented expenditures for natural disasters. Handling natural disasters is another major challenge for the Office since North Carolina is a prime target for hurricanes and various winter storms.

Promoting continued economic development in a pro-active yet fiscally conservative manner is another of the continuing challenges for the Office. The Governor and his staff must find ways to balance the needs of the state against the realities of the budget while honoring the state's obligation to employees and retirees. This has proven to be a strong challenge during the last four years.

Each of these challenges for the Office is magnified by the mandated high turnover in key positions with each election. Additionally, while the Governor surrounds himself with very capable and talented people, there is no specific training for supervisors in the Office thereby possibly making the achievement of the goals of the Office more difficult.

Challenges facing the **Office of the State Budget** under the direction of the Governor are also evident. The first of these challenges is to provide accurate forecasts for state leaders on budgetary issues. This responsibility is made more difficult due to the multiple financial systems in use by state agencies and universities across state government. This also impacts the effective preparation and execution of the state's budget by making it more difficult for State Budget to accurately track budget transactions.

Governor, Office of the (continued)

Other challenges facing State Budget relate to human capital issues. It continues to experience difficulty in recruiting and retaining staff. A major issue for the Office has been high turnover due to retirements; however, this is now stabilizing. In several areas, State Budget has a critical need for additional staff to meet its obligations. Additionally, the Office does not have sufficient training funds to assure that the staff it has is adequately trained. Lastly, State Budget has the challenge of securing adequate funding to upgrade technology systems to better manage programs and provide services, as well as improve IT security.

Opportunities: Specific opportunities for the **Governor's Office** are hard to identify. Continued use of advisory panels and identification of trends for state government are keys to effectiveness for the Office. Continuing to improve IT efficiency and security for the **Office of State Budget** are key areas of opportunity. Further opportunities exist for State Budget to increase interagency cooperation relative to budgeting. Specifically, upgrading computer systems to allow real time staffing and financial data and upgrading business systems should improve operations for not only State Budget but also for state government as a whole.

AGENCY CROSS-CUTTING ISSUES

Health and Human Services, Department of—
(Final Impact Rating = 90.5; Challenges Rating = 97.0; Opportunities Rating = 84.0)

The Department of Health and Human Services (DHHS) employs 19,052 employees in 24 different divisions and offices, including:

Aging and Adult Services	Services for the Blind
Child Development	Citizen Services
Services for the Deaf and Hard of Hearing	[Council on Developmental Disabilities]
Economic Opportunity	Education Services
Environmental Health (part of the Department of Environment and Natural Resources)	Mental Health, Developmental Disabilities, and Substance Abuse Services
Medical Assistance	Facility Services
Minority Health and Health Disparities	Public Health
Research, Demonstrations, and Rural Health Development	Social Services
State Center for Health Statistics	Office of Vital Records
Vocational Rehabilitation	

DHHS is responsible for ensuring the health, safety, and well being of all North Carolinians, providing the human service needs for fragile populations like the mentally ill, deaf, blind, and developmentally disabled, and helping poor North Carolinians achieve economic and personal independence. DHHS touches the lives of virtually every North Carolinian from birth to old age – prenatal programs, child development programs, nursing, and rest home regulations. DHHS' divisions and offices fall under four broad service areas – administrative, support, health, and human services. The department is also responsible for managing the town of Butner. DHHS also oversees 18 health and human services facilities.

Challenges: Perhaps the major challenge facing the department is effectively managing the hundreds of state and federal grants/programs. As noted above, the complex programs and services offered by the department are spread out over the state and touch most every segment of the state's population. Additionally, management must respond in a timely and effective manner to federal and state program changes. A further challenge is finding ways to provide services to under-served segments in both urban and rural areas. To effectively manage the complex mix of programs and services, department management must face the challenge of succession planning for key positions within the department.

In the area of financial management and accountability, the department is challenged to assure effective performance measurements are in place for operations, as well as for oversight of outsourced services. Further, the department must cope with budgetary constraints while dealing with increasing medical costs, especially in the area of Medicaid. Also, the department is challenged to find ways to effectively use grant funds to increase the numbers of citizens served.

Another major challenge for the department is finding, rewarding, and keeping employees. Like other state agencies, the department is constrained by non-competitive salaries for many of its positions, especially in the medical area. Developing leadership potential, as well as succession planning, is another of the challenges faced by the department. The department is responding by developing a specific training program for supervisors and managers, as well as more job-focused comprehensive training for all employees.

Lastly, in the area of technology management, the department's challenge is to find sufficient, on-going funding to upgrade aging systems and applications. Technology is critical to the efficient and effective provision of services since much of the work the department does must be relayed to other agencies. The department is working to establish and continue on-going web-based networks with other state agencies, locals, and the federal government.

Opportunities: The department has a number of opportunities to improve services to citizens, most of which depend on acquiring more resources. It has opportunities to identify and implement needed programs for under-served segments, as well as to expand existing programs. Another major opportunity to improve services is to build upon the concept of "one-stop" assistance centers to help assure citizens in need of services can find them and can get those they need in an efficient manner. This model of service provision would also help to eliminate duplication of services and help to control costs. The department is making considerable progress in this area with initiatives such as performance-based contracting and NC FAST which is designed to provide one-stop access and a streamlined service delivery process.

Health and Human Services, Department of (continued)

A further opportunity comes in the form of improving program and fiscal accountability. A major opportunity to accomplish this is through increasing use of technology to provide more real time monitoring of programs and services. However, the department will also need adequate staff to perform the monitoring, as well as adequate training for staff to assure that they know the complexities of the programs they are charged with monitoring. For those staff located in the Raleigh area, working to consolidate office space and staff would improve the interactions among the various divisions.

Lastly, the department has an opportunity to employ flexible human capital management practices to help recruit and retain employees in professional positions that are not hard to fill. This could encompass practices such as more competitive salaries, greater flexibility in work hours, more job-specific training, etc.

AGENCY CROSS-CUTTING ISSUES

Information Technology Services, Office of—
(Final Impact Rating = 50.3; Challenges Rating = 27.8; Opportunities Rating = 65.0)
The Office of Information Technology Services, organizationally placed in the Governor's Office, was profiled separately because of its impact on all state government operations. The Office of Information Technology Services (ITS) is a partner for IT solutions in North Carolina. It provides state-level leadership in managing information technology and assists in formulating state-level information technology strategies, plans, policies, and procedures. Additionally, it oversees ITS security functions and coordinates all ITS security programs in order to meet customer agency needs at the statewide level. ITS has responsibility for procurement of IT products and services in order to maximize the state's IT purchasing power. Also, ITS provides computing services, enterprise solutions, and telecommunication services to state agencies.

Challenges: The Office continues to be challenged in expanding the state's enterprise initiative and in obtaining funding to establish a separate disaster recovery site for state operations. The major challenge faced by the Office is coordinating the use of technology for agencies that have differing abilities to use technology. The Office must respond to program changes at each agency, continue to support legacy systems, and work to upgrade both the agency systems and its own business processes to be more effective. Another challenge is to continue to improve information technology security for itself and the state. A major new responsibility is the implementation of the requirements of Senate Bill 991 (S.L. 2004-129), addressing planning, budgeting, and project approval; IT consolidation studies; project management; procurement; and the establishment and use of an IT Fund among other requirements. Complicating these efforts is the difficulty the Office has in recruiting and retaining qualified staff and turnover in key management positions.

Opportunities: The major opportunity available to the Office is the operational consolidation of information technology functions across state government and completion of a statewide information technology plan. Currently, there are 29 "chief information officers" located in various state agencies. These individuals report directly to their agency head, not the state's Chief Information Officer. This structure complicates the coordination of technology and the implementation of the enterprise initiative. There is a continuing need to establish a separate second information technology site for state government. Additionally, there are continued opportunities to reduce costs and improve interfacing between agencies through coordinated procurement of hardware and software. This program has already resulted in approximately a 10% reduction in the costs to the state. Replacement of legacy systems and programs offers significant opportunities for improving services. Lastly, the Office has opportunities to improve information technology security for itself and the state.

AGENCY CROSS-CUTTING ISSUES

Insurance, Department of—
(Final Impact Rating = 61.3; Challenges Rating = 35.6; Opportunities Rating = 43.0)

The Department of Insurance was created in 1899 by the General Assembly to regulate the various kinds of insurance sold in North Carolina and the companies and agents that sell it. The department serves citizens of North Carolina through consumer protection and education, safety training and promotion, and regulation of specified activities and industries. Services are provided by five sections: Public Services Group, Company Services Group, Technical Services Group, Administration, and the Office of the State Fire Marshal. The **Public Services Group** is comprised of the Agent Services, Consumer Services and Investigations Divisions. The **Company Services Group** is comprised of the Actuarial Services, Financial Analysis and Financial Evaluation Divisions as well as the department's Receivership Office. The **Technical Services Group** is comprised of the Property and Casualty Division, Market Examinations Division, Life and Health Division, Seniors' Health Insurance Information Program, the Managed Care Division Care, and Health Benefits. **Administration** is responsible for all of the internal workings of the Department of Insurance and manages all divisions as well as staffing for the department's personnel and controller functions. The **Office of State Fire Marshal (OSFM)** is comprised of six divisions: Engineering; Manufactured Buildings; State Property Fire Insurance Fund; Fire and Rescue Training and Inspections; Fire and Rescue Commission; and Prevention, Program Development and Grants. OFSM administers and enforces life safety standards throughout the state, promotes risk management practices throughout government, and maintains a sound insurance program for state agencies. The department also has an Eastern Regional Office located in New Bern and a Western Regional Office in Asheville.

Challenges: The major challenge for the department is responding to program changes. To accomplish its missions, the department must find ways to deal with budgetary fluctuations, as well as ways to recruit and retain professional staff. Because of the nature of the programs for which the department is responsible, it must continue to assure that it has strong internal controls in place to oversee its financial responsibilities. Lastly, the department is challenged to obtain adequate and on-going funding to update its information technology, both systems and applications, to better manage programs and provide services. Additionally, the department needs to continually improve its IT security to protect sensitive data in its databases.

Opportunities: The major opportunities noted for the department were related to expanding its use of technology and continuing to improve IT security and compliance issues. Another major area of opportunity to improve services to citizens is through continued emphasis on the rate control function.

Judicial Branch, North Carolina—(includes the Indigent Defense Services Office and the Administrative Office of the Courts)

(Final Impact Rating = 70.7; Challenges Rating = 51.9; Opportunities Rating = 79.0)

The North Carolina judicial branch is comprised of several different offices with specific roles and responsibilities. These elected or appointed officials play crucial roles in the processing of cases and the disposition of justice. These officials include superior court judges, district court judges, clerks of superior court, district attorneys, magistrates, public defenders, and trial court coordinators.

North Carolina has a unified court system (General Court of Justice) consisting of an Appellate Division and two Trial Divisions: the Superior Court Division and the District Court Division. The Appellate Division, comprised of the Supreme Court and the Court of Appeals, reviews trial court decisions in which a party claims the judge made an error applying the law. The Supreme Court of North Carolina is the state's highest court. The Court of Appeals is the intermediate appellate court.

The Trial Division includes district courts, superior court, small claims court, and special courts. The Superior and District courts handle more than 2.8 million cases a year. Superior Court is divided into eight divisions and 46 districts across the state. Trial courts, or District Courts, can be divided into four categories: civil, criminal, juvenile and magistrate. Like the Superior Court, District Court sits in the county seat of each county. It may also sit in certain other cities and towns, specifically authorized by the General Assembly.

In August 2000, the North Carolina General Assembly passed the Indigent Defense Services Act of 2000, creating the Office of Indigent Defense Services and charging it with the responsibility of overseeing the provision of legal representation to indigent defendants and others entitled to counsel under North Carolina law. The office has its own budget of approximately $90 million.

The Administrative Office of the Courts (AOC) is the administrative arm of the Judicial Branch. The AOC provides statewide support services for the courts, including information, technology, personnel, financial, legal, research and purchasing services. In addition, the AOC prepares and administers the court system's $360+ million budget and employs more than 400 people. The director of the AOC is appointed by the chief justice but has independent statutory responsibility for the administration of the court system. The assistant director is also appointed by the chief justice and serves as the administrative assistant to the chief justice.

Challenges: Perhaps the biggest challenge for the **Judicial Branch** is its vast size and number of locations. Under North Carolina's system, the judiciary is decentralized, with different responsibilities placed at different levels within the system. The **Administrative Office of the Courts**, while responsible for the administration of the court system, does not directly control judges, district attorneys, magistrates, or clerks of court. Thus, dealing with program and legislative changes is a major challenge for the different components of the Judicial Branch.

Consistency of operations is made more difficult due to inequities in the system both in terms of workload and personnel resulting from the varying sizes of the judicial districts both in population and geographic size. The General Assembly has added judicial districts in some areas but has failed to approve the necessary support personnel for those new districts. Additionally, there are various organizational structures at the local levels, leading to inconsistency, as well as varying levels of local financial support for programs and staffing. At the local level, judges, district attorneys, and clerks of court are elected and thus have some degree of autonomy.

With 90% of the budget for the Branch dedicated to staff resources, a critical challenge is to recruit and retain the necessary personnel to operate the system at all levels. While staffing levels for judges and most programs appear adequate, there is little workload or caseload data available to determine necessary staffing. A recent study showed that clerks of court offices were understaffed by approximately 200 positions across the state. A further complication is classification issues in the clerks offices that make it more difficult to retain qualified staff. Nor does the Branch offer job-specific training for anyone other than judges.

Another challenge for AOC's budgetary role is how to stretch limited funding, especially for constitutionally mandated programs such as indigent defense and interpreters. Additionally, the propensity of counties to directly lobby the General Assembly for special legislation and appropriations for their counties tends to increase the staffing and program differences among counties and further complicates budget administration from a central location.

Other issues facing the Branch have to do with buildings and space allocation. Each county is responsible for providing office space for Branch personnel, as well as providing the courthouse and its security. Many times counties have space limitations, which increase the challenge of providing the required services in each county. Security is another major issue at each county, with the level of security provided at courts directly related to the county's ability to provide it.

Judicial Branch, North Carolina (continued)

        AOC has its own issues with buildings and space. The Court of Appeals building and the Law and Justice Building both have safety issues. The Court of Appeals fire escape fell from the building more than a year ago and emergency repairs and renovations had to be made. The building still has fire and security vulnerabilities. The Law and Justice Building (Supreme Court and AOC director's office) has a mold problem in the basement resulting in the closure of those offices. The building is scheduled to undergo a $10 million renovation in 2005. AOC is currently scattered among five buildings in addition to the Law and Justice Building which offers challenges in management efficiency and effectiveness.

        Overall, the Branch, as well as AOC, have major challenges related to adequate technology. AOC owns its own mainframe which is located in a building in the Crabtree Creek floodplain where flooding has caused system problems in the past. The state is responsible for providing IT to local personnel, including telephones. However, many clerks' offices still do not have access to the Internet or e-mail. This causes major interface problems with other agencies. For the most part, criminal records are computerized but civil records are still kept manually in books. Currently, there is no backup for these civil records and if they are damaged or destroyed, there is no way to recover them.

Opportunities: There are a number of opportunities for the **Judicial Branch** to improve services to citizens. The opportunity that offers the most benefit would be the upgrading of information technology, both systems and applications, throughout the levels of the Branch. Automating the various processes within the Branch offers significant future cost reductions in terms of personnel. Expanding the e-citation program and the e-courts (civil and criminal) program offer the possibility of more timely and better protected records. These programs also make it easier for law enforcement officials to conduct records checks when necessary. Additionally, computerizing existing criminal and civil records would better protect this information and allow for easier retrieval.

        Computerized records would also allow **AOC** to construct workload and caseload analysis to determine the necessary staffing levels for each county. This would also allow AOC to provide workload data to the General Assembly for consideration in establishing additional judicial districts. For AOC, moving its mainframe into a more protected location offers the ability to provide un-interrupted services.

        Other opportunities are in the area of staffing changes. A classification study for positions in clerks' offices offers possibilities for increasing pay levels and improving the Branch's ability to hire and retain qualified staff. Additionally, the establishment of a "judicial academy" aimed at job-specific training for personnel at all levels of the system would improve consistency and allow employees the chance to develop skills and abilities. Expanding public defender offices may allow for a less costly method of providing indigent defense services. For AOC, the establishment of an internal audit function would allow for more direct oversight of the various components of the Branch.

        Lastly, addressing building and space issues at all levels of the system offers opportunities to improve services to citizens and improve working conditions for staff. A further opportunity to improve services is in improving security at local courthouses. This may require specific action on the part of the state as well as the local leaders.

AGENCY CROSS-CUTTING ISSUES

Justice, Department of—

(Final Impact Rating = 67.3; Challenges Rating = 31.1; Opportunities Rating = 46.0)

The Department of Justice, headed by the Attorney General, provides legal representation and advice to all state government departments, agencies, and commissions. The Attorney General also provides legal opinions at the request of other public officials and handles all criminal appeals from state trial courts. When public interests are at stake, the Attorney General can take legal action on behalf of the State and its citizens. Through the Consumer Protection Division, the Attorney General works to educate North Carolina consumers and protect them from frauds and scams. The Victims and Citizens Services Section also works to protect the rights of victims and help citizens better understand the criminal justice system. In addition to legal services, the department provides assistance to law enforcement agencies across North Carolina. The State Bureau of Investigation works with local law enforcement to investigate crimes. The North Carolina Justice Academy provides training for local law enforcement officers. The department also oversees standards for officers through the Sheriffs' Standards Training Commission and the Criminal Justice Training and Standards Commission, as well as oversight of standards for private security, private investigators and other related professions through the Private Protective Services Board and burglar alarm businesses through the Alarm Systems Licensing Board.

Challenges: The Department of Justice has a number of major challenges facing it at this time. Currently, the department is responding to several program changes resulting from its role supporting the state's homeland security efforts. Major efforts are being placed on maintaining safety and security for citizens and for staff. The department's primary law enforcement mission and focus involve increasing its DNA analysis capacity, computer crime investigations, and methamphetamine investigations. These efforts would be enhanced if the department had a written strategic plan to help coordination. Responding to program changes and on-going mission responsibilities is complicated by budget fluctuations and the challenge of recruiting and retaining qualified staff. Another challenge is continuing the development of agency specific training to supplement the training provided at the Justice Academy. The department also needs to continue to place emphasis on internal controls and implement a plan to purchase and replace needed equipment. Lastly, increased use of technology to better manage programs and provide services would benefit the department and its clients. To accomplish this, the department needs to continue upgrading its technology equipment and programs and improve information technology security.

Opportunities: Many of the opportunities available to the department flow from the challenges identified above, such as developing a written strategic plan to improve effectiveness. However, the department has opportunities to expand and improve assistance to local law enforcement through enhanced use of technology and expanded databases with appropriate security. Additionally, expansion of cooperative programs with other agencies, specifically relating to homeland security efforts, is also available to the department.

AGENCY CROSS-CUTTING ISSUES

Juvenile Justice and Delinquency Prevention, Department of—
(Final Impact Rating = 28.0; Challenges Rating = 53.0; Opportunities Rating = 73.0)
The North Carolina Department of Juvenile Justice and Delinquency Prevention was established in 2000 as the first cabinet-level agency to focus on juvenile justice issues and at-risk youth in the state. It works to provide a comprehensive strategy that helps prevent and reduce juvenile crime and delinquency. This strategy focuses to strengthen families, promote delinquency prevention, support core social institutions, intervene immediately and effectively when delinquent behavior occurs, and identify and control the small group of serious, violent, and chronic juvenile offenders in the local communities. If a youth is fifteen or younger and he or she commits a crime, then his or her case will fall under the department's purview. The department operates five youth development centers located across the state: C.A. Dillion, Dobbs, Samarkand, Stonewall Jackson, and Swannanoa Valley. Juveniles are released only after demonstrating an understanding of the consequences and negative impacts of their actions, for them and for the state. The system addresses both juvenile offenders and their families, taking into consideration local risk factors that vary with each child and community.

Challenges: The Department of Juvenile Justice and Delinquency Prevention faces a number of significant challenges within the next few years. A 2001 audit by the Office of State Auditor (http://www.ncauditor.net/EPSWeb/Reports/Performance/PER-0202.pdf) noted several major challenge areas for the department, including poor condition of existing facilities, severe staffing shortages, programmatic changes from a punishment focus to a therapeutic focus, and serious security issues. While the department has made significant progress in implementing changes, more changes are needed.

Specific challenges noted in this profile are related to a major building program just begun by the department. Maintaining safety and security for both juveniles and staff is of significant importance to the department, with this effort being directly impacted by the offender to staff ratio. Program changes underway at the facilities also require considerable effort, as does overseeing outsourced functions at the facilities. Recruiting, retaining, and providing a comprehensive training program for staff is made more difficult by budgetary fluctuations. Lastly, the department's efforts to use technology to better manage programs and provide services more efficiently have proved to be challenging as it strives to complete design and implementation of NCJOIN.

Opportunities: The major opportunity available to the department for improving operations appears to be the completion of the NCJOIN effort. This change alone will allow for better management of programs and services and allow the department to provide much needed information to other entities engaged in the provision of services to juveniles. The department is increasingly using data driven processes to work with juveniles to better match their needs with the most appropriate services. Completion of a comprehensive strategic plan should allow the department to improve coordination and provision of services both within the facilities and through expanded use of community-based programs. Lastly expanding using of technology and improving information technology security should improve the department's ability to comply with various federal and state regulations.

AGENCY CROSS-CUTTING ISSUES

Labor, Department of—
(Final Impact Rating = 37.5; Challenges Rating = 34.0; Opportunities Rating = 43.0)
Under state law, the N.C. Department of Labor, headed by the Labor Commissioner, is responsible for promoting the health, safety, and general well-being of more than 4 million workers. The laws and programs the department administers affect every worker--and virtually every person--in the state. State law gives the Commissioner broad regulatory and enforcement powers to carry out the department's duties and responsibilities. The department encompasses the following divisions and bureaus – Apprenticeship and Training, Boiler Safety, Elevators and Amusement Devices, Employment Discrimination, Mines and Quarries, Occupational Safety and Health, Wage and Hour, and Agriculture Safety and Health. The Safety and Health Review Board of North Carolina operates independently from the department. The review board, whose members are appointed by the Governor, hears appeals of citations and penalties imposed by the Occupational Safety and Health Division.

Challenges: The major challenge facing the department is responding to program changes from both the federal and state levels. The department's major mission is maintaining workplace safety and security for citizens. It is challenged to find ways to do this while dealing with budgetary fluctuations and staff reductions. Non-competitive salaries make it difficult for the department to recruit and retain staff. Additionally, the increase in foreign workers in the state has challenged the department to find qualified multi-lingual staff to improve communication and services to that portion of the population. Lastly, the department is challenged to find adequate and on-going funding to replace and upgrade information technology systems and applications.

Opportunities: The major opportunity available to the department to improve services is the expansion of inspection programs and the addition of multi-lingual staff. Additionally, services could be improved through expanded use of technology, including improving IT security and compliance issues.

AGENCY CROSS-CUTTING ISSUES

Lieutenant Governor, Office of the—
(Final Impact Rating = 11.3; Challenges Rating = 8.8; Opportunities Rating = 11.0)
Established in 1868, North Carolina's Lieutenant Governor is the only elected official to have powers in both the legislative and executive branches of state government. Under the constitution, the Lieutenant Governor is first in line to succeed the governorship should that office become vacant. In the Legislature, the Lieutenant Governor is the President of the State Senate, serving as its chief presiding officer which requires directing the debate of bills on the Senate floor. The Lieutenant Governor is also a member of the Council of State. Additionally, the Lieutenant Governor serves on many boards and commissions including the State Board of Education, the North Carolina Board of Community Colleges, and the Board of Economic Development. Recently, the Governor asked the Lieutenant Governor to represent him with the Military Affairs Commission. In this role, she is working to protect North Carolina's military assets in the 2005 round of base closing. These military bases have an annual economic impact in the state of $18.1 billion. The Lieutenant Governor also makes appointments to various boards and commissions that advise the legislature and executive branches of state government on policy matters. Under the Constitutional changes of 1971, the legislature and Governor are permitted to assign additional duties to the lieutenant Governor.

Challenges: The major challenge for the Office is to better publicize its roles and missions so that citizens know what services it offers. As with other state offices, coping with budgetary fluctuations is a challenge for the Office. A further challenge is developing its workforce through training and retaining qualified staff. Lastly, services offered by the Office could be improved through upgrading technology and improving IT security.

Opportunities: The main opportunities for improving services through the Office of the Lieutenant Governor is through the various boards and commissions on which the Lieutenant Governor serves. Also, improving IT functions could serve to offer more efficient services to citizens.

AGENCY CROSS-CUTTING ISSUES

Public Schools System, North Carolina—(includes the Department of Public Instruction)
(Final Impact Rating = 71.5; Challenges Rating = 47.5; Opportunities Rating = 75.0)
Public schools in North Carolina are governed by local boards of education. Locally elected boards of education operate 115[§§] local school systems. While they operate under state and federal laws, as well as under State Board of Education policy, many decisions affecting public schools are local. Local school boards set policies ranging from local graduation standards to the school calendar. Local boards hire a superintendent to administer their schools and guide operations. However, 69% of the funding for schools is through appropriations from the General Assembly. Local funds, primarily from property taxes and designated sales taxes in most counties, provide about 23% of the money used to operate schools. The federal government provides about 8% of the funding.

The 13-member State Board of Education and the Department of Public Instruction, headed by the State Superintendent of Public Instruction, provide support for schools as they implement state education legislation. The State Board of Education is appointed by the Governor and is charged with supervising and administering "the free public school system and educational funds provided for its support." It also oversees the charter schools in North Carolina. The Superintendent, elected by the public, serves as chief administrative officer of the State Board of Education and leads the day-to-day operations of the Department of Public Instruction.

The **Department of Public Instruction** (DPI) implements the policy and direction of the State Board of Education. With approximately 500 employees, it develops the N.C. Standard Course of Study for K-12 schools and provides testing, reporting, financial, and other services to local school districts. DPI also monitors compliance with a variety of laws and policies.

Challenges: The major challenge facing the Public School System is increasing enrollment. Many local school systems (LEAs) are experiencing unmet facility growth needs as a result. Due to budget limitations which impede new construction, LEAs are forced to purchase mobile classrooms to accommodate the increased enrollment as a temporary solution. Public schools have also been forced to delay replacement of buses and purchasing of equipment due to funding limitations. Further challenging the system is the increase of students for whom English is a second language, making the need for more multi-lingual teachers and support personnel imperative. This is also a challenge for the Department of Public Instruction.

Coping with funding fluctuations is a major challenge for all levels of the system, including the department. Responding to program changes and legislative mandates becomes more difficult without sufficient funds to carry them out. Additionally, recent court rulings have placed considerable challenges on the system. From DPI's perspective, the funding limitations make overseeing and monitoring outsourced functions even more critical and increase the need for specific performance measures to use in judging contractors.

Lastly, a major challenge for all levels of the system is replacing legacy systems which are difficult and costly to maintain. Achieving more integration of technology in instructional programs continues to be a challenge for public schools. Additionally, improving records and reporting is tied to improving IT systems and applications, as well as security. For DPI, the challenge is to find ways to improve interfacing with LEA systems.

Opportunities: Our public school system has a number of opportunities that would improve services. Perhaps the most crucial one is the improvement of information technology efficiency and security. DPI is working with LEAs to implement NCWise, CECAS, and Reading First programs that should serve to improve reporting and instruction. Additionally, the department needs to develop a business continuity plan in case of complete IT failure.

From an accountability perspective, the department needs to increase its monitoring of outsourced programs, especially in the area of IT development, to assure that it receives a viable product within established budgets.

Another opportunity to improve services lies with improving salary and benefits offered to public school personnel, as well as staff at DPI. While the state has made strides in this area in recent years, improvements are still needed. One possibility to consider is applying for more grant funds to provide needed positions for the system.

Lastly, the system can improve services by decreasing use of mobile classrooms. The ability to accomplish this, however, depends heavily on funding for new construction. Also inherent in this equation is the accuracy of enrollment projections and viable plans to handle the expected increases in the public school population.

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[6] During 2004, three systems merged into one, reducing the total number of LEA's from 117 to 115.

AGENCY CROSS-CUTTING ISSUES

<u>Revenue, Department of—</u>

(Final Impact Rating = 90.8; Challenges Rating = 32.3; Opportunities Rating = 69.0)

Created in 1921, North Carolina's Department of Revenue was one of the first in the country. The Secretary of Revenue is currently appointed by the Governor and serves as an ex officio member of the Tax Review Board. The Secretary also serves as a member of the Local Government Commission. The mission of the department is to administer tax laws and collect taxes due the state in an impartial, uniform, and efficient manner. The department has three primary goals:

1. Maximize State Tax Revenues
2. Improve Taxpayer Services
3. Maximize Agency Efficiency

Challenges: The Department of Revenue's major challenges are in the area of human capital management. A significant challenge is to develop the department's leadership potential given a 46% turnover in supervisory/ management personnel over the last four fiscal years. A corollary challenge is to develop and implement a comprehensive training program for its personnel.

Other challenges relate to educating taxpayers in the most efficient methods to use for filing required tax returns. Physical plant needs present issues that department management must respond to, as do the continuing need to upgrade technology and related information technology security. Lastly, the department is still working to develop specific and appropriate performance measures for its staff and to consistently identify and collect revenues in a timely manner.

Opportunities: Many of the department's opportunities for improvement come directly from addressing the challenges identified above. Enhancing its taxpayer education program should lead to increased electronic filing and improve the department's efficiency. Assistance to taxpayers would be significantly improved with the addition of more multilingual staff. Revenue collection and collectibility analysis would be improved through more and better technology for its field staff. Lastly, the development and implementation of a management succession plan would benefit both the department and the state as a whole.

AGENCY CROSS-CUTTING ISSUES

<u>Secretary of State, Department of—</u>

(Final Impact Rating = 36.5; Challenges Rating = 17.5; Opportunities Rating = 64.5)

The Secretary of State is a constitutionally established state agency. In general, the department is charged with recording, registering, and storing all official documents of the State of North Carolina and certain records pertaining to private businesses. Additionally, the department is required to compile and prepare for distribution official publications relative to the operations of the State and local governments. The main statutory authority for the department is contained in Article 4 of Chapter 147 of the General Statutes. In addition to these specific duties, the department of the Secretary of State is charged with duties under a number of other statutes. Duties and authorities include: Notaries, Uniform Commercial Code, Trademarks/Service Marks, Lobbying (registration of legislative lobbyists), Securities and Business Corporations, and Certification of Election Results. The department's mission is to serve and protect citizens, the business community and governmental agencies by facilitation business activities, by providing accurate and timely information, and by preserving documents and records.

Challenges: The main challenge facing the department is responding to unfunded program mandates and changes. Since the department is restricted in how it can use revenues it generates, it is challenged to deal with budgetary fluctuations and reduced staffing. Corollary challenges relate to increased oversight of outsourced functions and recruiting and retaining staff. A further issue is providing job-specific training for staff to improve consistency and provision of services. Lastly, the department is challenged to obtain adequate and on-going funding to keep technology current and to improve IT security for sensitive data contained in its databases. Thus, finding ways to provide services in a more effective format, such as e-filing and e-payments, is a continuing challenge for the department.

Opportunities: The department has pioneered a number of e-commerce solutions to providing services to the business communities. There continue to be opportunities to expand this concept to other programs within the department. Improving IT efficiency and security would directly impact its ability to expand these programs. Other opportunities to improve services lie in increasing educational opportunities for citizens relative to the programs and services offered by the department. Lastly, the department has opportunities to expand its efforts through use of fees it generates to fund general operations. However, this would require legislative approval.

AGENCY CROSS-CUTTING ISSUES

State Major Medical Plan, North Carolina—(State Health Plan)—
(Final Impact Rating = 45.3; Challenges Rating = 48.5; Opportunities Rating = 58.0)
The North Carolina Teachers' and State Employees' Comprehensive Major Medical Plan is administratively located in the Department of Insurance, but for all intents and purposes operates as an independent entity. The Commissioner of Insurance is charged legislatively with the appointment and removal of the Executive Administrator for the Plan. The Executive Administrator is charged with the day-to-day operation and administration of the Plan. The Executive Administrator consults with an appointed Board of Trustees and a legislative committee, the *Committee on Employee Hospital and Medical Benefits*, prior to making any major decisions on Plan administration. The Plan was established as a self-funded plan effective October 1, 1982. The claims processing function for the self-funded portion of the Plan is performed by a contracted agent, currently Blue Cross/Blue Shield of North Carolina, Inc.

Challenges: The major challenge facing the State Health Plan is balancing benefits for employees against rising health care costs. Fluctuating budgets for health care also challenge Plan staff to develop more ways to provide benefits in a cost effective manner. A further challenge for the Plan is expanding member education to help improve member health and to help control costs. Recruiting and retaining staff is also a challenge for the Plan, as is providing services with limited staff. Lastly, improving technology use and interfacing with Blue Cross and Blue Shield is a continuing issue that requires management diligence.

Opportunities: Major opportunities exist for the Plan to improve IT efficiency and security, especially with the interface with Blue Cross and Blue Shield and interconnecting with providers to facilitate communication. The Plan also has opportunities to identify trends by establishing a data warehouse of member health care information. Using data mining techniques, staff could then design education programs to help combat those trends.

Transportation, Department of—

(Final Impact Rating = 82.5; Challenges Rating = 80.0; Opportunities Rating = 70.0)

The North Carolina Department of Transportation's (NCDOT) mission is to provide and support a safe and integrated transportation system that enhances the state. NCDOT fulfills this mission through two major thrusts. First, NCDOT directs, plans, constructs, maintains and operates the second largest state-maintained transportation system in the nation to include aviation, ferry, public transportation, rail and highway systems. Second, NCDOT licenses and regulates the citizens and motor vehicles that utilize these transportation systems. The department employs over 14,000 people with varying skills and backgrounds across the state. The department is divided into 11 main divisions with 14 local division offices under the Division of Highways located geographically throughout the state. These 14 local division offices are responsible for construction, maintenance, roadside environmental programs, traffic services, and the fiscal and facility operations involved in administering these functions. Additionally, the Division of Motor Vehicles operates 124 driver license offices, three mobile driver license offices, nine weigh stations, and eight enforcement district offices.

Challenges: The major challenges facing the department are responding to program changes and economic development needs. Specifically, the department must balance environmental and economic development factors to the greatest benefit to the state, while dealing with growing traffic, funding shortfalls, and aging infrastructure. To achieve this, the state should develop a statewide long-range plan that includes the establishment of joint performance goals and measures with the Department of Environment and Natural Resources. Additionally, it has to deal with restriction on use of revenues (such as the dedicated Highway Trust Fund). A continuing challenge for the department is effective oversight and monitoring of contractors.

In the area of human capital management, the department is challenged to recruit and retain adequate and qualified staff within the state personnel restrictions. A major challenge is non-competitive salaries and benefits for the professional staff. Another challenge is obtaining adequate multi-lingual staff to effectively communicate with employees and contractors.

Lastly, while the department has made strides in upgrading its technology in the last few years, it still has a number of legacy computer systems and applications that are increasingly difficult and costly to maintain. Upgrading or replacing these systems, as well as emphasizing improved IT security, would improve services and record keeping for the department.

Opportunities: The major opportunities available to the department are continued efforts to establish and facilitate interagency teams to improve coordination in the environmental and economic development areas. The development of a statewide plan for dealing with environmental issues would facilitate coordination of efforts to meet the growing traffic needs. Additionally, continued efforts to improve technology and IT security would assist the various sections in sharing data and would improve interfacing with other agencies as needed by improving access times and assuring only authorized users have access to the data.

AGENCY CROSS-CUTTING ISSUES

Treasurer, Office of the State—
(Final Impact Rating = 65.7; Challenges Rating = 20.1; Opportunities Rating = 55.0)
The mission of the Department of State Treasurer is: to serve as the state's banker and chief investment officer, to administer the public employee retirement systems and other employee benefit plans for public employees, to assist units of local government in the state in maintaining strong fiscal health, and to administer the escheat and abandoned property program. With annual budgets exceeding $17 billion and trust funds under management of some $30 billion, the work that the Treasurer and his staff do to account for and manage public funds is one of the most important duties in the State.

Challenges: The Office of the Treasurer's main challenge is responding to program changes such as how to handle the un-voted debt approved by the General Assembly. This effort is made more difficult due to the lack of written policies and procedures for the Office. Additionally, the Office has to find ways to deal with market fluctuations in investing the large balances in the state's and retirement system's accounts. A continuing challenge is recruiting and retaining qualified staff and dealing with high turnover. Lastly, the Office is challenged to keep technology current and to upgrade both systems and applications to provide the most efficient services and to keep IT security as effective as possible.

Opportunities: Opportunities were identified for the Office through developing written policies and procedures for operations to help manage functions and to improve consistency. Improving IT efficiency and security through replacement of legacy systems also offers opportunities to improve services. Lastly, the area that offers the most potential for improving services is the Office's continued vigilance in monitoring and adjusting the state's investment strategies.

AGENCY CROSS-CUTTING ISSUES

University System, North Carolina—
>   **(Final Impact Rating = 64.5; Challenges Rating = 76.3; Opportunities Rating = 83.0)**

The University of North Carolina is a public, multi-campus university dedicated to the service of North Carolina and its people. It encompasses the 16 diverse constituent institutions and other educational, research, and public service organizations. Each shares in the overall mission of the University. That mission is to discover, create, transmit, and apply knowledge to address the needs of individuals and society. This mission is accomplished through instruction, which communicates the knowledge and values and imparts the skills necessary for individuals to lead responsible, productive, and personally satisfying lives; through research, scholarship, and creative activities, which advance knowledge and enhance the educational process; and through public service, which contributes to the solution of societal problems and enriches the quality of life in the state. In the fulfillment of this mission, the University shall seek an efficient use of available resources to ensure the highest quality in its service to the citizens of the state.

Challenges: The North Carolina University System, as a major component in the state's higher education function, faces a number of challenges in the next few years. Perhaps the most significant of these is the increase in enrollment over the last four fiscal years, 12.6%, which is projected to continue. Increasing enrollment has resulted in larger class sizes and has stretched facilities to the breaking point on most campuses. Changes to the composition of the student population are reflective of changes to the population as a whole, requiring more specialized programs and more multilingual faculty and staff.

During this same period the System has suffered a decrease of 7.3% in the per student state appropriations, making it more challenging to provide the needed programs and services. Start up funds for new programs have been limited, as have incentives to attract students to areas of growing need. Budget constraints have also impacted the System's ability to offer competitive salary and benefits to faculty and staff.

Another challenge is meeting the facility needs resulting from the increased enrollment. State leaders realized the needs and in 2000 the Higher Education Bond Referendum was passed. The System is receiving $2.5 billion for new construction and major repairs and renovations to existing buildings. However, this infusion of funds for facilities is projected to provide the needed facilities only until 2009 and still does not address the backlog of repair and renovation projects for the System.   State funds appropriated to the System generally have little flexibility in how they can be spent. Further, the System reports insufficient funds to purchase and replace needed equipment for the programs.

Opportunities: The System does have opportunities, however. Universities have been working to increase funding from alternative sources such as grants and increased public/private partnerships. Additionally, the System has taken steps to streamline purchasing through the use of procurement cards. Increasing the use of these cards offers the possibility of reducing costs further. Changes to the construction bid process also offer the System ways to reduce costs. Increasing performance measures should allow the System more management flexibility in the use of funds. Lastly, continuing to increase the use of technology will allow the System to better manage programs and more efficiently provide programs and services.

AGENCY CROSS-CUTTING ISSUES

<u>**UNC Hospitals—**</u>
(Final Impact Rating = 30.8; Challenges Rating = 33.7; Opportunities Rating = 75.0)
UNC Hospitals opened in September 1952 under the name North Carolina Memorial Hospital. In May 1989, the N.C. General Assembly created the University of North Carolina Hospitals entity as a unifying organization to govern constituent hospitals and to project a modern and accurate identity for the hospitals of the University of North Carolina at Chapel Hill. UNC Hospitals includes North Carolina Children's Hospital, North Carolina Memorial Hospital, North Carolina Neurosciences Hospital, and North Carolina Women's Hospital. UNC Hospitals is a public, academic medical center operated by and for the people of North Carolina. The Hospitals' mission is to provide high quality patient care, to educate health care professionals, to advance research, and to provide community service.

Challenges: The major challenge facing the Hospitals is dealing with fluctuating budgets and finding ways to continue to provide outpatient pharmacy services to indigent patients. Additionally, from a financial standpoint, the Hospitals must coordinate decentralized budgets and coordinate programs in a number of non-contiguous locations. At the same time, it must deal with program changes from the federal level such as the recent HIPAA regulations. Further challenges come from a recent change in top management and organizational structure, as well as recruiting and retaining staff. At the time of this study, there were over 300 vacant positions at the Hospitals. Lastly, the Hospitals, maybe more than most state entities, have a major need to keep technology current. This extends not only to computer systems and applications, but to medical equipment needed to provide the necessary services to patients.

Opportunities: The major opportunities identified for the Hospitals related to improving IT efficiency and security. A related opportunity exists to expand centralizing the registration process. This should lead to more accurate billing and more timely collection of fees. Other areas that offer the opportunity to improve services relate to expanding programs to serve more patients in more areas of the state. Lastly, continuing to use non-conventional methods to recruit offers the Hospitals opportunities to keep staffing at appropriate levels.

APPENDICES

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APPENDIX A
Number of Positions by Entity

Department	Number of Approved Positions	RANK (Decending)
Office Of Lieutenant Governor	11	1
State Health Plan	18	2
Office of Administrative Hearings	37	3
Office of the State Controller	85	4
Secretary of State's Office	171	5
Office of the State Auditor	189	6
Office of the Governor	230	7
State Treasurer	327	8
Insurance	422	9
Labor	438	10
Information Technology Services	439	11
General Assembly *	676	12
Cultural Resources	786	13
Commerce	792	14
Administration	1,064	15
Justice	1,289	16
Agriculture and Consumer Services	1,356	17
Revenue	1,561	18
Juvenile Justice and Delinquency Prevention	1,994	19
Employment Security Commission	2,380	20
Crime Control and Public Safety	2,855	21
Environment and Natural Resources	4,420	22
UNC Hospitals	5,179	23
N. C. Community Colleges	5,329	24
Judicial Branch/Administrative Office of the Courts	5,762	25
Transportation	16,272	26
Health and Human Services	19,052	27
Correction	19,880	28
University System	41,486	29
Public Schools/Department of Public Instruction	103,665	30
TOTAL	**238,165**	

* General Assembly was included to account for all state positions. However, it was not included in the identification of challenges and opportunities.
Source: Office of State Personnel, UNC-General Administration, Department of Community Colleges

APPENDICES

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APPENDIX B
Financial Weight Calculations

Rank	Department	FY 2004 Expenditures	Percentage of Expenditures	Proprietary Funds	Fiduciary Funds	Other Assets	Totals	Percentage of Grand Total
30	State Treasurer	$640,461,953	2.3261%	$93	$61,599,407,813	$0	$43,539,869,859	44.4781%
29	Revenue	89,610,195	0.3255%	0	0	0	18,789,610,195	19.1945%
28	Health and Human Services - Total	10,825,544,825	39.3174%	3,075,906	0	0	10,828,620,731	11.0620%
27	Public Schools/Dept. of Public Instruction	7,181,991,484	26.0843%	17,127,480	0	0	7,199,118,964	7.3542%
26	University System	15,739,756	0.0572%	0	4,582,677,712	0	4,598,417,468	4.6975%
25	Transportation	3,398,604,768	12.3434%	0	0	0	3,398,604,768	3.4718%
24	Employment Security Commission	190,729,727	0.6927%	1,388,302,653	0	0	1,579,032,380	1.6131%
23	Cultural Resources	75,380,133	0.2738%	107,300	0	1,412,896,125	1,488,383,558	1.5205%
22	Corrections	1,088,961,623	3.9550%	0	0	0	1,088,961,623	1.1124%
21	Insurance	39,360,123	0.1430%	23,818,256	950,589,070	0	1,013,767,449	1.0356%
20	N. C. Community Colleges	895,547,272	3.2525%	0	0	0	895,547,272	0.9148%
19	Environment and Natural Resources	639,568,600	2.3229%	3,883,426	0	0	643,452,026	0.6573%
18	UNC Hospital	604,838,347	2.1967%	0	0	0	604,838,347	0.6179%
17	Judicial Branch/Administrative Office of the Courts	397,060,982	1.4421%	0	162,035,754	0	559,096,736	0.5711%
16	Crime Control and Public Safety	380,692,391	1.3826%	0	0	0	380,692,391	0.3889%
15	Commerce	269,445,587	0.9786%	0	0	0	269,445,587	0.2753%
14	State Health Plan	213,297,008	0.7747%	0	16,799,445	0	230,096,453	0.2351%
13	Information Technology Services	42,298,352	0.1536%	133,732,539	0	0	176,030,891	0.1798%
12	Administration	107,828,533	0.3916%	48,573,835	0	0	156,402,368	0.1598%
11	Juvenile Justice & Delinquency Prevention	143,072,471	0.5196%	0	0	0	143,072,471	0.1462%
10	Justice	98,192,605	0.3566%	0	993,010	0	99,185,615	0.1013%
9	Agriculture and Consumer Services	83,264,342	0.3024%	12,884,604	0	0	96,148,946	0.0982%
8	General Assembly *	38,148,854	0.1386%	0	0	0	38,148,854	0.0390%
7	Labor	25,919,139	0.0941%	0	0	0	25,919,139	0.0265%
6	Office of the Governor	17,291,012	0.0628%	0	0	0	17,291,012	0.0177%
5	Office of the State Controller	9,398,823	0.0341%	0	0	0	9,398,823	0.0096%
4	Secretary of State's Office	9,358,232	0.0340%	0	0	0	9,358,232	0.0096%
3	Office of the State Auditor	9,103,290	0.0331%	0	0	0	9,103,290	0.0093%
2	Office of Administrative Hearings	2,385,809	0.0087%	0	0	0	2,385,809	0.0024%
1	Office Of Lieutenant Governor	655,914	0.0024%	0	0	0	655,914	0.0007%
	GRAND TOTALS	$27,533,752,150	100.0%	$1,631,506,090	$67,312,502,805	$1,412,896,125	$97,890,657,170	100.00%

* General Assembly included to account for total expenditures. However, it was not included in the identification of challenges and opportunities.
Source: North Carolina Accounting System

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APPENDICES

APPENDIX C
SUMMARY OF GENERAL GOVERNMENT AGENCY RESPONSES

PURPOSE: The Office of the State Auditor is asking your help in assembling operational data on your agency as part of the Auditor's program to identify opportunities and challenges facing programs and functions in state government. Answers to the questions below will assist in the assessment of your agency's operations. Individual responses will remain confidential workpapers under *General Statute* 147-64.6(d)

RESPONSES NOTED IN BLUE

General Management

1. How many total positions are authorized for your agency as of 6/30/04? **29 RESPONDENTS**

☐	a.	Less than 100 **6 (21%)**	☐	b.	101-500 **9 (31%)**	☐	c.	501-1000 **3 (10%)**
☐	d.	1001 – 1500 **3 (10%)**	☐	e.	1501 – 2000 **2 (7%)**	☐	f.	2001 – 2500 **0 (0%)**
☐	g.	2501 – 3000 **1 (3%)**	☐	h.	3001 – 3500 **0 (0%)**	☐	i.	3501- 4000 **1 (3%)**
☐	j.	4001 – 4500 **0 (0%)**	☐	k.	4501 – 5000 **0 (0%)**	☐	l.	More than 5000 **4 (14%)**

2. How many departments or divisions do you have in your agency? (WE ARE LOOKING FOR THE NUMBER OF **MAJOR** UNITS: HOW THE AGENCY IS SET UP ORGANIZATIONALLY SUCH AS PROGRAM AREAS (DIVISION OF EMERGENCY MANAGEMENT) OR FUNCTIONAL AREAS (HUMAN RESOURCES) **29 RESPONDENTS**

☐	a.	1-5 **8 (28%)**	☐	b.	6-10 **11 (38%)**	☐	c.	11-15 **3 (10%)**
☐	d.	15-20 **3 (10%)**	☐		More than 20 (PLEASE LIST NUMBER) **4 (14%)**			

3. Please list the names of the major units identified in question 2, along with a contact for each.

4. Have there been significant changes in your agency's organizational structure or staffing levels within the last four years? **29 RESPONDENTS**

☐	a.	Yes (PLEASE DESCRIBE) **16 (55%)**	☐	b.	No **13 (45%)**	☐	c.	Don't know **0 (0%)**

5. Do you anticipate significant changes in your agency's organizational structure or staffing levels? **29 RESPONDENTS**

☐	a.	Yes (PLEASE DESCRIBE) **7(24%)**	☐	b.	No **19 (66%)**	☐	c.	Don't know **3 (10%)**

6. Has your agency experienced high turnover in key management/administrative positions within the last four years? (High turnover is defined as 15% or greater.) **29 RESPONDENTS**

☐	a.	Yes (PLEASE EXPLAIN) **14 (48%)**	☐	b.	No **15(52%)**	☐	c.	Don't know **0 (0%)**

7. Does your agency have a written strategic plan? If yes, please list dates covered. **29 RESPONDENTS**

☐	a.	Yes **22 (76%)**	☐	b.	No **7 (24%)**	☐	c.	Don't know **0(0%)**

8. Does your agency have agency-wide **written** internal policies and procedures? If yes, please list the date of the last update. **29 RESPONDENTS**

☐	a.	Yes **27(93%)**	☐	b.	No **2 (7%)**	☐	c.	Don't know **0 (0%)**

APPENDIX C (CONTINUED)

4. How does your agency's management communicate needed information to the various major units? CHECK ALL THAT APPLY. **29 RESPONDENTS**

   ☐ a. Periodic management meetings **27(93%)** ☐ b. E-mail or memos **29 (100%)** ☐ c. Telephone **25(86%)**

   ☐ d. Newsletter **16 (55%)** ☐ e. Verbal **27 (93%)** ☐ f. Other (PLEASE SPECIFY) **5 (17%)**

5. Please list the following information for all federal and state programs for which your agency is responsible. **IF DIFFERENT FROM THE MAJOR UNITS LISTED IN QUESTION #3**. ATTACH ADDITIONAL SHEETS IF NEEDED.

6. Does your agency have specific program performance measures for each program listed in questions #10? **29 RESPONDENTS**

   ☐ a. Yes **19 (66%)** ☐ b. No (GO TO QUESTION #14) **7 (24%)** ☐ c. Don't know (GO TO QUESTION #14) 2(7%)

   d. N/A **1 (3%)**

7. Briefly describe how those performance measures are used by your agency. **20 RESPONDENTS**
   - Used to compare current operations and productivity with prior operations and productivity.
   - Used to document the scope of work, monitor workload distribution, gauge client satisfaction, process assessment and potential efficiency improvements.
   - Used as a management tool.
   - Used to determine personnel allocation for law enforcement related activities as well as determining emergency management and homeland security preparedness.
   - Used to determine weaknesses in processes, improve customer service levels and enhance security.
   - Used to inform and assist internal and external decision makers when considering policy, financial, and personnel related decisions.
   - A comparison is made between the established goals versus performance measures needed to meet the goals.
   - Used as a guide to develop budgets.
   - Used as a fundamental part of the strategic planning process.
   - Used to benchmark operations.
   - Used to evaluate the performance of programs and staff and meet various requirements of the programs.

8. Is your agency under pressure from outside sources to meet specific performance goals? EX: legislative mandate to reduce teen pregnancy by 10% **24RESPONDENTS**

   ☐ a. Yes (PLEASE LIST SOURCE AND REQUIREMENT) **17 (71%)** ☐ b. No **6 (25%)** ☐ c. Don't know **1 (4%)**

9. Does your agency routinely use management reports (other than for performance measures) to oversee program operations? **29 RESPONDENTS**

   ☐ a. Yes (PLEASE LIST REPORTS) **25 (86%)** ☐ b. No **4 (14%)** ☐ c. Don't know **0 (0%)**

10. Have there been significant changes in the programs for which your agency is responsible within the last four years? **29 RESPONDENTS**

    ☐ a. Yes (PLEASE DESCRIBE) **18 (62%)** ☐ b. No **10 (34%)** ☐ c. Don't know **1 (3%)**

11. Do you anticipate significant changes in the programs for which your agency is responsible? **29 RESPONDENTS**

    ☐ a. Yes (PLEASE DESCRIBE) **9 (31%)** ☐ b. No **16 (55%)** ☐ c. Don't know **4 (14%)**

12. Do the programs for which your agency is responsible have to comply with specific federal or state programmatic regulations? PLEASE LIST CITES BY PROGRAM **29 RESPONDENTS**

    ☐ a. Yes (PLEASE GIVE CITY) **26 (90%)** ☐ b. No **1 (3%)** ☐ c. Don't know **2 (7%)**

13. What would be the most likely impact of programmatic problems in your agency?
    29 RESPONDENTS

    ☐ a. Risk to health and safety
       17 (59%)
    ☐ b. Interrupted service delivery
       22 (76%)
    ☐ c. Risk to state's security
       13 (45%)

    ☐ d. Impaired economic growth
       13 (45%)
    ☐ e. Invasion of citizens' privacy
       12 (41%)
    ☐ f. Reduced effectiveness
       18 (62%)

    ☐ g. Reduced efficiency
       17 (59%)
    ☐ h. Unreliable data
       15 (52%)
    ☐ i. Other (PLEASE SPECIFY)
       2 (7%)

Human Capital Management

14. What is the average range for years of service for your agency's staff?   **29 RESPONDENTS**

    ☐ a. 1-10
       7 (24%)
    ☐ b. 11-20
       22 (76%)
    ☐ c. 21-30
       0 (0%)
    ☐ d. over 30
       0(0%)

15. Does your agency use unique recruitment techniques (other than the procedures normally used through OSP)? **29 RESPONDENTS**

    ☐ a. Yes (PLEASE EXPLAIN)
       15 (52%)
    ☐ b. No
       14 (48%)
    ☐ c. Don't know
       0(0%)

16. Does your agency experience difficulties filling positions due to salary restrictions?
    29 RESPONDENTS

    ☐ a. Yes (PLEASE EXPLAIN)
       23 (79%)
    ☐ b. No
       5 (17%)
    ☐ c. Don't know
       1 (3%)

17. Does your agency use any unique techniques to retain personnel (other than the procedures normally used through OSP)? **29 RESPONDENTS**

    ☐ a. Yes (PLEASE EXPLAIN)
       7 (24%)
    ☐ b. No
       22 (76%)
    ☐ c. Don't know
       0 (0%)

18. Does your agency have a specific program in place to train potential supervisors/managers?
    29 RESPONDENTS

    ☐ a. Yes (PLEASE EXPLAIN)
       18 (62%)
    ☐ b. No
       10 (34%)
    ☐ c. Don't know
       1(3%)

19. Does your agency conduct annual performance evaluations for **all** employees?
    29 RESPONDENTS

    ☐ a. Yes
       26 (90%)
    ☐ b. No
       3 (10%)
    ☐ c. Don't know
       0 (0%)

20. What is the average annual salary for your agency's staff including management/administrative staff? **29 RESPONDENTS**

    ☐ a. Below $25,000
       0 (0%)
    ☐ b. $26,000 - $50,000
       20 (69%)
    ☐ c. $51,000 - $75,000
       9 (31%)
    ☐ d. Over $75,000
       0 (0%)

21. What turnover percentage has your agency as a whole experienced within the last 4 years?
    29 RESPONDENTS

    ☐ a. Less than 5%
       3 (10%)
    ☐ b. 6% - 10%
       11 (38%)
    ☐ c. 11% - 15%
       6 (21%)
    ☐ d. Over 15%
       9 (31%)

APPENDIX C (CONTINUED)

22. What are the main reasons given by staff for leaving your agency? (CHECK ALL THAT APPLY.)
    29 RESPONDENTS

	a.	retirement		b.	better salary		c.	moving (spouse or self)
		26 (90%)			**27 (93%)**			**12 (41%)**
	d.	career advancement		e.	work environment		f.	pursue education
		24 (83%)			**4 (14%)**			**4 (14%)**
	g.	change in career		h.	change in family needs		i.	other
		3 (10%)			**6 (21%)**			**3 (10%)**

23. Has your agency outsourced any program or function due to staff limitations or lack of expertise?   **29 RESPONDENTS**

	a.	Yes (BRIEFLY DESCRIBE)		b.	No		c.	Don't know
		13 (45%)			**15 (52%)**			**1 (3%)**

24. Please list each outsourced contract described in question #28, the amount, and the time period.

Financial Management and Accountability

25. What is your agency's budget for the year ending June 30, 2004? **29 RESPONDENTS**

	a.	Less than $1,000,000		b.	$1,000,000 - $10,000,000		c.	$10,000,000 – $20,000,000
		1 (3%)			**6 (21%)**			**1 (3%)**
	d.	$20,000,000 - $30,000,000		e.	$30,000,000 - $40,000,000		f.	$40,000,000 - $50,000,000
		3 (10%)			**0 (0%)**			**1 (3%)**
	g.	$50,000,000 - $60,000,000		h.	$60,000,000 - $70,000,000		i.	$70,000,000 - $80,000,000
		0 (0%)			**0 (0%)**			**1 (3%)**
	j.	$80,000,000 - $90,000,000		k.	$90,000,000 - $1,000,000,000		l.	over $1,000,000,000
		2 (7%)			**11 (38%)**			**3 (10%)**

26. Please indicate your agency's approximate percentage for each of the following funding sources: **29 RESPONDENTS**

	a.	State		b.	Federal		c.	Other (PLEASE SPECIFY SOURCE)
		Avg. 70%			**Avg. 13%**			**Avg. 10%**

27. Have your agency's revenues changed significantly over the last 4 years?
    29 RESPONDENTS

	a.	Yes (PLEASE DETAIL)		b.	No		c.	Don't know
		13 (45%)			**15 (52%)**			**1 (3%)**

28. Have your agency's expenditures changed significantly over the last 4 years?
    28 RESPONDENTS

	a.	Yes (PLEASE DETAIL)		b.	No		c.	Don't know
		15 (52%)			**12 (41%)**			**1 (3%)**

29. Is your agency's budget administered from a central location, or is each of your major units responsible for budget administration? (major units are listed in questions #3)
    29 RESPONDENTS

	a.	Central administration		b.	Decentralized administration
		25 (86%)			**4 (14%)**

30. Does each of your major units adhere to an established expenditure approval process?
    29 RESPONDENTS

	a.	Yes (BRIEFLY DESCRIBE)		b.	No		c.	Don't know
		29 (100%)			**0 (0%)**			**0(0%)**

APPENDIX C (CONTINUED)

31. Can your agency's management personnel override internal accounting controls?
    29 RESPONDENTS
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          5 (17%)   **23 (79%)**   **1 (3%)**

32. Does your agency maintain an active fixed assets system? **29 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No (PLEASE EXPLAIN HOW YOU MANAGE ASSETS)   ☐ c. Don't know
          29 (100%)   **0 (0%)**   **0 (0%)**

33. Are you aware of any instances of fraud or mismanagement (totaling more than $1,000 per incident) within your agency during the past 4 years? **29 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          8 (28%)   **21 (72%)**   **0 (0%)**

34. Are you aware of any systemic problems with your agency's internal controls system?
    29 RESPONDENTS
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          1 (3%)   **28 (97%)**   **0 (0%)**

35. Has your agency made any significant changes in its internal controls system within the last 4 years?   **29 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          4 (14%)   **24 (83%)**   **1 (3%)**

Information Technology Management

36. Has your agency acquired significant new technology, either hardware or software, during the past 4 years?   **29 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          20 (69%)   **9 (31%)**   **0 (0%)**

37. Does your agency have an established process for identification of technology needs and estimates of time and costs for the needed technology? **29 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          26 (90%)   **2 (7%)**   **1 (3%)**

38. Does your agency have any system applications that were developed and are maintained in-house? **29 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          25 (86%)   **3 (10%)**   **1 (3%)**

39. Due to excessive costs for new technology, has your agency contracted out an information technology process or function during the past 4 years? **29 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          12 (41%)   **16 (55%)**   **1 (3%)**

40. Has your agency experienced difficulty interfacing with other agencies' computer systems?
    29 RESPONDENTS
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          9 (31%)   **19 (66%)**   **1 (3%)**

41. Does your agency employ specific security measures over its information technology?
    29 RESPONDENTS
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
          28 (97%)   **1 (3%)**   **0 (0%)**

APPENDIX C (CONTINUED)

42. Are you aware of any instances where your agency's computer systems were inappropriately penetrated? **29 RESPONDENTS**

     ☐   a.   Yes (BRIEFLY DESCRIBE)   ☐   b.   No   ☐   c.   Don't know
         12 (41%)   **17 (59%)**   **0 (0%)**

43. Are you aware of any systemic problems with your agency's information technology systems? **29 RESPONDENTS**

     ☐   a.   Yes (BRIEFLY DESCRIBE)   ☐   b.   No   ☐   c.   Don't know
         10 (34%)   **19 (66%)**   **0 (0%)**

44. What would be the most likely impact of information technology system problems in your agency? **29 RESPONDENTS**

☐	a.	Risk to health and safety **11 (38%)**	☐	b.	Interrupted service delivery **26 (90%)**	☐	c.	Risk to state's security **11 (38%)**
☐	d.	Impaired economic growth **9 (31%)**	☐	e.	Invasion of citizens' privacy **12 (41%)**	☐	f.	Reduced effectiveness **21 (72%)**
☐	g.	Reduced efficiency **21 (72%)**	☐	h.	Unreliable data **16 (55%)**	☐	i.	Other (PLEASE SPECIFY) **1 (3%)**

45. What percentage of information produced by your agency is in a digital format? **28 RESPONDENTS**

☐	a.	Less than 5% **0 (0%)**	☐	b.	6% - 10% **2 (7%)**	☐	c.	11% - 15% **1 (3%)**	☐	d.	Over 15% **25 (86%)**

46. Does your agency have a plan to assure that digital information will be accessible as technology changes? **29 RESPONDENTS**

     ☐   a.   Yes (BRIEFLY DESCRIBE)   ☐   b.   No   ☐   c.   Don't know
         25 (86%)   **2 (7 %)**   **2 (7%)**

Other Challenges and/or Opportunities

47. Please briefly discuss any other circumstances that are **challenges** for your agency. **21 RESPONDENTS**

- **A trend to decentralize business practices through legislation, continues to challenge the efficiencies by the current administrative structure.**
- **Trying to provide the same and/or better services with less resources.**
- **Working with aging and out of date computer programs.**
- **Performing less inspections and longer response times due to personnel cuts.**
- **Responding to new circumstances that deal with terrorism and food safety.**
- **Losing qualified personnel due to non-competitive salaries.**
- **Inmate bed space needs.**
- **Rising inmate medical costs.**
- **Hiring and retaining qualified staff.**
- **Victim services and offender rehabilitation.**
- **Challenges associated with nature of work. (Must be able to react to state, national and environmental emergencies).**
- **Redundant information requests that strain resources and take them away from their intended duties.**
- **State and federal programs do not fit in a centralized IT information system model.**
- **Continuing to support legacy applications.**
- **Continuation funding.**
- **Dealing with significant budget cuts.**
- **Locating funding to provide training for skill development for supervisors and managers.**
- **Multiple systems that are used in the State limit access to "real-time" financial and staffing data.**
- **To better leverage state agency information technology expenditures in order to get a better return on the state's continuing investments.**
- **Implementing e-commerce initiatives under budgetary constraints.**
- **Dealing with budget cuts while the demand for services increases with the increase in the customer base.**

APPENDIX C (CONTINUED)

- **Maintaining adequate IT funding to keep the department sufficiently interactive and compatible with business and citizens.**
- **Developing joint performance goals and measures with other agencies.**
- **Balancing transportation mobility and safety, environmental protection and enhancement, and economic development and vitality, in unstable economic times.**
- **Outdated Human Resources Information System**
- **Meeting technology needs, while there are no cross agency standards for Federal and State agency requirements.**
- **IT security.**
- **Lack of sufficient IT staff to meet agency needs.**
- **Organizational changes.**
- **Succession planning.**
- **Constant high staff turnover.**
- **Finding funds to replace old and outdated hardware and software.**

48. Please briefly discuss any **opportunities** available to your agency to improve efficiency and accountability. **19 RESPONDENTS**
    - **Expansion of the HUB staff is an opportunity to improve accountability in reporting and certification of HUB activities in the HUB office. Other examples include the Utility Savings Initiative and Performance Contracting.**
    - **Installing a state of the art lab information management system in every lab operation**
    - **Automating and computerizing inspections**
    - **Providing all field personnel with access to e-mail and laptop computers**
    - **Installing high speed communications in all department facilities**
    - **New computers for time keeping, collection of all commodity assessments, and for feed and fertilizer reports.**
    - **New prison construction programs**
    - **Using technology to better provide services**
    - **Continuing to look for additional federal grant programs that may provide additional funding**
    - **Focus the performance management system on outcomes rather than processes.**
    - **Refocus the dimensions fo quality to ensure internal processes are efficient.**
    - **Develop a statewide interoperable communications system.**
    - **Cooperate and take advantage of NC ITS initiatives.**
    - **Join with other agencies to pursue joint procurement activities for common hardware, software, and IT services.**
    - **Provide supervisor and management training.**
    - **Develop departmental policies.**
    - **The Business Systems Infrastructure.**
    - **The IT Financial Specialist will support state agency and enterprise wide information technology efforts.**
    - **E-Commerce.**
    - **Implementing intergovernmental transactions as electronic transfers.**
    - **Promotion and expansion of the electronic payment service.**
    - **Making fee structures more e-filing friendly.**
    - **Education of consumers, so they are better able to use the services provided.**
    - **Improve data integration to further leverage ERP (SAP) System.**
    - **Rewrite of General Statute 126**
    - **A new HRIS System**
    - **Enterprise management of IT resources to create commonality.**
    - **Performance audits offer the opportunity to pro-actively affect ongoing programs.**
    - **Continued training in new technologies.**
    - **Employing networking and application standards.**
    - **Enabling remote management of computers and servers.**
    - **Consolidating resources.**
    - **Consolidation of multiple HEHNR divisions into DHHS.**
    - **Consolidation of staff into a central location.**
    - **Pilot projects to develop new Grand and Abuse software.**
    - **Improving and strengthening the clinical policy area.**
    - **Improving access to care, targeted disease management and case management for high risks or high costs individual cases.**
    - **Designing a new Medicaid Management Information System.**
    - **Jointly developing systems of preserving and providing access to permanently valuable digital government information.**

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APPENDICES

APPENDIX D
SUMMARY OF UNIVERSITY RESPONSES
(Includes UNC-General Administration and UNC-Hospitals)

PURPOSE: The Office of the State Auditor is asking your help in assembling operational data on your institution as part of the Auditor's program to identify opportunities and challenges facing programs and functions in state government. Answers to the questions below will assist in the assessment of your institution's operations. Individual responses will remain confidential workpapers under GS 147-64.6(d)

RESPONSES INDICATED IN BLUE

General Management

1. Have there been significant changes in your institution's organizational structure or staffing levels within the last four years? **Ex: Re-organization to reflect new programmatic offerings that created a new department or elimination of 5% or more of total positions.**   **18 RESPONDENTS**

       a. Yes (PLEASE DESCRIBE))   b. No   c. Don't know
    11 (61.11%)   **7 (38.89%)**   **0 (0.00%)**

2. Has your institution experienced high turnover in key management / administrative positions within the last four years? (High turnover is defined as 15% or greater.)   **18 RESPONDENTS**

       a. Yes (PLEASE EXPLAIN)   b. No   c. Don't know
    12 (66.67%)   **6 (33.33%)**   **0 (0.00%)**

3. Do your institution's internal policies and procedures reflect changes to the UNC Policy Manual?   **18 RESPONDENTS**

       a. Yes   b. No   c. Don't know
    17 (94.44%)   **0 (0.00%)**   **1 (5.56%)**

4. How does your institution's management communicate needed information to the various departments?   **18 RESPONDENTS**

       a. Periodic management meetings   b. E-mail or memos   c. Telephone
    17 (94.44%)   **17 (94.44%)**   **15 (83.33%)**
       d. Newsletter   e. Verbal   f. Other (PLEASE SPECIFY)
    15 (83.33%)   **14 (77.78%)**   **11 (61.11%)**

5. Does your institution use specific program performance measures to manage operations? **(Ex: Reports requested from the campuses by the Office of the President.)**   **18 RESPONDENTS**

       a. Yes   b. No (GO TO QUESTION #7)   c. Don't know (GO TO QUESTION #7)
    17 (94.44%)   **1 (5.56%)**   **0 (0.00%)**

6. Briefly describe how those performance measures are used by your institution.
    - **Measure progress toward meeting divisional and institutional goals and objectives and to identify relevant new goals**
    - **Enrollment Management data assists the Administration in establishing and assessing goals for enrollment growth**
    - **Bond Project Status Report provides insight into the scheduling and expenditures of Bond Projects**
    - **Program performance measures are used to evaluate and improve services, enrollment management, research programs, capital management, and bond programs**
    - **Used to enhance student recruitment and retention, analyze faculty needs, determine the effectiveness of Historically Underutilized Business (HUB) participation, and ensure compliance with accreditation standards for various academic programs**
    - **Results are used to help identify strengths and weaknesses to improve the school's operations**
    - **Data used to report outcomes to legislature, granting agencies and regulatory compliance authorities**
    - **Performance program measures used to eliminate inefficient processes, create cost avoidance or savings opportunities, and maximize return on investment for the University mission**

APPENDIX D (Continued)

7. Is your institution under pressure from outside sources to meet specific performance goals?
   EX: legislative mandate to reduce infant mortality rate by 10%   **18 RESPONDENTS**
   - a. Yes (PLEASE LIST SOURCE)   b. No   c. Don't know
     18 (100.00%)   **0 (0.00%)**   **0 (0.00%)**

8. Does your institution routinely use management reports other than performance measures to oversee program operations, such as those generated at the Office of the President?
   18 RESPONDENTS
   - a. Yes (PLEASE LIST REPORTS)   b. No   c. Don't know
     18 (100.00%)   **0 (0.00%)**   **0 (0.00%)**

9. Have there been significant changes in the administrative programs for which your institution is responsible within the last four years? Ex: Adding staff to manage bond program.
   18 RESPONDENTS
   - a. Yes (PLEASE DESCRIBE)   b. No   c. Don't know
     16 (88.89%)   **2 (11.11%)**   **0 (0.00%)**

10. Have there been significant changes in the academic programs for which your institution is responsible within the last four years? Ex. New academic programs added or low performing programs abolished.   **18 RESPONDENTS**
    - a. Yes (PLEASE DESCRIBE)   b. No   c. Don't know
      14 (77.78%)   **4 (22.22%)**   **0 (0.00%)**

11. What would be the most likely impact of programmatic problems in your institution?
    17 RESPONDENTS

a. Too many students in a class **2 (11.76%)**	b. Inability to provide access for new students **4 (23.53%)**	c. Risk to health and safety (students, instructors, staff) **3 (17.65%)**
d. Interrupted delivery of instruction or service **1 (5.88%)**	e. Invasion of students' privacy **0 (0.00%)**	f. Risk to university's security (technological or physical) **1 (5.88%)**
g. Unreliable data (student grades or administrative) **1 (5.88%)**	h. Invasion of faculty or staff privacy **0 (0.00%)**	i. Other (PLEASE SPECIFY) **11 (64.7150**

Human Capital Management

12. What is the average range for years of service for your institution's academic faculty?
    17 RESPONDENTS
    - a. 1-10   b. 11-20   c. 21-30   d. over 30
      8 (47.06%)   **9 (52.94%)**   **0 (0.00%)**   **0 (0.00%)**

13. How does the average annual salary for your institution's academic faculty compare to other peer academic institutions' average?   **16 RESPONDENTS**
    - a. > 10% below peer average   b. Within +/-5% of peer average   c. > 10 % above peer average
      10 (62.50%)   **6 (37.50%)**   **0 (0.00%)**

14. What personnel turnover percentage has your institution experienced within the last 4 years for academic faculty?   **17 RESPONDENTS**
    - a. Less than 5%   b. 6% - 10%   c. 11% - 15%   d. Over 15%
      0 (0.00%)   **13 (76.46%)**   **4 (23.53%)**   **0 (0.00%)**

APPENDIX D (Continued)

15. What are the main reasons given by **academic faculty** for leaving your institution? (CHECK ALL THAT APPLY.) **17 RESPONDENTS**

a. retirement	b. better salary	c. moving (spouse or self)
16 (94.12%)	**14 (82.35%)**	**8 (47.06%)**
d. career advancement	e. work environment	f. pursue education
10 (58.82%)	**1 (5.88%)**	**0 (0.00%)**
g. change in career	h. change in family needs	i. other (PLEASE SPECIFY)
0 (0.00%)	**1 (5.88%)**	**3 (17.65%)**

16. What is the average range for years of service for your institution's non-faculty EPA staff? **18 RESPONDENTS**

a. 1-10	b. 11-20	c. 21-30	d. over 30
14 (77.78%)	**4 (22.22%)**	**0 (0.00%)**	**0 (0.00%)**

17. How does the average annual salary for your institution's non-faculty EPA staff compare to other peer institutions' average? **17 RESPONDENTS**

a. > 10% below peer average	b. Within +/-5% of peer average	c. > 10 % above peer average
8 (47.06%)	**9 (52.94%)**	**0 (0.00%)**

18. What personnel turnover percentage has your institution experienced within the last 4 years for non- faculty EPA staff? **18 RESPONDENTS**

a. Less than 5%	b. 6% - 10%	c. 11% - 15%	d. Over 15%
2 (11.11%)	**9 (50.00%)**	**6 (33.33%)**	**1 (5.56%)**

19. What are the main reasons given by non- faculty EPA staff for leaving your institution? (CHECK ALL THAT APPLY.) **16 RESPONDENTS**

a. retirement	b. better salary	c. moving (spouse or self)
9 (56.25%)	**11 (68.75%)**	**8 (50.00%)**
d. career advancement	e. work environment	f. pursue education
9 (56.25%)	**0 (0.00%)**	**1 (6.25%)**
g. change in career	h. change in family needs	i. other (PLEASE SPECIFY)
2 (12.50%)	**1 (6.25%)**	**7 (43.75%)**

20. What is the average range for years of service for your institution's SPA staff? **18 RESPONDENTS**

a. 1-10	b. 11-20	c. 21-30	d. over 30
12 (66.67%)	**6 (33.33%)**	**0 (0.00%)**	**0 (0.00%)**

21. What is the average annual salary for your institution's SPA staff? **18 RESPONDENTS**

a. Below $25,000	b. $26,000 - $50,000	c. $51,000 - $75,000	d. Over $75,000
0 (0.00%)	**18 (100.00%)**	**0 (0.00%)**	**0 (0.00%)**

22. What personnel turnover percentage has your institution experienced within the last 4 years for SPA staff? **18 RESPONDENTS**

a. Less than 5%	b. 6% - 10%	c. 11% - 15%	d. Over 15%
1 (5.56%)	**7 (38.89%)**	**8 (44.44%)**	**2 (11.11%)**

23. What are the main reasons given by SPA staff for leaving your institution? (CHECK ALL THAT APPLY.) **18 RESPONDENTS**

a. retirement	b. better salary	c. moving (spouse or self)
13 (72.22%)	**14 (77.78%)**	**8 (44.44%)**
d. career advancement	e. work environment	f. pursue education
10 (55.56%)	**2 (11.11%)**	**3 (16.67%)**
g. change in career	h. change in family needs	i. other (PLEASE SPECIFY)
4 (22.22%)	**3 (16.67%)**	**7 (38.89%)**

APPENDIX D (Continued)

24. Does your institution use unique recruitment techniques for staff of any type?
    17 RESPONDENTS
    - ☐ a. Yes (PLEASE EXPLAIN)   ☐ b. No   ☐ c. Don't know
      6 (35.29%)   **10 (58.82%)**   **1 (5.88%)**

25. Does your institution conduct annual performance evaluations for all employees?
    18 RESPONDENTS
    - ☐ a. Yes   ☐ b. No   ☐ c. Don't know
      16 (88.89%)   **2 (11.11%)**   **0 (0.00%)**

26. Does your institution offer any additional benefits to your employees above those available to all state employees?   **18 RESPONDENTS**
    - ☐ a. Yes (PLEASE EXPLAIN)   ☐ b. No   ☐ c. Don't know
      16 (88.89%)   **2 (11.11%)**   **0 (0.00%)**

Financial Management and Accountability

27. What is your institution's total expended amount for the year ending June 30, 2004 (cash basis)?   **18 RESPONDENTS**

☐ a. Less than $1,000,000 **0 (0.00%)**	☐ b. $1,000,000 - $10,000,000 **0 (0.00%)**	☐ c. $10,000,000 – $20,000,000 **0 (0.00%)**
☐ d. $20,000,000 - $30,000,000 **0 (0.00%)**	☐ e. $30,000,000 - $40,000,000 **0 (0.00%)**	☐ f. $40,000,000 - $50,000,000 **1 (5.56%)**
☐ g. $50,000,000 - $60,000,000 **0 (0.00%)**	☐ h. $60,000,000 - $70,000,000 **1 (5.56%)**	☐ i. $70,000,000 - $80,000,000 **3 (16.67%)**
☐ j. $80,000,000 - $90,000,000 **1 (5.56%)**	☐ k. $90,000,000 - $1,000,000,000 **10 (55.56%)**	☐ l. over $1,000,000,000 **2 (11.11%)**

28. Please indicate the approximate percentage for each of the following funding sources
    18 RESPONDENTS
    - ☐ a. State   ☐ b. Federal   ☐ c. County   ☐ d. Other (PLEASE SPECIFY SOURCE)
      (42.89%)   **(11.94%)**   **(0.00%)**   **(45.17%)**

29. Have your institution's total revenues (all sources) changed significantly over the last 4 years?   **18 RESPONDENTS**
    - ☐ a. Yes (PLEASE DETAIL)   ☐ b. No   ☐ c. Don't know
      10 (55.56%)   **8 (44.44%)**   **0 (0.00%)**

30. Have your institution's total expenditures changed significantly over the last 4 years?
    18 RESPONDENTS
    - ☐ a. Yes (PLEASE DETAIL)   ☐ b. No   ☐ c. Don't know
      10 (55.56%)   **8 (44.44%)**   **0 (0.00%)**

31. Is your individual institution's budget administered from a central location, or is each of your departments responsible for budget administration?   **18 RESPONDENTS**
    - ☐ a. Central administration   ☐ b. Decentralized administration
      10 (55.56%)   **8 (44.44%)**

32. Does each of your departments adhere to an established expenditure approval process?
    18 RESPONDENTS
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
      17 (94.44%)   **1 (5.56%)**   **0 (0.00%)**

APPENDIX D (Continued)

33. Can your institution's departmental management personnel override internal accounting controls?   **18 RESPONDENTS**

□   a. Yes (BRIEFLY DESCRIBE)   □   b. No   □   c. Don't know
           0 (0.00%)   **18 (100.00%)**   **0 (0.00%)**

34. Does your institution maintain an active fixed assets system?   **18 RESPONDENTS**

□   a. Yes (BRIEFLY DESCRIBE)   □   b. No (PLEASE EXPLAIN HOW YOU MANAGE ASSETS)   □   c. Don't know
           18 (100.0%)   **0 (0.00%)**   **0 (0.00%)**

35. Are you aware of any instances of fraud or mismanagement within your institution during the past 4 years that amounted to over $1,000 that WERE NOT submitted to the SBI on the Misused Property Reports?   **18 RESPONDENTS**

□   a. Yes (BRIEFLY DESCRIBE)   □   b. No   □   c. Don't know
           0 (0.00%)   **18 (100.0%)**   **0 (0.00%)**

36. Are you aware of any systemic problems with your institution's internal accounting controls system?   **18 RESPONDENTS**

□   a. Yes (BRIEFLY DESCRIBE)   □   b. No   □   c. Don't know
           0 (0.00%)   **18 (100.0%)**   **0 (0.00%)**

37. Has your institution made any significant changes in its internal controls system within the last 4 years?   **18 RESPONDENTS**

□   a. Yes (BRIEFLY DESCRIBE)   □   b. No   □   c. Don't know
          2 (11.11%)   **16 (88.89%)**   **0 (0.00%)**

38. Briefly describe the effects of the State's recent budget shortfalls on your institution.
   - Outcomes of the cuts include larger class sizes for on-campus classes, greater use of less academically qualified faculty on campus, inability to keep pace with market salaries in some disciplines, inability to address internal salary inequities, and fewer initiatives involving off-campus degree programs
   - Budget reductions have impeded our ability to provide quality education and services to our growing enrollment and constituencies
   - Reduced the ability to maintain consistency in the academic programs by limiting the upgrades of software
   - Reduced the travel opportunity for faculty to participate in scholarly presentations and statewide organizations
   - Reduced the ability to engage consultants with skills and knowledge in highly specialized areas
   - Reductions in staff
   - Reduction in the number of courses offered
   - Delayed purchases of classroom equipment, technology, and scientific equipment
   - Hampered efforts at repair and renovation and the level of deferred maintenance has increased
   - Vacant positions remain unfilled and fewer support staff throughout the campus
   - Low faculty, staff, and student morale
   - Increased tuition for students
   - Reduced hours of operations in labs and libraries
   - Fewer library acquisitions and instructional supplies available to students
   - Delayed processing of vendor payments
   - Longer turnaround times for some information or service requests
   - Fiscal goals were not met and bond rating was downgraded

39. Would expansion of management flexibility, along with accompanying increased accountability, provide increased operating efficiencies for your institution?
    18 RESPONDENTS

□   a. Yes (BRIEFLY DESCRIBE)   □   b. No   □   c. Don't know
           17 (94.44%)   **1 (5.56%)**   **0 (0.00%)**

APPENDIX D (Continued)

Information Technology Management

40. Has your institution acquired significant new administrative computing technology, either hardware or software, during the past 4 years?   **18 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
         17 (94.44%)   **1 (5.56%)**   **0 (0.00%)**

41. What was your funding source for the new administrative computing technology? IF COMBINATION, PLEASE INDICATE % FROM EACH SOURCE.   **18 RESPONDENTS**
    - ☐ a. State   ☐ b. Federal   ☐ c. County   ☐ d. Other (PLEASE SPECIFY SOURCE)
         17 (94.44%)   **4 (22.22%)**   **0 (0.00%)**   **6 (33.33%)**

42. Does your institution have an established process for identification of technology needs (both administrative and academic) and estimates of time and costs for the needed technology?   **18 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
         17 (94.44%)   **1 (5.56%)**   **0 (0.00%)**

43. Does your institution employ specific security measures over its information technology (both administrative and academic) that were not in place at the time of your last Information Technology Audit by the Office of the State Auditor?   **18 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
         15 (83.33%)   **3 (16.67%)**   **0 (0.00%)**

44. Are you aware of any instances where your institution's computer systems were inappropriately penetrated within the last year?   **18 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
         8 (44.44%)   **10 (55.56%)**   **0 (0.00%)**

45. Are you aware of any systemic problems with your institution's information technology systems that have occurred since your last Information Technology Audit conducted by the Office of the State Auditor?   **18 RESPONDENTS**
    - ☐ a. Yes (BRIEFLY DESCRIBE)   ☐ b. No   ☐ c. Don't know
         2 (11.11%)   **16 (88.89%)**   **0 (0.00%)**

46. What would be the most likely impact of information technology system problems in your institution?   **18 RESPONDENTS**
    - ☐ a. Risk to health and safety (students, instructors, staff) **3 (16.67%)**
    - ☐ b. Interrupted delivery of instruction or service **12 (66.67%)**
    - ☐ c. Risk to university's security (technological or physical) **4 (22.22%)**
    - ☐ d. Invasion of students' privacy **5 (27.78%)**
    - ☐ e. Invasion of faculty or staff privacy **4 (22.22%)**
    - ☐ f. Reduced effectiveness **8 (44.44%)**
    - ☐ g. Reduced efficiency **8 (44.44%)**
    - ☐ h. Unreliable data (student grades or administrative) **4 (22.22%)**
    - ☐ i. Other (PLEASE SPECIFY) **7 (38.89%)**

APPENDIX D (Continued)

Other Challenges and Opportunities

47. Please briefly discuss any other circumstances that are challenges for your institution.
    - Regional infrastructure limitations
    - Limited employment opportunities outside the University
    - Budget reductions/reversions that make it difficult to establish long-term plans
    - Constant legislative requests for reports
    - Aging facilities with inadequate repair and renovation funding creates a significant future burden and results in increased upkeep costs and inefficient/ineffective facilities for instruction and research programs
    - Poor health care programs for recruiting staff
    - Constantly training employees for other well funded employers
    - Excessive external demands for reports and statistical information drains staff resources that can be better used in supporting our core missions
    - The need to continuously upgrade and maintain information technology infrastructure
    - Non-competitive salaries and benefits for faculty and staff
    - Spiraling costs for library acquisitions and subscriptions
    - Need to reduce student/faculty ratios
    - Increased enrollment and student demand with funding eroded by budget cuts
    - Meeting state and regional demands for assistance in economic development and job creation

48. Please briefly discuss any opportunities available to your institution to improve efficiency and accountability.
    - Consider new performance measures
    - New leadership
    - New administrative systems
    - Strategic planning initiative and expanded academic and support program reviews
    - Additional management flexibility oversight would strengthen our accountability and let our appropriated dollars do even more for us
    - Opportunities to use special obligation bonds for equipment acquisitions would reduce the cost of financing (especially significant for complex scientific equipment, retrofitting of laboratories, and technology investments)
    - The use of revenue anticipation notes would reduce the University's cost of financing self-liquidating projects
    - The NC Department of Insurance should be required to provide catastrophic windstorm coverage as they do for fire and lightning loss
    - Need management flexibility in the areas of human resources, facilities, purchasing, accounting, and budgeting for increased efficiency
    - The standardization and centralized purchasing of information technology equipment will provide a high level of IT support across standard PC, laptop, and server platforms
    - New or renovated facilities increase effectiveness, safety, and efficiency
    - Shorten lead time for acquisition of real property and adopting lease agreements
    - Streamline construction bid procedures by increasing the delegated thresholds for construction bids and authorizing university discretion to determine best value procurement method on construction projects
    - Reorganization of key areas of the university to enhance efficiency
    - Electronic paperless departmental reporting and memorandum dissemination to reduce printing costs and manpower needs for document distribution

APPENDICES

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APPENDICES

APPENDIX E
SUMMARY OF COMMUNITY COLLEGE RESPONSES

PURPOSE: The Office of the State Auditor is asking your help in assembling operational data on your institution as part of the Auditor's program to identify opportunities and challenges facing programs and functions in state government. Answers to the questions below will assist in the assessment of your institution's operations. Individual responses will remain confidential workpapers under GS 147-64.6(d)

RESPONSES IN BLUE

General Management

1. Have there been significant changes in your institution's organizational structure or staffing levels within the last four years? **Ex: Re-organization to reflect new programmatic offerings that created a new department or elimination of 5% or more of total positions.**   **59 RESPONDENTS**
   - a. Yes (PLEASE DESCRIBE))   b. No   c. Don't know
   - **16 (27.12%)**   **43 (72.88%)**   **0 (0.00%)**

2. Has your institution experienced high turnover in key management / administrative positions within the last four years? (High turnover is defined as 15% or greater.)   **59 RESPONDENTS**
   - a. Yes (PLEASE EXPLAIN)   b. No   c. Don't know
   - **18 (30.51%)**   **41 (69.49%)**   **0 (0.00%)**

3. Does your institution have a **written strategic plan**? If yes, please list dates covered.
   58 RESPONDENTS
   - a. Yes   b. No   c. Don't know
   - **57 (98.28%)**   **1 (1.72%)**   **0 (0.00%)**

4. Does your institution have **written internal policies and procedures**? If yes, please list the date of the last update.   **59 RESPONDENTS**
   - a. Yes   b. No   c. Don't know
   - **58 (98.31%)**   **1 (1.69%)**   **0 (0.00%)**

5. Do your institution's internal policies and procedures reflect the System's policy manual?
   59 RESPONDENTS
   - a. Yes   b. No   c. Don't know
   - **56 (94.92%)**   **0 (0.00%)**   **3 (5.08%)**

6. How does your institution's management communicate needed information to the various departments?   **59 RESPONDENTS**
   - a. Periodic management meetings   b. E-mail or memos   c. Telephone
   - **57 (96.61%)**   **57 (96.61%)**   **51 (86.44%)**
   - d. Newsletter   e. Verbal   f. Other (PLEASE SPECIFY)
   - **36 (61.02%)**   **50 (84.75%)**   **17 (28.81%)**

7. Does your institution have specific program performance measures that it must meet?
   59 RESPONDENTS
   - a. Yes   b. No (GO TO QUESTION #9)   c. Don't know (GO TO QUESTION #9)
   - **56 (94.92%)**   **1 (1.69%)**   **2 (3.39%)**

APPENDIX E (continued)

8. Briefly describe how those performance measures are used by your institution.
   - Program measures are used to monitor and improve program quality
   - The NC Community College System Office uses the "Performance Measures and Standards" (enacted by the Legislature) to allocate extra funds in some years
   - College management uses the "Performance Measures and Standards" to evaluate, encourage, and improve departments
   - Performance standards are used to evaluate the institution's performance compared to state standards and to highlight potential areas for improvement
   - Used to access how well the institution is meeting its mission, goals, and objectives in order to implement any necessary changes
   - Used as feedback for college administration and Board of Trustees
   - Performance measures are used to identify strengths and weaknesses for recommended changes
   - Used to address concerns in the development of program outcomes
   - Performance measures are used to build upon our strengths and identify our weaknesses in order to better serve our students
   - Results of performance measures are incorporated into strategic planning, the institutional budget, and also used to implement changes in procedures and programs to meet changing guidelines
   - Used to determine what new programs are offered, what changes might be made in existing programs, and which programs are discontinued

9. Is your institution under pressure from outside sources to meet specific performance goals?
   EX: legislative mandate to reduce infant mortality rate by 10%   **59 RESPONDENTS**

   ☐ a. Yes (PLEASE LIST SOURCE)   ☐ b. No   ☐ c. Don't know
   45 (76.27%)   **10 (16.95%)**   **4 (6.78%)**

10. Does your institution routinely use management reports other than performance measures to oversee program operations?   **59 RESPONDENTS**

    ☐ a. Yes (PLEASE LIST REPORTS)   ☐ b. No   ☐ c. Don't know
    51 (86.44%)   **7 (11.86%)**   **1 (1.69%)**

11. Have there been significant changes in the **administrative** programs for which your institution is responsible within the last four years? **Ex: Adding staff to manage bond program.**
    59 RESPONDENTS

    ☐ a. Yes (PLEASE DESCRIBE)   ☐ b. No   ☐ c. Don't know
    23 (38.98%)   **35 (59.32%)**   **1 (1.69%)**

12. Have there been significant changes in the **academic** programs for which your institution is responsible within the last four years?   **59 RESPONDENTS**

    ☐ a. Yes (PLEASE DESCRIBE)   ☐ b. No   ☐ c. Don't know
    31 (52.54%)   **26 (44.07%)**   **2 (3.39%)**

13. What would be the most likely impact of programmatic problems in your institution?
    56 RESPONDENTS

☐ a. Too many students in a class 21 (37.50%)	☐ b. Inability to provide access for new students 33 (58.93%)	☐ c. Risk to health and safety (students, instructors, staff) 4 (7.14%)
☐ d. Interrupted delivery of instruction or service 18 (32.14%)	☐ e. Invasion of students' privacy 4 (7.14%)	☐ f. Risk to university's security (technological or physical) 5 (8.93%)
☐ g. Unreliable data (student grades or administrative) 9 (16.07%)	☐ h. Invasion of faculty or staff privacy 2 (3.57%)	☐ i. Other (PLEASE SPECIFY) 14 (25.00%)

APPENDIX E (continued)

Human Capital Management

14. What is the average range for years of service for your institution's **academic faculty**?
    59 RESPONDENTS

    ☐ a. 1-10 ☐ b. 11-20 ☐ c. 21-30 ☐ d. over 30
    25 (42.37%) **32 (54.24%)** **2 (3.39%)** **0 (0.00%)**

15. How does the average annual salary for your institution's **academic faculty** compare to national peer academic institutions' average? **58 RESPONDENTS**

    ☐ a. > 10% below peer average ☐ b. Within +/-5% of peer average ☐ c. > 10 % above peer average
    52 (89.66%) **5 (8.62%)** **1 (1.72%)**

16. What personnel turnover percentage has your institution experienced within the last 4 years for **academic faculty**? **59 RESPONDENTS**

    ☐ a. Less than 5% ☐ b. 6% - 10% ☐ c. 11% - 15% ☐ d. Over 15%
    16 (27.12%) **26 (44.07%)** **9 (15.25%)** **8 (13.56%)**

17. What are the main reasons given by **academic faculty** for leaving your institution? (CHECK ALL THAT APPLY.) **59 RESPONDENTS**

    ☐ a. retirement ☐ b. better salary ☐ c. moving (spouse or self)
    54 (91.53%) **44 (74.58%)** **34 (57.63%)**
    ☐ d. career advancement ☐ e. work environment ☐ f. pursue education
    29 (49.15%) **4 (6.78%)** **9 (15.25%)**
    ☐ g. change in career ☐ h. change in family needs ☐ i. other
    9 (15.25%) **13 (22.03%)** **7 (11.86%)**

18. What is the average range for years of service for your institution's **non-teaching** staff?
    59 RESPONDENTS

    ☐ a. 1-10 ☐ b. 11-20 ☐ c. 21-30 ☐ d. over 30
    21 (35.59%) **35 (59.32%)** **3 (5.08%)** **0 (0.00%)**

19. What is the average annual salary for your institution's **non-teaching** staff?
    58 RESPONDENTS

    ☐ a. Below $25,000 ☐ b. $26,000 - $50,000 ☐ c. $51,000 - $75,000 ☐ d. Over $75,000
    2 (3.45%) **55 (94.83%)** **1 (1.72%)** **0 (0.00%)**

20. What personnel turnover percentage has your institution experienced within the last 4 years for **non-teaching** staff? **59 RESPONDENTS**

    ☐ a. Less than 5% ☐ b. 6% - 10% ☐ c. 11% - 15% ☐ d. Over 15%
    18 (30.51%) **26 (44.07%)** **10 (16.95%)** **5 (8.47%)**

21. What are the main reasons given by **non-teaching** staff for leaving your institution? (CHECK ALL THAT APPLY.) **59 RESPONDENTS**

    ☐ a. retirement ☐ b. better salary ☐ c. moving (spouse or self)
    53 (89.83%) **41 (69.49%)** **25 (42.37%)**
    ☐ d. career advancement ☐ e. work environment ☐ f. pursue education
    27 (45.76%) **8 (13.56%)** **8 (13.56%)**
    ☐ g. change in career ☐ h. change in family needs ☐ i. other
    15 (25.42%) **13 (22.03%)** **6 (10.17%)**

22. Does your institution use unique recruitment techniques for staff, either administrative or academic? **59 RESPONDENTS**

    ☐ a. Yes (PLEASE EXPLAIN) ☐ b. No ☐ c. Don't know
    7 (11.86%) **51 (86.44%)** **1 (1.70%)**

APPENDIX E (continued)

23. Does your institution conduct annual performance evaluations for **all** employees?
    58 RESPONDENTS

    □   a. Yes   □   b. No   □   c. Don't know
      55 (94.83%)   **3 (5.17%)**   **0 (0.00%)**

24. Does your institution offer any additional benefits to your employees above those available to all state employees?   **59 RESPONDENTS**

    □   a. Yes (PLEASE EXPLAIN)   b. No   □   c. Don't know
      36 (61.02%)   **23 (38.98%)**   **0 (0.00%)**

Financial Management and Accountability

25. What is your institution's budget from all sources for the year ending June 30, 2004?
    59 RESPONDENTS

□ a. Less than $1,000,000	□ b. $1,000,000 - $10,000,000	□ c. $10,000,000 – $20,000,000
0 (0.00%)	**7 (11.87%)**	**22 (37.29%)**
□ d. $20,000,000 - $30,000,000	□ e. $30,000,000 - $40,000,000	□ f. $40,000,000 - $50,000,000
20 (33.90%)	**1 (1.69%)**	**4 (6.79%)**
□ g. $50,000,000 - $60,000,000	□ h. $60,000,000 - $70,000,000	□ i. $70,000,000 - $80,000,000
3 (5.08%)	**1 (1.69%)**	**0 (0.00%)**
□ j. $80,000,000 - $90,000,000	□ k. $90,000,000 - $1,000,000,000	□ l. over $1,000,000,000
1 (1.69%)	**0 (0.00%)**	**0 (0.00%)**

26. Please indicate the approximate percentage for each of the following funding sources:
    59 RESPONDENTS

    □   a. State   □   b. Federal   □   c. County   □   d. Other (PLEASE SPECIFY SOURCE)
      67.10%   **12.37%**   **10.75%**   **9.81%**

27. Have your institution's total revenues changed significantly over the last 4 years?
    58 RESPONDENTS

    □   a. Yes (PLEASE DETAIL)   □   b. No   □   c. Don't know
      23 (39.66%)   **35 (60.34%)**   **0 (0.00%)**

28. Have your institution's total expenditures changed significantly over the last 4 years?
    59 RESPONDENTS

    □   a. Yes (PLEASE DETAIL)   □   b. No   □   c. Don't know
      23 (38.98%)   **36 (61.02%)**   **0 (0.00%)**

29. Once you receive your allotted budget, is your institution's individual budget administered from a central location, or is each of your departments responsible for budget administration?
    59 RESPONDENTS

    □   a. Central administration   □   b. Decentralized administration
      28 (47.46%)   **31 (52.54%)**

30. Does each of your departments adhere to an established expenditure approval process?
    59 RESPONDENTS

    □   a. Yes (BRIEFLY DESCRIBE)   □   b. No   □   c. Don't know
      58 (98.31%)   **1 (1.69%)**   **0 (0.00%)**

31. Can your institution's departmental management personnel override internal accounting controls?   **59 RESPONDENTS**

    □   a. Yes (BRIEFLY DESCRIBE)   □   b. No   □   c. Don't know
      2 (3.39%)   **57 (96.61%)**   **0 (0.00%)**

APPENDIX E (continued)

32. Does your institution maintain an active fixed assets system? **59 RESPONDENTS**
    ☐ a. Yes (BRIEFLY DESCRIBE) ☐ b. No (PLEASE EXPLAIN HOW YOU MANAGE ASSETS) ☐ c. Don't know
    59 (100.00%) **0 (0.00%)** **0 (0.00%)**

33. Are you aware of any instances of fraud or mismanagement within your institution during the past 4 years that amounted to over $1,000 that **WERE NOT** submitted to the SBI on the Misused Property Reports? **59 RESPONDENTS**
    ☐ a. Yes (BRIEFLY DESCRIBE) ☐ b. No ☐ c. Don't know
    0 (0.00%) **59 (100.00%)** **0 (0.00%)**

34. Are you aware of any systemic problems with your institution's internal accounting controls system? **59 RESPONDENTS**
    ☐ a. Yes (BRIEFLY DESCRIBE) ☐ b. No ☐ c. Don't know
    0 (0.00%) **59 (100.00%)** **0 (0.00%)**

35. Has your institution made any significant changes in its internal controls system within the last 4 years? **59 RESPONDENTS**
    ☐ a. Yes (BRIEFLY DESCRIBE) ☐ b. No ☐ c. Don't know
    7 (11.86%) **52 (88.14%)** **0 (0.00%)**

Information Technology Management

36. Has your institution acquired significant new **administrative computing** technology, either hardware or software, during the past 4 years? **59 RESPONDENTS**
    ☐ a. Yes (BRIEFLY DESCRIBE) ☐ b. No ☐ c. Don't know
    56 (94.92%) **3 (5.08%)** **0 (0.00%)**

37. What was your funding source for the new **administrative computing** technology? (IF COMBINATION, PLEASE INDICATE % FROM EACH SOURCE.) **56 RESPONDENTS**
    ☐ a. State ☐ b. Federal ☐ c. County ☐ d. Other (PLEASE SPECIFY SOURCE)
    55 (98.21%) **0 (0.00%)** **3 (5.36%)** **3 (5.36%)**

38. Does your institution have an established process for identification of technology needs (both administrative and academic) and estimates of time and costs for the needed technology? **59 RESPONDENTS**
    ☐ a. Yes (BRIEFLY DESCRIBE) ☐ b. No ☐ c. Don't know
    56 (44.92%) **3 (5.08%)** **0 (0.00%)**

39. Does your institution employ specific security measures over its information technology (both administrative and academic)? **59 RESPONDENTS**
    ☐ a. Yes (BRIEFLY DESCRIBE) ☐ b. No ☐ c. Don't know
    58 (98.31%) **1 (1.69%)** **0 (0.00%)**

40. Are you aware of any instances where your institution's computer systems were inappropriately penetrated that have **NOT** been examined by the Information Systems Division of the Office of the State Auditor? **59 RESPONDENTS**
    ☐ a. Yes (BRIEFLY DESCRIBE) ☐ b. No ☐ c. Don't know
    2 (3.39%) **57 (96.61%)** **0 (0.00%)**

41. Are you aware of any systemic problems with your institution's information technology systems? **59 RESPONDENTS**
    ☐ a. Yes (BRIEFLY DESCRIBE) ☐ b. No ☐ c. Don't know
    11 (18.64%) **48 (81.36%)** **0 (0.00%)**

APPENDICES

APPENDIX E (continued)

42. What would be the most likely impact of information technology system problems in your institution?   **57 RESPONDENTS**

☐ a. Risk to health and safety (students, instructors, staff)
   2 (3.51%)

☐ b. Interrupted delivery of instruction or service
   49 (85.96%)

☐ c. Risk to university's security (technological or physical)
   9 (15.79%)

☐ d. Invasion of students' privacy
   14 (24.56%)

☐ e. Invasion of faculty or staff privacy
   13 (22.81%)

☐ f. Reduced effectiveness
   25 (43.86%)

☐ g. Reduced efficiency
   35 (61.40%)

☐ h. Unreliable data (student grades or administrative)
   17 (29.82%)

☐ i. Other (PLEASE SPECIFY)
   1 (1.75%)

Other Challenges and Opportunities

43. Please briefly discuss any other circumstances that are **challenges** for your institution.

- Insufficient physical facilities to meet the needs of persons desiring training
- Lack of sufficient funds to maintain current instructional equipment
- Inadequate funding to attract and maintain a quality workforce
- Implementation of the new administrative computer system (employees have to learn the new system as well as maintain the legacy system until the conversion is complete)
- Adequate and stable financial resources – both operating and capital from both the State and County
- Funding shortfalls particularly in faculty pay, equipment, multi-campus operation, and changing technology
- Having sufficient space to accommodate instructional, administrative, and maintenance needs is problematic
- Staffing and recruitment of professionals and instructors in technical areas such as computer information systems, allied health, electronics, and related specialties due to availability and low pay compared to the market
- Lack of start-up funds for planning, developing, and implementing academic programs to meet business/industry needs to provide employment opportunities for area citizens
- Inflexibility of not being able to carry forward state funds to the next fiscal year to use for specified purposes during succeeding years
- The full-time-equivalent (FTE) formula for operating budgets is the same for all programs regardless of program costs
- State budgets not being available until one or more months after the fiscal year begins
- To meet the ever increasing levels of accountability being pushed down to us with inadequate budgets to equip properly to meet these demands
- Maintaining plant facilities with limited funding
- Difficult to offer professional development to staff and faculty when dollars are limited and so is the time for these individuals to take the training
- Salary levels offered to potential employees often results in the College's first and second choices declining the offer; offering competitive salaries
- Responding to numerous reporting requirements and deadlines
- Lack of flexible funding in order to shift resources to meet emergency needs
- Difficulty in retrieving meaningful data from legacy system for planning and decision-making
- Lack of cross training of personnel to handle jobs when those specifically responsible are absent
- Marginal funding during periods of high enrollment
- Rising costs, increased enrollment, and a reduction in funding to accommodate these changes
- Increased closings of manufacturing facilities (the number of dislocated workers has not diminished and the demand for services continues to grow)
- Lack of adequate child-care
- Operating a branch campus in an adjoining county (low wealth) which is restricted in monies available for physical plant maintenance and operating costs
- Local economic conditions and a limited job market present challenges in placement of graduates who desire to stay in their home county
- Replacement of long-term employees

APPENDICES

APPENDIX E (continued)

44. Please briefly discuss any **opportunities** available to your institution to improve efficiency and accountability.

- Implementation of a new administrative computer system that has capabilities that will enhance workflows, improve customer satisfaction, and provide improved management information
- Sharing the cost of an internal audit position between several community colleges within each region to provide management an opportunity to be proactive in meeting accountability standards
- Use of e-procurement cards
- College working to secure additional funds through grants as the opportunity arises
- Web registration
- The support of the Community College system and State Board of Community Colleges
- Implement and approve additional management positions
- Revise and improve personnel policies
- Systematic curriculum reviews
- Creation of an Intranet system which allows the college to electronically store large informational materials, procedure manuals, and "need-to-know" materials for employees (saves paper and employees have access to current copy of materials)
- SACS Accreditation
- Internal Quality Enhancement Plans
- Staff development training opportunities for professional development
- College is continually upgrading technology to increase operating efficiency and accountability
- Strategic planning process to help determine priorities for use of available funding and human resources in order to make the best use of the available resources
- College has aggressively pursued various forms of distance learning delivery systems as a cost-effective method for meeting the educational needs of its students
- College has developed a number of public/private partnerships with other entities in its service area to facilitate efficiencies in the delivery of educational programs/services
- Minimize the amount of "red tape" to purchase supplies and equipment for timely delivery to the classroom
- Improved data on student learning which will positively impact on success rate of students
- Advancements in administrative software and technology

APPENDICES

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APPENDICES

APPENDIX F-1
CHALLENGES RATINGS

Agency/Division	IMPACT RATING						CHALLENGES LIKELIHOOD RATING										
A	B	C	D	E	F	G	I	J	K	L	M	N	O	P	Q	R	S
Source of rating:	OSP, DPI, UNC GA	NCAS	Ranked based on auditor knowledge			Impact Score (B thru F)	Weighted Score	SBI data base	OSA Hot-line data-base	Ranked based on auditor knowledge.			Issues identified on surveys				Likeli-hood Score (I thru R)
Weight/Value	0.15	0.15	0.3	0.3	0.1		0-34	0-5	0-16	0-10	0-10	0-15	4	3	2	1	
	Number of Person-nel	Finan-cial Weight	Importance of Program/Function		Public Interest Rating		Perform-ance/ Account ability Issues	Possibility of Misuse		Decent raliza-tion	Health/ Safety Issues	Public Security/ Defense Needs	Identified Challenges				
			Govern.	Public									Lead to Program Failure	Impair Critical Service	Poten-tial Liabi-lity	Reduce Effective--ness	
Administration	7.5	6.0	16.0	4.0	3.3	36.8	9.0	2.0	2.0	2.0	5.0	6.5	0.0	3.0	0.0	1.0	30.5
Administrative Hearings, Office of	1.5	1.0	6.0	1.0	0.7	10.2	0.0	1.0	1.0	0.0	0.0	0.0	4.0	3.0	2.0	1.0	12.0
Agriculture and Consumer Services	8.5	4.5	7.0	17.0	4.0	41.0	17.0	1.0	1.0	10.0	10.0	12.6	4.0	3.0	2.0	1.0	61.6
Auditor, State	3.0	1.5	23.0	23.0	3.3	53.8	0.0	2.0	0.0	2.0	0.0	4.4	4.0	3.0	0.0	1.0	16.4
Commerce	7.0	7.5	11.0	23.0	5.3	53.8	10.1	5.0	13.0	8.0	3.0	8.1	0.0	3.0	0.0	1.0	51.2
Community Colleges, North Carolina	12.0	10.0	12.0	17.0	7.3	58.3	4.3	5.0	13.0	10.0	8.0	10.1	4.0	3.0	2.0	1.0	60.4
Controller, State	2.0	2.5	30.0	4.0	0.3	38.8	2.1	0.0	0.0	1.0	0.0	3.2	4.0	3.0	0.0	1.0	14.3
Correction	14.0	11.0	6.0	23.0	4.7	58.7	12.8	2.0	14.0	10.0	10.0	13.2	0.0	3.0	2.0	1.0	68.0
Crime Control and Public Safety	10.5	8.0	23.0	30.0	10.0	81.5	25.0	5.0	2.0	10.0	9.0	12.5	0.0	3.0	0.0	1.0	67.5
Cultural Resources	6.5	11.5	10.0	10.0	6.0	44.0	2.1	2.0	1.0	10.0	7.5	10.8	4.0	3.0	0.0	1.0	41.4
Employment Security Commission	10.0	12.0	2.0	11.0	10.0	45.0	5.8	0.0	11.0	10.0	2.0	10.1	4.0	3.0	0.0	1.0	46.9
Environment and Natural Resources	11.0	9.5	16.0	30.0	10.0	76.5	15.4	5.0	2.0	10.0	10.0	12.6	0.0	3.0	2.0	1.0	61.0

APPENDIX F-1 (Continued)

Agency/Division	IMPACT RATING						CHALLENGES LIKELIHOOD RATING										
	B	C	D	E	F	G	I	J	K	L	M	N	O	P	Q	R	S
Source of rating:	OSP, DPI, UNC GA	NCAS	Ranked based on auditor knowledge			Impact Score (B thru F)	Weighted Score	SBI data base	OSA Hot-line data-base	Ranked based on auditor knowledge.			Issues identified on surveys				Likeli-hood Score (I thru R)
Weight/Value	0.15	0.15	0.3	0.3	0.1		0-34	0-5	0-16	0-10	0-10	0-15	4	3	2	1	
	Number of Person-nel	Finan-cial Weight	Importance of Program/Function		Public Interest Rating		Perform-ance/ Account-ability Issues	Possibility of Misuse		Decent raliza-tion	Health/ Safety Issues	Public Security/ Defense Needs	Identified Challenges				
			Govern	Public									Lead to Program Failure	Impair Critical Service	Poten-tial Liabi-lity	Reduce Effective--ness	
* Governor, Office of the	3.5	3.0	30.0	23.0	10.0	**69.5**	0.0	0.0	1.0	3.0	2.0	11.5	4.0	3.0	0.0	1.0	**25.5**
Health and Human Services	13.5	14.0	23.0	30.0	10.0	**90.5**	34.0	5.0	16.0	10.0	10.0	12.0	4.0	3.0	2.0	1.0	**97.0**
Information Technology Services	5.5	6.5	30.0	7.0	1.3	**50.3**	6.9	0.0	1.0	0.0	0.0	11.9	4.0	3.0	0.0	1.0	**27.8**
Insurance	4.5	10.5	16.0	23.0	7.3	**61.3**	9.6	0.0	1.0	5.0	7.5	8.5	0.0	3.0	0.0	1.0	**35.6**
Judicial Branch/ Administrative Office of the Courts	12.5	8.5	30.0	15.0	4.7	**70.7**	15.9	5.0	1.0	10.0	4.0	8.0	4.0	3.0	0.0	1.0	**51.9**
Justice	8.0	5.0	23.0	24.0	7.3	**67.3**	2.1	2.0	1.0	4.0	8.0	11.0	0.0	0.0	2.0	1.0	**31.1**
Juvenile Justice	9.5	5.5	6.0	5.0	2.0	**28.0**	6.4	3.0	1.0	10.0	10.0	12.6	4.0	3.0	2.0	1.0	**53.0**
Labor	5.0	3.5	10.0	15.0	4.0	**37.5**	10.6	1.0	1.0	5.0	10.0	5.4	0.0	0.0	0.0	1.0	**34.0**
Lieutenant Governor, Office of the	0.5	0.5	3.0	4.0	3.3	**11.3**	0.0	0.0	0.0	0.0	1.0	7.8	0.0	0.0	0.0	0.0	**8.8**
Public Schools/ Department of Public Instruction	15.0	13.5	10.0	23.0	10.0	**71.5**	12.8	0.0	2.0	10.0	8.0	8.7	0.0	3.0	2.0	1.0	**47.5**

* The analysis model used puts considerable weight on the number of staff and the financial weight in computing each agency's "impact" score. Because these two criteria are low for the Governor's Office, the resulting impact score may not reflect the true impact of this Office. The Governor, as leader of the state, is responsible for all state government operations.

APPENDICES

APPENDIX F-1 (Continued)

A	IMPACT RATING							CHALLENGES LIKELIHOOD RATING										
	B	C	D	E	F	G		I	J	K	L	M	N	O	P	Q	R	S
Source of rating:	OSP, DPI, UNC GA	NCAS	Ranked based on auditor knowledge					Weighted Score	SBI data base	OSA Hot-line data base	Ranked based on auditor knowledge.			Issues identified on surveys				
Weight/Value	0.15	0.15	0.3	0.3	0.1	Impact Score (B thru F)		0-34	0-5	0-16	0-10	0-10	0-15	4	3	2	1	Likeli-hood Score (I thru R)
Agency/Division	Number of Person-nel	Finan-cial Weight	Importance of Program/Function		Public Interest Rating			Perform-ance/ Accounta-bility Issues	Possibility of Misuse		Decen-traliza-tion	Health/ Safety Issues	Public Security/ Defense Needs	Identified Challenges				
			Govern	Public										Lead to Program Failure	Impair Critical Service	Poten-tial Liabi-lity	Reduce Effective-- ness	
Revenue	9.0	14.5	30.0	30.0	7.3	90.8		6.4	3.0	1.0	10.0	0.0	1.9	4.0	3.0	2.0	1.0	32.3
Secretary of State	2.5	2.0	16.0	15.0	1.0	36.5		0.0	2.0	1.0	2.0	0.0	4.5	4.0	3.0	0.0	1.0	17.5
State Health Plan	1.0	7.0	23.0	9.0	5.3	45.3		25.5	0.0	1.0	0.0	10.0	8.0	0.0	3.0	0.0	1.0	48.5
Transportation	13.0	12.5	17.0	30.0	10.0	82.5		18.6	5.0	15.0	10.0	10.0	11.4	4.0	3.0	2.0	1.0	80.0
Treasurer, State	4.0	15.0	30.0	15.0	1.7	65.7		4.8	0.0	1.0	0.0	0.0	9.3	4.0	0.0	0.0	1.0	20.1
University System, North Carolina	14.5	13.0	23.0	8.0	6.0	64.5		21.3	5.0	16.0	10.0	10.0	4.0	4.0	3.0	2.0	1.0	76.3
UNC Hospitals	11.5	9.0	1.0	6.0	3.3	30.8		3.7	0.0	1.0	5.0	10.0	10.0	0.0	3.0	0.0	1.0	33.7

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APPENDIX F-2
OPPORTUNITIES RATINGS

A	IMPACT RATING							OPPORTUNITIES LIKELIHOOD RATING								
	B	C	D	E	F	G		I	J	K	L	M	N	O	P	Q
Source of rating:	OSP, DPI, UNC GA	NCAS	Ranked based on auditor knowledge					Issues identified on questionnaire			Ranked based on auditor knowledge.					
Weight/Value	0.15	0.15	0.3	0.3	0.1	Impact Score (B thru F)		10	10	10	1-20	1-20	1-10	1-10	1-10	Likelihood Score (I through P)
Agency/Division	Number of Person-nel	Finan-cial Weight	Importance of Program/Function		Public Interest Rating			Identified Opportunities			Improve Techno-logy	Reduce Cost thru Improved Efficiency	Expand Operations			
			Govern	Public				Improve Critical Service	Improve Effective-ness	Reduce Costs			Add Staff	Add Locations	Increase Program Budget	
Administration	7.5	6.0	16.0	4.0	3.3	36.8		10	10	10	12	14	5	0	3	64.0
Administrative Hearings, Office of	1.5	1.0	6.0	1.0	0.7	10.2		10	10	0	7	5	2	0	5	39.0
Agriculture and Consumer Services	8.5	4.5	7.0	17.0	4.0	41.0		10	10	10	20	16	7	0	7	80.0
Auditor, State	3.0	1.5	23.0	23.0	3.3	53.8		0	10	10	2	2	10	0	5	39.0
Commerce	7.0	7.5	11.0	23.0	5.3	53.8		10	10	0	14	10	5	0	3	52.0
Community Colleges, North Carolina	12.0	10.0	12.0	17.0	7.3	58.3		10	10	10	20	20	10	0	10	90.0
Controller, State	2.0	2.5	30.0	4.0	0.3	38.8		10	10	10	10	7	0	0	5	52.0
Correction	14.0	11.0	6.0	23.0	4.7	58.7		10	10	10	14	14	9	2	10	79.0
Crime Control and Public Safety	10.5	8.0	23.0	30.0	10.0	81.5		10	10	10	18	10	7.5	0	3	68.5
Cultural Resources	6.5	11.5	10.0	10.0	6.0	44.0		10	10	0	12	4	4	1	8	49.0
Employment Security Commission	10.0	12.0	2.0	11.0	10.0	45.0		0	10	0	15	15	0	0	2	42.0
Environment and Natural Resources	11.0	9.5	16.0	30.0	10.0	76.5		10	10	0	20	20	10	0	10	80.0
Governor, Office of the	3.5	3.0	30.0	23.0	10.0	*69.5		10	10	0	20	4	0	0	4	48.0

* The analysis model used puts considerable weight on the number of staff and the financial weight in computing each agency's "impact" score. Because these two criteria are low for the Governor's Office, the resulting impact score may not reflect the true impact of this Office. The Governor, as leader of the state, is responsible for all state government operations.

APPENDICES

APPENDIX F-2 (Continued)

A	IMPACT RATING							OPPORTUNITIES LIKELIHOOD RATING								
	B	C	D	E	F	G		I	J	K	L	M	N	O	P	Q
Source of rating:	OSP, DPI, UNC GA	NCAS	Ranked based on auditor knowledge					Issues identified on questionnaire			Ranked based on auditor knowledge.					
Weight/Value	0.15	0.15	0.3	0.3	0.1	Impact Score (B thru F)		10	10	10	1-20	1-20	1-10	1-10	1-10	Likelihood Score (I through P)
Agency/Division	Number of Person-nel	Finan-cial Weight	Importance of Program/Function		Public Interest Rating			Identified Opportunities			Improve Techno-logy	Reduce Cost thru Improved Efficiency	Expand Operations		Increase Program Budget	
			Govern	Public				Improve Critical Service	Improve Effective-ness	Reduce Costs			Add Staff	Add Locations		
Health and Human Services	13.5	14.0	23.0	30.0	10.0	**90.5**		10	10	10	20	18	7	0	9	**84.0**
Information Technology Services	5.5	6.5	30.0	7.0	1.3	**50.3**		10	10	10	7	13	3	7	5	**65.0**
Insurance	4.5	10.5	16.0	23.0	7.3	**61.3**		10	10	10	2	2	4	0	5	**43.0**
Judicial Branch/ Administrative Office of the Courts	12.5	8.5	30.0	15.0	4.7	**70.7**		10	10	10	20	9	10	0	10	**79.0**
Justice	8.0	5.0	23.0	24.0	7.3	**67.3**		0	10	0	10	10	8	0	8	**46.0**
Juvenile Justice	9.5	5.5	6.0	5.0	2.0	**28.0**		10	10	0	15	18	10	0	10	**73.0**
Labor	5.0	3.5	10.0	15.0	4.0	**37.5**		0	10	0	12	5	8	0	8	**43.0**
Lieutenant Governor, Office of the	0.5	0.5	3.0	4.0	3.3	**11.3**		0	0	0	1	10	0	0	0	**11.0**
Public Schools/ Department of Public Instruction	15.0	13.5	10.0	23.0	10.0	**71.5**		10	10	0	10	20	5	10	10	**75.0**
Revenue	9.0	14.5	30.0	30.0	7.3	**90.8**		10	10	10	18	10	4	0	7	**69.0**
Secretary of State	2.5	2.0	16.0	15.0	1.0	**36.5**		10	10	10	9	15	3	0	7.5	**64.5**
State Health Plan	1.0	7.0	23.0	9.0	5.3	**45.3**		0	10	10	12	15	1	0	10	**58.0**
Transportation	13.0	12.5	17.0	30.0	10.0	**82.5**		10	10	10	20	20	0	0	0	**70.0**
Treasurer, State	4.0	15.0	30.0	15.0	1.7	**65.7**		10	10	0	10	15	10	0	0	**55.0**
University System , North Carolina	14.5	13.0	23.0	8.0	6.0	**64.5**		10	10	10	20	20	5	0	8	**83.0**
UNC Hospitals	11.5	9.0	1.0	6.0	3.3	**30.8**		10	10	10	20	14	3	0	8	**75.0**

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APPENDICES

COMMENTS ON IMPACT, CHALLENGES, AND OPPORTUNITIES RATINGS BY AGENCY

Administration, Department of	
Explanation of Ratings	
Aspect/Criteria	Definition
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	DOA is the internal service agency for state government
Public	Purchase and contract functions; various commissions
Public Interest Rating	Minimal media coverage for DOA functions; more coverage for commissions
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Fixed asset issues; inappropriate use of computers, documentation issues
Possibility of Misuse	Stolen money Allegations - Misuse of vehicles; violation of bidding process; abuse of time
Decentralization	Mostly in Raleigh but several locations
Evident Health and Safety Issues	DOA responsibility for buildings and for motor fleet safety
Public Security and Defense Needs	State capital police and physical security of buildings/data
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	Outdated technology; reduction in funds/staff
Potential Liability	
Reduce Effectiveness	No written strategic plan
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Increase staff; increase budget
Improve Effectiveness	Update technology
Reduce Costs	Utility savings Initiative; performance contracting
Improve Technologies	Information Systems in the areas of State Construction, Motor Fleet, need to be upgraded
Reduce Cost Through Improved Efficiency	State energy using performance contracts, increase use of hybrids, Surplus property using fixed asset management
Expand Operations:	
Add Staff	HUB, State Construction, and Facility Management Staff
Add Locations	
Increase Program Budget	Technology updates and staffing

APPENDIX F-3 (Continued)

Administrative Hearings, Office of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	OAH serves as the arbitrator for state government
Public	OAH has limited public interaction
Public Interest Rating	
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	
Possibility of Misuse	Allegation - Waste of state funds
Decentralization	
Evident Health and Safety Issues	
Public Security and Defense Needs	
Agency Identified Challenges:	
Lead to Program Failure	Possibility of computer system failure
Impair Critical Service	Loss of employees
Potential Liability	Potential risks associated with Rules Commission decisions
Reduce Effectiveness	No formal training and no performance measures; non-contiguous location of staff
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Increasing technology use and upgrading systems
Improve Effectiveness	Developing strategic plan and performance measures
Reduce Costs	
Improve Technologies	Upgrading systems
Reduce Cost Through Improved Efficiency	Implementing training program and using technology more effectively
Expand Operations:	
Add Staff	Adding needed staff including IT
Add Locations	
Increase Program Budget	IT staffing needs, equipment and software

APPENDICES

APPENDIX F-3 (Continued)

Agriculture and Consumer Services, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Governmental inspectors for food safety; international marketing for our goods; state representative to the agricultural community
Public	Responsible for major portion of food safety for public; regulate agricultural commodities; responsible for school warehouses
Public Interest Rating	Farming community represents approximately 5% of population; majority of articles relative to state fair and political headlines
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Cash management, internal control questions, inappropriate computer access
Possibility of Misuse	Stolen and damaged property Allegations - Abuse of time, falsifying records, misuse of state property, violation of procedures
Decentralization	Inspectors and offices located throughout the state
Evident Health and Safety Issues	Responsible for food safety, pesticides safety
Public Security and Defense Needs	Responsible for food security and regulations of farm chemicals and poisons IT security issues and compliance
Agency Identified Challenges:	
Lead to Program Failure	Legacy systems and applications
Impair Critical Service	Inadequate staffing
Potential Liability	Untimely inspections leading to health and safety issues
Reduce Effectiveness	Inadequate internal controls; lack of IT staff
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Updating labs
Improve Effectiveness	Automating the inspection process and increasing technology for field personnel
Reduce Costs	Continue increasing federal and grant revenues; decrease use of paper reports
Improve Technologies	Replacing legacy systems and applications and improving IT security
Reduce Cost Through Improved Efficiency	Automating the inspection process; providing email access to field personnel
Expand Operations:	
Add Staff	Added homeland security responsibilities
Add Locations	
Increase Program Budget	Additional staff in homeland security and IT areas

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APPENDIX F-3 (Continued)

Auditor, Office of the State	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Responsible for audits of all government agencies, institutions, and programs
Public	Represents citizens' interests in government operations
Public Interest Rating	Considerable number of articles relative to audits
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	
Possibility of Misuse	Computer theft
Decentralization	Branch offices
Evident Health and Safety Issues	
Public Security and Defense Needs	Security related to IS, financial information
Agency Identified Challenges:	
Lead to Program Failure	Lack of adequate staff and resources
Impair Critical Service	Staff turnover, budget cutbacks
Potential Liability	
Reduce Effectiveness	Inadequate staff
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	
Improve Effectiveness	Additional staff and use of technology
Reduce Costs	Paperless audits, web based reports
Improve Technologies	Maintain up to date computer software and hardware
Reduce Cost Through Improved Efficiency	Using technology to complete audits more timely
Expand Operations:	
Add Staff	New legislative mandates and replacing staff lost to budget cuts
Add Locations	
Increase Program Budget	To support increased staffing and program expansion

APPENDIX F-3 (Continued)

Commerce, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Lead agency for economic, community, and workforce development
Public	New businesses, employment and training
Public Interest Rating	New industry announcements, travel and tourism, film and sports development
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Internal control, procedural, and monitoring questions
Possibility of Misuse	Forged documents, stolen property Allegations - Conflict of interest, misuse of state funds, violation of procedures
Decentralization	Various locations throughout the state
Evident Health and Safety Issues	Functions related to the Industrial Commission
Public Security and Defense Needs	Banking and Utility Commission, State Port Authority, Business continuity, IT compliance
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	IT security
Potential Liability	
Reduce Effectiveness	Staffing limitations, decentralized budget, no performance measures
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Upgrading IT
Improve Effectiveness	Establishing performance measures
Reduce Costs	
Improve Technologies	Improving IT security, compliance, and agency interfacing
Reduce Cost Through Improved Efficiency	Increase use of technology
Expand Operations:	
Add Staff	Staffing limitations and high turnover
Add Locations	
Increase Program Budget	IT upgrading and staffing

APPENDIX F-3 (Continued)

Community College System, North Carolina	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	CC services are for the citizens but are also important for economic growth for the state
Public	Function of CC in the community and their locations throughout the state
Public Interest Rating	Review of media reports and local papers consistently show the importance of Community Colleges
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Internal control and documentation issues
Possibility of Misuse	Stolen property, personal use of state property, forged checks, Allegations - abuse of time, misuse of state funds and property
Decentralization	Number of campuses and satellite locations across the state
Evident Health and Safety Issues	Training emergency personnel and health care professionals as well as the safety and health of the students and faculty
Public Security and Defense Needs	Emergency Services Training and IT assessment ratings and security of students and faculty
Agency Identified Challenges:	
Lead to Program Failure	Outdated computer systems and programs
Impair Critical Service	Recruitment, retaining faculty, lack of space
Potential Liability	Release of confidential student information; failure to meet needs of dislocated workers
Reduce Effectiveness	Funding shortfalls, lack of needed programs
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	New administrative computer system
Improve Effectiveness	Increasing public/private partnerships and grants
Reduce Costs	Increase use of distance learning delivery systems
Improve Technologies	New administrative computer system, equipment
Reduce Cost Through Improved Efficiency	More timely and complete reporting; possibilities of increasing distance learning
Expand Operations:	
Add Staff	Increasing enrollment; programs to retrain workers
Add Locations	
Increase Program Budget	Staffing needs, distance learning opportunities

APPENDIX F-3 (Continued)

Controller, Office of the State	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Oversee financial reporting and accounting for all state agencies
Public	E commerce, responsible for CAFR and bond rating
Public Interest Rating	Very few media reports
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Minor errors in calculation, contributions to employee fund
Possibility of Misuse	
Decentralization	Oversee decentralized disbursement functions
Evident Health and Safety Issues	
Public Security and Defense Needs	IT compliance, policy; foreign national legislation compliance
Agency Identified Challenges:	
Lead to Program Failure	Age of payroll system makes failure possible
Impair Critical Service	Still using some legacy systems
Potential Liability	
Reduce Effectiveness	High turnover, no supervisory training
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Replacing payroll system
Improve Effectiveness	Updating IT, e commerce, e transfers; internal compliance reviews
Reduce Costs	Business infrastructure changes
Improve Technologies	Continue to update systems and programs; and implement Windstar
Reduce Cost Through Improved Efficiency	E commerce, e transfer
Expand Operations:	
Add Staff	
Add Locations	
Increase Program Budget	IT upgrades and software implementations

APPENDIX F-3 (Continued)

Correction, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Rehabilitation/incarceration; provide enterprise services; labor services for agencies
Public	Ensures public safety; provides rehabilitation
Public Interest Rating	Removal of criminals; road side workforce; media coverage of executions
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Overpayments; lack of documentation
Possibility of Misuse	Stolen property, inventory shortages, damaged property Allegations - Abuse of time, misuse of state funds and property
Decentralization	Number of prisons, programs, and staff at locations throughout the state
Evident Health and Safety Issues	Provide safety for staff and inmates; provide healthcare to inmates
Public Security and Defense Needs	Keeps criminals off streets; IT security issues
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	Insufficient facilities and capacity
Potential Liability	Future crimes if not rehabilitated; escapes
Reduce Effectiveness	Inadequate technology; staffing
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	New construction; staffing; technology
Improve Effectiveness	Staffing; technology; intake management improvements
Reduce Costs	Efforts to control costs, specifically medical; electronic reimbursement practices
Improve Technologies	Upgrading systems; security issues
Reduce Cost Through Improved Efficiency	Redesign of facilities, workflow and system changes
Expand Operations:	
Add Staff	Additional staff for increased capacity as well as increased need for support staff
Add Locations	Account for increasing prison population
Increase Program Budget	Increase budgets due to new prisons, and support staffing needs

APPENDIX F-3 (Continued)

Crime Control and Public Safety, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Responsible for law enforcement, National Guard, and coordinating recovery from disasters
Public	Responsible for coordinating recovery from disasters; providing state law enforcement – statewide visibility
Public Interest Rating	4 hurricanes in one month; visibility of State Highway Patrol
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Documentation questions, failure to follow procedures, time issues, fixed asset management questions
Possibility of Misuse	Stolen property, ID badge; Allegations - Misuse of state property, fraudulent behavior.
Decentralization	Locations across the state
Evident Health and Safety Issues	The nature of work directly affects health and safety
Public Security and Defense Needs	Functions include bioterrorism prevention and homeland security; IT issues include security policy, structure, personnel
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	Hiring and retaining adequate staff, effect of emergencies
Potential Liability	
Reduce Effectiveness	Turnover in key positions. Coordination / communication with other agencies.
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Accomplish through statewide interoperable communications
Improve Effectiveness	Redesign of performance management system; refocus internal processes
Reduce Costs	Focus on performance outcomes instead of process measures
Improve Technologies	Improve IT security and issues dealing with manual reporting
Reduce Cost Through Improved Efficiency	Better management of assets; decrease use of paper reporting
Expand Operations:	
Add Staff	Homeland security issues; temp and time limited positions
Add Locations	
Increase Program Budget	Homeland security – technology; continuity of funding

APPENDIX F-3 (Continued)

Cultural Resources, Department of	
Explanation of Ratings	
Aspect/Criteria	Definition
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Serves as record keeper for the state and citizens
Public	Responsible for historical sites, museums, state library
Public Interest Rating	Media reports on tourism, including school tours, historical sites
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Procedural issues
Possibility of Misuse	Stolen property, Allegations - abuse of time
Decentralization	Number of offices, museums, historical sites across the state
Evident Health and Safety Issues	Public sites; visitor safety
Public Security and Defense Needs	Public sites, number of people, potential terrorist targets IT security issues
Agency Identified Challenges:	
Lead to Program Failure	Loss of physical records due to disaster
Impair Critical Service	Outdated technology
Potential Liability	
Reduce Effectiveness	Inability to access records
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Increasing use of technology
Improve Effectiveness	Updating technology; continuing pilots
Reduce Costs	
Improve Technologies	Deficiencies in IT assessment; storing records in digital format
Reduce Cost Through Improved Efficiency	Increase use of technology for data storage/retrieval
Expand Operations:	
Add Staff	Loss of permanent and temporary positions
Add Locations	Could always add additional historic sites if resources available
Increase Program Budget	Adding technology, continuing pilot projects and staff

APPENDIX F-3 (Continued)

Employment Security Commission	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Provide employment information for government purposes; collect unemployment taxes; audits
Public	Provide unemployment insurance benefits; provide job searches; business audits
Public Interest Rating	Layoffs, job searches, unemployment benefit payments
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Documentation questions; inappropriate use of computers
Possibility of Misuse	Allegations - Abuse of time; inappropriate use of funds; misuse of state property
Decentralization	Locations across the state
Evident Health and Safety Issues	Safety of large number of clients in multiple locations
Public Security and Defense Needs	Security of locations and citizens' information; IT security policy and compliance
Agency Identified Challenges:	
Lead to Program Failure	Aging technology
Impair Critical Service	Conflicting federal and state mandates
Potential Liability	
Reduce Effectiveness	Redundant information requests
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Conflicting federal and state mandates
Improve Effectiveness	Upgrading technology
Reduce Costs	
Improve Technologies	Servers are failing, centralized IT configurations questions, need for IT security improvements
Reduce Cost Through Improved Efficiency	No written strategic plan and ~500 vacant positions
Expand Operations:	
Add Staff	Have almost 500 vacant positions
Add Locations	
Increase Program Budget	Need to upgrade technology

APPENDIX F-3 (Continued)

Environment and Natural Resources, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Multiple regulatory functions; (Air, water, land and waste management); Issue permits
Public	Administer regulatory programs designed to protect public health, air, water quality, etc.; education programs for business
Public Interest Rating	Numerous media reports, restaurant inspections, other functions
Likelihood	**The chance that a given event will occur.**
	NOTE: Any items left blank had a "0" rating and no comment.
	CHALLENGES
Performance and Accountability Issues	Internal control questions, inadequate monitoring, inappropriate access
Possibility of Misuse	Stolen property, misuse of state property; Allegations - Misuse of state funds/equipment, conflict of interest, violation of bidding process
Decentralization	
Evident Health and Safety Issues	Missions directly relate to health of citizens
Public Security and Defense Needs	Vulnerable natural resources; IT security issues for both DENR and Wildlife
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	Multiple requirements federal and state; loss of grant funded positions
Potential Liability	Breach of IT security and permit issues
Reduce Effectiveness	Inadequate staffing; decentralized budgets and financial staff
	OPPORTUNITIES
Agency Identified Opportunities:	
Improve Critical Service	Upgrade/integrate IT systems
Improve Effectiveness	Streamline organization (financial staff)
Reduce Costs	
Improve Technologies	Inspections, manual reporting, interoperability, IT security
Reduce Cost Through Improved Efficiency	Increased integration of federal and state programs and technical requirements
Expand Operations:	
Add Staff	Filling vacant positions; effect of lost positions
Add Locations	
Increase Program Budget	Critical need for various functions

APPENDIX F-3 (Continued)

Governor, Office of the *	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
	* The analysis model used puts considerable weight on the number of staff and the financial weight in computing each agency's "impact" score. Because these two criteria are low for the Governor's Office, the resulting impact score may not reflect the true impact of this Office. The Governor, as leader of the state, is responsible for all state government operations.
Importance of Program or Function:	
Government	Head of all state government; includes State Budget Office
Public	Top government representative for the people
Public Interest Rating	Numerous media reports on governor's activities
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	
Possibility of Misuse	Misuse of grant funds, violation of procedures
Decentralization	Western, eastern offices and Washington office
Evident Health and Safety Issues	Boards and commissions
Public Security and Defense Needs	State emergencies; homeland security; IT security for governor's office and State Budget Office
Agency Identified Challenges:	
Lead to Program Failure	State Budget Office – multiple systems across government
Impair Critical Service	High turnover in key positions, State Budget Office hiring and retaining staff
Potential Liability	
Reduce Effectiveness	Lack of internal policies and procedures; performance measures
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	State Budget Office Business system upgrade
Improve Effectiveness	Upgrading technology; State Budget Office IT staffing
Reduce Costs	
Improve Technologies	Upgrading technology; State Budget Office integrating multiple systems
Reduce Cost Through Improved Efficiency	State Budget Office staff training; add IT staffing to support state agencies
Expand Operations:	
Add Staff	
Add Locations	
Increase Program Budget	To increase and upgrade IT technology

APPENDIX F-3 (Continued)

Health and Human Services, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Numerous functions provided on a statewide basis. Significant federal funding for Medicaid.
Public	Critical healthcare services offered throughout the state
Public Interest Rating	Numerous articles related to healthcare services provided by the department
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Repeated findings related to fixed asset management, internal controls, lack of documentation, inappropriate use of vehicles, inappropriate access/use of computers and IT security questions
Possibility of Misuse	75 reports including stolen property, federal ID misuse, etc. Allegations - Abuse of time, misuse of state property, violation of procedures, Medicaid fraud, etc.
Decentralization	Numerous locations across the state
Evident Health and Safety Issues	Programs directly relate to health and safety issues
Public Security and Defense Needs	Homeland security roles and responsibilities. IT security issues (policies and procedures)
Agency Identified Challenges:	
Lead to Program Failure	Inadequate continuation funding for certain programs
Impair Critical Service	Program and organizational changes
Potential Liability	Responsible for federal and state grants
Reduce Effectiveness	High turnover and inadequate staffing
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Use of prior authorization and acuity-based assessment tools
Improve Effectiveness	Consolidation of staff and administration
Reduce Costs	New fraud and abuse software
Improve Technologies	Decrease in paper reports, upgrading interoperability and systems; improving IT security
Reduce Cost Through Improved Efficiency	Updating strategic plan and increasing coordination between divisions
Expand Operations:	
Add Staff	Addressing turnover issues and mandated staffing reductions
Add Locations	
Increase Program Budget	Decreased funding from both federal and state levels for certain programs; numerous programs could be expanded

APPENDIX F-3 (Continued)

Information Technology Services, Office of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	The state's central IT operation; responsible for continued operations and assisting agencies with IT
Public	Responsible for state's web page, e commerce, technology purchase for state and locals
Public Interest Rating	Limited media exposure
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Internal control and IT security issues
Possibility of Misuse	Allegations - Misuse of state funds
Decentralization	
Evident Health and Safety Issues	
Public Security and Defense Needs	Security of state agency databases; IT security issues
Agency Identified Challenges:	
Lead to Program Failure	Security risks, legacy systems
Impair Critical Service	Changes in management and legacy applications
Potential Liability	
Reduce Effectiveness	Outdated equipment and software; high turnover of key personnel
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Replace legacy systems and applications
Improve Effectiveness	Pursuing joint procurement activities
Reduce Costs	The enterprise IT initiatives
Improve Technologies	Continued improvements in hardware and software
Reduce Cost Through Improved Efficiency	Operational consolidation across the state
Expand Operations:	
Add Staff	Start up staff for second data center
Add Locations	Need for second data center for the state
Increase Program Budget	To fund second data center

APPENDIX F-3 (Continued)

Insurance, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	The state's insurer; inspects state facilities for fire code; regulates insurance companies
Public	Assures soundness of insurance companies; rules on insurance rates; provides training to emergency service workers
Public Interest Rating	Media reports on rate change rulings, investigations of insurance companies, and fire and life safety education
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Failure to follow procedures, repeated
Possibility of Misuse	Allegations - Abuse of time, misuse of state property and funds
Decentralization	Offices and agents located throughout the state
Evident Health and Safety Issues	State fire code inspections, emergency service personnel training
Public Security and Defense Needs	Soundness of insurance companies, IT security issues (being addressed by department)
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	Budget cuts limit compliance with statutes and regulations
Potential Liability	
Reduce Effectiveness	High turnover of professional positions
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Unrestricted use of funds collected through insurance surcharges
Improve Effectiveness	Developing ways of keeping professional staff
Reduce Costs	Increasing telecommuting
Improve Technologies	Continue upgrading systems
Reduce Cost Through Improved Efficiency	Decrease reliance on paper reports
Expand Operations:	
Add Staff	Need for professional staff
Add Locations	
Increase Program Budget	Exempt from budget cuts

APPENDIX F-3 (Continued)

Judicial Branch, North Carolina / Administrative Office of the Courts	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Court system, statewide influence
Public	Local courts, public defenders, magistrates
Public Interest Rating	Court cases receive more media attention than actual functions
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Internal control issues
Possibility of Misuse	Stolen computers, security questions Allegations - Abuse of time, conflict of interest, misuse of state property
Decentralization	
Evident Health and Safety Issues	Sheriff's office provides security for courthouses
Public Security and Defense Needs	Physical security for staff and public, IT security issues
Agency Identified Challenges:	
Lead to Program Failure	Computer mainframe is located in a flood plain
Impair Critical Service	IT security and interface problems
Potential Liability	
Reduce Effectiveness	Lack of staff; legacy systems
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Continuing computer upgrades
Improve Effectiveness	Improving interface issues
Reduce Costs	Increased use of technology
Improve Technologies	Technology at clerk's office
Reduce Cost Through Improved Efficiency	Reducing paper documents
Expand Operations:	
Add Staff	Inadequate staffing; specifically DA's and clerks
Add Locations	
Increase Program Budget	IT upgrades and staffing

APPENDIX F-3 (Continued)

Justice, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	The state's attorney, protects interest of citizens, state's investigators
Public	Consumer protection, assists local law enforcement
Public Interest Rating	Media reports, public safety, and consumer protection
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Procedural issues
Possibility of Misuse	Reports of stolen property, conflict of interest
Decentralization	Most functions in Raleigh, responsible for law enforcement training academies and SBI
Evident Health and Safety Issues	Consumer protection
Public Security and Defense Needs	SBI function and homeland security role
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	
Potential Liability	Law enforcement function
Reduce Effectiveness	Lack of strategic plan
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	
Improve Effectiveness	Improving internal controls, IT systems, coordination with outside agencies
Reduce Costs	
Improve Technologies	Continue to improve crime labs, IT security
Reduce Cost Through Improved Efficiency	Strategic plan and coordination with other agencies
Expand Operations:	
Add Staff	Positions to support crime lab
Add Locations	
Increase Program Budget	Funding for positions and equipment upgrade

APPENDIX F-3 (Continued)

Juvenile Justice and Delinquency Prevention, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Mission is to rehabilitate juveniles to become productive citizens
Public	Future safety of citizens of the state; rehabilitate juveniles
Public Interest Rating	Only interested if directly affected; media reports generally reflect negative aspects
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Staffing ratios, consistent standards, and treatment and education issues
Possibility of Misuse	Stolen property and misuse of state property Allegations - Abuse of time and misuse of state funds
Decentralization	Number of centers, programs and staff located across the state
Evident Health and Safety Issues	Responsible for the health and safety of juveniles and staff; inadequate staffing and facilities
Public Security and Defense Needs	Protects general public; provides rehabilitation services IT security issues
Agency Identified Challenges:	
Lead to Program Failure	Breakdown of security at centers
Impair Critical Service	Lack of staffing, inadequate training, and budgetary cuts
Potential Liability	Safety of juveniles, staff, and general public
Reduce Effectiveness	Lack of staff, training, and program changes
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Changing programs; adding staff
Improve Effectiveness	Training staff; localizing facilities
Reduce Costs	
Improve Technologies	NC JOIN, increasing IT security
Reduce Cost Through Improved Efficiency	Community based rehabilitation; continuing technology advancements
Expand Operations:	
Add Staff	To support the proposed new juvenile centers
Add Locations	
Increase Program Budget	Increase for programmatic, staff, training

APPENDIX F-3 (Continued)

Labor, Department of	
Explanation of Ratings	
Aspect/Criteria	Definition
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Responsible for OSHA; state compliance with workplace regulations; inspection programs
Public	Responsible for OSHA; state compliance with workplace regulations; inspection programs
Public Interest Rating	Articles relating to state fair and workplace safety
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Documentation and cash management questions
Possibility of Misuse	Documentation errors Allegations - Misuse of state property, vehicles, abuse of time
Decentralization	Mostly Raleigh but some locations around the state
Evident Health and Safety Issues	OSHA functions; workplace safety; inspections programs
Public Security and Defense Needs	IT security; plans; policies; compliance
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	
Potential Liability	
Reduce Effectiveness	Lack of adequate staffing
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	
Improve Effectiveness	Increase IT security
Reduce Costs	
Improve Technologies	Need for IT plan, procedures, security
Reduce Cost Through Improved Efficiency	Decrease use of paper reporting for inspections
Expand Operations:	
Add Staff	Additional inspectors for the different programs
Add Locations	
Increase Program Budget	Inspection programs

APPENDIX F-3 (Continued)

Lieutenant Governor, Office of the	
Explanation of Ratings	
Aspect/Criteria	Definition
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Succession to governor; member of various boards and commissions; chief presiding officer of the state senate
Public	Represents citizens' concerns to various boards and commissions; military affairs
Public Interest Rating	Limited media coverage for office; more for the individual who is Lt. Gov.
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	
Possibility of Misuse	
Decentralization	
Evident Health and Safety Issues	Wellness Commission
Public Security and Defense Needs	Military initiative; IT security issues
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	
Potential Liability	
Reduce Effectiveness	
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	
Improve Effectiveness	
Reduce Costs	
Improve Technologies	IT security issues
Reduce Cost Through Improved Efficiency	Strategic plan, performance measures
Expand Operations:	
Add Staff	
Add Locations	
Increase Program Budget	

APPENDIX F-3 (Continued)

Public Schools System, North Carolina/ Department of Public Instruction	
Explanation of Ratings	
Aspect/Criteria	Definition
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Provide education to citizens; over 2000 public schools
Public	Provides education to children, touches the majority of families
Public Interest Rating	Frequent articles about public schools
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Minor funds management and documentation issues; repeated
Possibility of Misuse	Allegations - Conflict of interest; misuse/waste of state funds; violation of procedures
Decentralization	Over 2000 schools
Evident Health and Safety Issues	Health and safety of students; extracurricular activities
Public Security and Defense Needs	Terrorist targets; ROTC programs; IT security policy; business continuity
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	Interface problems / legacy systems / IT security
Potential Liability	Oversight of outsourced programs
Reduce Effectiveness	High turnover in key positions
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Improving IT; replacing legacy systems
Improve Effectiveness	Establishing performance measures; recruiting/retaining staff
Reduce Costs	
Improve Technologies	Replacing legacy systems; improving IT security
Reduce Cost Through Improved Efficiency	Integration of technology into programs
Expand Operations:	
Add Staff	Increased staff for increase in enrollment
Add Locations	Increased schools to handle increased enrollment; eliminate mobile classrooms
Increase Program Budget	Expanding programs, increasing enrollment, expanding technology upgrades; Leandro decision

APPENDIX F-3 (Continued)

Revenue, Department of	
Explanation of Ratings	
Aspect/Criteria	Definition
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Major revenue collection agency for government
Public	Agency impacts both business and individual tax payers; timeliness of refunds paramount
Public Interest Rating	April 15th visibility; daily impact on sales
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Issues of program monitoring, IT recovery plan, policies and procedures
Possibility of Misuse	Stolen equipment, cash handling issues Allegations - waste of state funds
Decentralization	Number of field offices across the country and state
Evident Health and Safety Issues	
Public Security and Defense Needs	IT security assessment issues
Agency Identified Challenges:	
Lead to Program Failure	Security risk, both network and physical
Impair Critical Service	Old equipment; lack of multilingual staff
Potential Liability	Inadequate training of staff
Reduce Effectiveness	Lack of adequate staff; untimely processing or collections
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Increase in technology for field personnel
Improve Effectiveness	Increase electronic filing
Reduce Costs	More electronic filing; replacing old equipment; data mining
Improve Technologies	Continued advancements in hardware, software for revenue functions
Reduce Cost Through Improved Efficiency	Increased technology = less labor
Expand Operations:	
Add Staff	Expanding programs
Add Locations	
Increase Program Budget	More multilingual staff and increased technology

APPENDIX F-3 (Continued)

Secretary of State, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Handles corporate filings; coordinates other public functions; collects fees for state
Public	Interact with businesses; regulates notaries, lobbyists, charitable solicitors, trademarks and the securities industry
Public Interest Rating	Limited media coverage of SOS functions
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	
Possibility of Misuse	Cash theft Allegations - Mismanagement and misuse of state funds
Decentralization	Raleigh locations and Charlotte
Evident Health and Safety Issues	
Public Security and Defense Needs	Securities functions; consumer information; and IT security and compliance
Agency Identified Challenges:	
Lead to Program Failure	IT security
Impair Critical Service	Unfunded mandates; expanding programs
Potential Liability	
Reduce Effectiveness	Limited IT funding
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Use of e filing
Improve Effectiveness	Educating the public
Reduce Costs	Decrease paper filings
Improve Technologies	Keep technology current and improve IT security
Reduce Cost Through Improved Efficiency	E filing; electronic delivery of services
Expand Operations:	
Add Staff	Due to changes in the UCC laws
Add Locations	
Increase Program Budget	Unfunded mandates; restricted use of revenues

Aspect/Criteria	Definition
State Health Plan, North Carolina Explanation of Ratings	
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Major health insurer for state
Public	Touches health care providers, state employees and beneficiaries
Public Interest Rating	Media coverage relative to state health plan coverage
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Questionable security and controls, lack of monitoring, and lack of policies and procedures
Possibility of Misuse	Allegations - Violation of bidding process and waste of state funds
Decentralization	
Evident Health and Safety Issues	Mission is the administration of healthcare benefits
Public Security and Defense Needs	Security of HIPAA information
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	Inadequate funding
Potential Liability	
Reduce Effectiveness	Lack of staff
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	
Improve Effectiveness	Establish data warehouse/ data mining
Reduce Costs	Education of members
Improve Technologies	IT security issues, data mining for trends; interfacing issues
Reduce Cost Through Improved Efficiency	Improving research
Expand Operations:	
Add Staff	Some staff needed for education of members
Add Locations	
Increase Program Budget	Medical costs rising; number of employees, beneficiaries, and retirees rising

APPENDIX F-3 (Continued)

Transportation, Department of	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Responsible for developing infrastructure
Public	Transportation systems
Public Interest Rating	Lots of media coverage concerning transportation and also visible to the public
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Failure to follow set procedures, misuse of state property, inadequate documentation, poor monitoring
Possibility of Misuse	Incidents were fairly low in number, but issues were stolen property/money, falsified documentation
Allegations - Misuse of funds, property, abuse of time	
Decentralization	Numerous locations across the state
Evident Health and Safety Issues	Safety of transportation systems
Public Security and Defense Needs	Transportation infrastructure, IT security issues
Agency Identified Challenges:	
Lead to Program Failure	IT system failure (legacy systems)
Impair Critical Service	Budget shortfalls, lack of qualified staff
Potential Liability	Balance transportation mobility and safety. Environmental issues
Reduce Effectiveness	Ineffective interagency cooperation/communication
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Continue data system development, improve oversight
Improve Effectiveness	Improve internal controls; more use of IT
Reduce Costs	Effective monitoring and oversight; timely completion of projects
Improve Technologies	IT issues; security, continuity
Reduce Cost Through Improved Efficiency	Timely construction; more stringent performance measures
Expand Operations:	
Add Staff	
Add Locations	
Increase Program Budget	

APPENDIX F-3 (Continued)

State Treasurer, Department of the	
Explanation of Ratings	
Aspect/Criteria	Definition
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Handles all state funds
Public	Public interaction mainly through unclaimed property
Public Interest Rating	Limited media reports directly related to State Treasurer's Office
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Documentation and internal control questions
Possibility of Misuse	Allegations - Misuse of resources
Decentralization	
Evident Health and Safety Issues	
Public Security and Defense Needs	State investments, safety of state funds
Agency Identified Challenges:	
Lead to Program Failure	IT security breach
Impair Critical Service	
Potential Liability	
Reduce Effectiveness	Inadequate staffing
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Replacing legacy systems
Improve Effectiveness	Developing policies and procedures and upgrading computer programs
Reduce Costs	
Improve Technologies	Continue replacing legacy systems
Reduce Cost Through Improved Efficiency	Improving procedures
Expand Operations:	
Add Staff	Workloads increasing – retirees, debt
Add Locations	
Increase Program Budget	

APPENDIX F-3 (Continued)

Aspect/Criteria	Definition
University System, North Carolina Explanation of Ratings	
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	The system was ranked based on its mission to provide higher education, research, its breadth, size, and impact on economic development.
Public	The system was scored at 13 because every citizen does not attend college. However, the system impacts either directly or indirectly a large majority of the state's population.
Public Interest Rating	While the universities receive extensive media coverage, there was not daily coverage, nor did each of the media outlets in the state report information about the universities.
Likelihood	**The chance that a given event will occur.**
NOTE: Any items left blank had a "0" rating and no comment.	
CHALLENGES	
Performance and Accountability Issues	Numerous internal/security control issues
Possibility of Misuse	Stolen property, property damage Allegations - Embezzlement, abuse of time, falsifying records (allegations relative to all 16 campuses and GA)
Decentralization	Facilities located throughout the state
Evident Health and Safety Issues	Safety of students and staff, locations, fraternities, sporting and cultural events
Public Security and Defense Needs	Research, data security
Agency Identified Challenges:	
Lead to Program Failure	Budget reductions = classes cancelled
Impair Critical Service	IT issues, class size, budget
Potential Liability	Invasion of staff/student information
Reduce Effectiveness	IT equipment, infrastructure upgrades and staff reductions
OPPORTUNITIES	
Agency Identified Opportunities:	
Improve Critical Service	Maintain small classes, new/renovated facilities, stable budgeting
Improve Effectiveness	Upgrade IT, funding for equipment purchase/ replacement
Reduce Costs	Continue distance learning, IT standardization
Improve Technologies	Lab equipment, research, wireless campuses
Reduce Cost Through Improved Efficiency	Purchasing changes, new or renovated facilities, new performance measures
Expand Operations:	
Add Staff	Add staff for increased enrollment
Add Locations	
Increase Program Budget	Increasing program costs, increasing enrollment

APPENDIX F-3 (Continued)

UNC Hospitals	
Explanation of Ratings	
Aspect/Criteria	**Definition**
Impact	**Influence, force, or impression the entity has on government operations. REMAINS THE SAME FOR BOTH CHALLENGES AND OPPORTUNITIES.**
Number of Personnel	See Appendix A, page 73
Financial Weight	See Appendix B, page 75
Importance of Program or Function:	
Government	Mission affects limited governmental operations; research and education
Public	Provide patient care for citizens, educate health care professionals, advance health research and provide community service
Public Interest Rating	Articles relate to research and medical initiatives
Likelihood	**The chance that a given event will occur.**
	NOTE: Any items left blank had a "0" rating and no comment.
	CHALLENGES
Performance and Accountability Issues	Computer access and IT control issues
Possibility of Misuse	Allegations - Misuse of funds and mismanagement of patient accounts
Decentralization	Hospitals are spread out, AHEC work, decentralized budgeting
Evident Health and Safety Issues	Mission is health care
Public Security and Defense Needs	Homeland security role (RAC); security of staff and patients
Agency Identified Challenges:	
Lead to Program Failure	
Impair Critical Service	Funding cuts affect ability to serve indigent patients
Potential Liability	
Reduce Effectiveness	Need management flexibility on investments; use of IT
	OPPORTUNITIES
Agency Identified Opportunities:	
Improve Critical Service	Increased need to serve indigent population
Improve Effectiveness	Centralize registration process; increase number of patients served
Reduce Costs	More accurate billing procedures
Improve Technologies	Ongoing advances in medical technology/ equipment
Reduce Cost Through Improved Efficiency	Improved patient information, billing, collections; increase number of patients served without increasing physical plant capacity or staffing; lower rate of hospital charges
Expand Operations:	
Add Staff	Need for multilingual staff; staff for NC Cancer Hospital
Add Locations	
Increase Program Budget	Rising medical costs, increase in the number of patients, funds for new medical technology/equipment

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APPENDICES

	APPENDIX G Local Public School Systems' Growth Fiscal Years 2001 through 2004 (based on Average Daily Membership) NOTE: Negative percentages = increases; positive percentages = decreases. LEA's are ranked largest increases to largest decreases.				
	LEA NAME	**2000-01 ADM**	**2001-02 ADM**	**2002-03 ADM**	**2003-04 ADM**	**Percent Difference 01 to 04**
1.	CAMDEN COUNTY	1,277	1,354	1,406	1,567	-22.71%
2.	JOHNSTON COUNTY	21,106	22,298	23,351	24,801	-17.51%
3.	UNION COUNTY	22,588	23,829	25,263	26,621	-17.85%
4.	CURRITUCK COUNTY	3,186	3,251	3,421	3,673	-15.29%
5.	CABARRUS COUNTY	19,030	19,999	20,752	21,616	-13.59%
6.	WAKE COUNTY	97,348	100,373	103,921	108,396	-11.35%
7.	MECKLENBURG COUNTY	101,762	104,862	108,333	112,698	-10.75%
8.	IREDELL-STATESVILLE	17,127	17,723	18,302	18,922	-10.48%
9.	CHAPEL HILL-CARRBORO	9,598	9,997	10,347	10,590	-10.34%
10.	MOORESVILLE CITY	3,975	4,124	4,205	4,280	-7.67%
11.	THOMASVILLE CITY	2,396	2,414	2,469	2,573	-7.39%
12.	GRANVILLE COUNTY	8,038	8,260	8,445	8,595	-6.93%
13.	FORSYTH COUNTY	43,948	44,972	46,053	46,953	-6.84%
14.	PITT COUNTY	19,616	19,970	20,377	20,905	-6.57%
15.	PENDER COUNTY	6,507	6,686	6,751	6,932	-6.53%
16.	CLINTON CITY	2,604	2,636	2,678	2,773	-6.49%
17.	ELKIN CITY	1,113	1,106	1,126	1,183	-6.29%
18.	MOORE COUNTY	11,002	11,192	11,354	11,669	-6.06%
19.	GREENE COUNTY	2,982	3,074	3,121	3,154	-5.77%
20.	KANNAPOLIS CITY	4,242	4,329	4,333	4,481	-5.63%
21.	LINCOLN COUNTY	10,663	10,805	10,983	11,233	-5.35%
22.	KINGS MOUNTAIN	4,388	4,511	4,595	4,618	-5.24%
23.	GUILFORD COUNTY	61,894	62,767	63,873	65,118	-5.21%
24.	HENDERSON COUNTY	11,454	11,610	11,742	12,048	-5.19%
25.	DAVIE COUNTY	5,736	5,886	5,906	6,017	-4.90%
26.	ONSLOW COUNTY	20,576	21,033	21,254	21,573	-4.85%
27.	RANDOLPH COUNTY	17,029	17,471	17,825	17,834	-4.73%
28.	ORANGE COUNTY	6,167	6,119	6,322	6,449	-4.57%
29.	ALLEGHANY COUNTY	1,410	1,407	1,446	1,472	-4.40%
30.	BRUNSWICK COUNTY	10,085	10,318	10,426	10,528	-4.39%
31.	NEW HANOVER COUNTY	21,253	21,499	21,639	22,173	-4.33%
32.	HOKE COUNTY	6,110	6,237	6,210	6,366	-4.19%
33.	ALAMANCE-BURLINGTON	20,445	20,946	21,185	21,280	-4.08%
34.	CHATHAM COUNTY	6,990	7,020	7,185	7,243	-3.62%
35.	SURRY COUNTY	8,196	8,245	8,318	8,492	-3.61%
36.	ASHEBORO CITY	4,234	4,281	4,335	4,384	-3.54%
37.	YADKIN COUNTY	5,766	5,819	5,856	5,963	-3.42%
38.	SAMPSON COUNTY	7,780	7,888	7,892	8,038	-3.32%

APPENDIX G (Continued)

	LEA NAME	2000-01 ADM	2001-02 ADM	2002-03 ADM	2003-04 ADM	Percent Difference 00 to 04
39.	SWAIN COUNTY	1,725	1,706	1,729	1,782	-3.30%
40.	CUMBERLAND COUNTY	50,453	50,926	51,398	52,107	-3.28%
41.	ALEXANDER COUNTY	5,387	5,515	5,439	5,556	-3.14%
42.	DURHAM COUNTY	29,237	29,657	30,032	30,120	-3.02%
43.	CHEROKEE COUNTY	3,504	3,531	3,584	3,606	-2.91%
44.	FRANKLIN COUNTY	7,574	7,733	7,815	7,792	-2.88%
45.	CLEVELAND COUNTY	9,424	9,424	9,509	9,694	-2.87%
46.	CATAWBA COUNTY	16,074	16,153	16,391	16,506	-2.69%
47.	HARNETT COUNTY	16,156	16,365	16,422	16,589	-2.68%
48.	MACON COUNTY	3,969	4,014	4,033	4,073	-2.62%
49.	GASTON COUNTY	29,792	30,161	30,380	30,556	-2.56%
50.	DUPLIN COUNTY	8,461	8,520	8,653	8,680	-2.59%
51.	DARE COUNTY	4,607	4,617	4,691	4,718	-2.41%
52.	DAVIDSON COUNTY	18,825	18,891	18,914	19,270	-2.36%
53.	LEE COUNTY	8,725	8,778	8,834	8,924	-2.28%
54.	ROWAN-SALISBURY	20,106	20,353	20,464	20,557	-2.24%
55.	JACKSON COUNTY	3,492	3,552	3,606	3,557	-1.86%
56.	CALDWELL COUNTY	12,517	12,629	12,602	12,746	-1.83%
57.	YANCEY COUNTY	2,480	2,487	2,491	2,525	-1.81%
58.	WILSON COUNTY	12,034	12,044	12,030	12,221	-1.55%
59.	PERSON COUNTY	5,651	5,752	5,724	5,742	-1.61%
60.	EDENTON/CHOWAN	2,426	2,439	2,468	2,461	-1.44%
61.	HAYWOOD COUNTY	7,666	7,709	7,732	7,776	-1.43%
62.	ROBESON COUNTY	23,390	23,468	23,556	23,705	-1.35%
63.	NASH-ROCKY MOUNT	17,665	17,768	17,864	17,894	-1.30%
64.	BLADEN COUNTY	5,606	5,563	5,584	5,676	-1.25%
65.	MADISON COUNTY	2,505	2,495	2,495	2,536	-1.24%
66.	MCDOWELL COUNTY	6,359	6,353	6,446	6,426	-1.05%
67.	NEWTON-CONOVER	2,770	2,729	2,778	2,797	-0.97%
68.	POLK COUNTY	2,365	2,394	2,359	2,388	-0.97%
69.	ROCKINGHAM COUNTY	14,289	14,455	14,516	14,412	-0.86%
70.	VANCE COUNTY	7,947	8,112	8,102	8,007	-0.76%
71.	LENOIR COUNTY	10,043	10,035	10,058	10,106	-0.63%
72.	STOKES COUNTY	7,267	7,321	7,346	7,307	-0.55%
73.	BUNCOMBE COUNTY	24,405	24,447	24,365	24,535	-0.53%
74.	GRAHAM COUNTY	1,186	1,182	1,158	1,192	-0.51%
75.	CLAY COUNTY	1,246	1,229	1,239	1,251	-0.40%
76.	BURKE COUNTY	14,356	14,452	14,479	14,406	-0.35%
77.	EDGECOMBE COUNTY	7,468	7,544	7,526	7,492	-0.32%
78.	PASQUOTANK COUNTY	5,816	5,851	5,844	5,829	-0.22%
79.	WAYNE COUNTY	19,036	18,999	18,915	19,076	-0.21%

APPENDIX G (Continued)

	LEA NAME	2000-01 ADM	2001-02 ADM	2002-03 ADM	2003-04 ADM	Percent Difference 01 to 04
80.	CARTERET COUNTY	8,130	8,062	8,003	8,128	0.02%
81.	ASHE COUNTY	3,142	3,127	3,155	3,133	0.29%
82.	RICHMOND COUNTY	8,197	8,230	8,249	8,172	0.30%
83.	SCOTLAND COUNTY	6,827	6,771	6,763	6,797	0.44%
84.	RUTHERFORD COUNTY	9,920	9,938	9,881	9,874	0.46%
85.	AVERY COUNTY	2,323	2,321	2,336	2,309	0.60%
86.	BEAUFORT COUNTY	7,204	7,195	7,174	7,160	0.61%
87.	HICKORY CITY	4,492	4,407	4,352	4,464	0.62%
88.	MONTGOMERY COUNTY	4,461	4,413	4,394	4,423	0.85%
89.	CRAVEN COUNTY	14,475	14,375	14,299	14,261	1.48%
90.	MOUNT AIRY CITY	1,886	1,851	1,889	1,852	1.80%
91.	WARREN COUNTY	3,123	3,110	3,138	3,065	1.86%
92.	STANLY COUNTY	9,974	9,938	9,884	9,778	1.97%
93.	WILKES COUNTY	10,149	10,043	10,042	9,947	1.99%
94.	PAMLICO COUNTY	1,740	1,701	1,708	1,705	2.01%
95.	ROANOKE RAPIDS CITY	3,027	3,044	3,008	2,965	2.05%
96.	GATES COUNTY	1,990	1,933	1,978	1,947	2.16%
97.	TRANSYLVANIA COUNTY	3,846	3,791	3,750	3,759	2.26%
98.	WHITEVILLE CITY	2,726	2,698	2,684	2,657	2.53%
99.	MITCHELL COUNTY	2,362	2,360	2,331	2,302	2.54%
100.	ANSON COUNTY	4,482	4,454	4,398	4,356	2.81%
101.	SHELBY CITY	3,177	3,205	3,161	3,074	3.24%
102.	COLUMBUS COUNTY	7,158	7,068	6,971	6,922	3.30%
103.	HYDE COUNTY	681	676	667	657	3.52%
104.	ASHEVILLE CITY	3,937	3,904	3,864	3,789	3.76%
105.	LEXINGTON CITY	3,224	3,199	3,207	3,097	3.94%
106.	PERQUIMANS COUNTY	1,757	1,710	1,691	1,682	4.27%
107.	CASWELL COUNTY	3,517	3,483	3,425	3,360	4.46%
108.	WATAUGA COUNTY	4,858	4,784	4,655	4,633	4.63%
109.	MARTIN COUNTY	4,689	4,598	4,519	4,444	5.22%
110.	BERTIE COUNTY	3,575	3,507	3,454	3,375	5.59%
111.	WASHINGTON COUNTY	2,263	2,250	2,200	2,131	5.83%
112.	JONES COUNTY	1,452	1,456	1,416	1,359	6.40%
113.	WELDON CITY	1,139	1,098	1,084	1,065	6.50%
114.	HERTFORD COUNTY	3,864	3,811	3,716	3,541	8.36%
115.	HALIFAX COUNTY	5,896	5,742	5,549	5,339	9.45%
116.	NORTHAMPTON COUNTY	3,549	3,400	3,345	3,202	9.78%
117.	TYRRELL COUNTY	710	678	683	635	10.56%

Note: During 2004, three systems (Cleveland, Kings Mountain, and Shelby City) merged into one LEA 230 Cleveland), reducing the number of systems from 117 to 115.
Source: Department of Public Instruction

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January 13, 2005

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