



Public Schools of North Carolina
State Board of Education
Department of Public Instruction

Report to the North Carolina General Assembly

Independent Operational Assessment of
the North Carolina Department of Public
Instruction

Session Law 2017-57, Section 7.23L

Date Due: May 1, 2018

Report # 76

DPI Chronological Schedule, 2017-2018

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Mark Johnson, State Superintendent :: 301 N. Wilmington Street :: Raleigh, North Carolina 27601-2825

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Summary

S.L. 2017-57, section 7.23L, directed the State Superintendent to contract with an independent organization for “an organizational, functional, and business-process audit of the Department of Public Instruction,” and to report the results to the General Assembly by May 1, 2018. The Department selected the firm Ernst and Young (EY) to perform the work. After conducting interviews, analyzing data, and reviewing documents, the firm submitted a report with 18 recommendations. These recommendations can be grouped into two broad themes:

- NCDPI can improve services to North Carolina public schools by reducing internal silos, and by delivering a more consistent vision for how to support local schools and students.
- By improving internal business processes and consolidating information technology activities, NCDPI can focus resources on supporting schools, educators, and students.

Legislative Directive

On April 27, 2018, the North Carolina Department of Public Instruction (“NCDPI”) received a report from Ernst & Young (“EY”). This document constitutes the report to the North Carolina General Assembly, Joint Legislative Education Oversight Committee, and Fiscal Research Division with the results of EY’s assessment. S.L. 2017-57, Section 7.23L, called for the following:

AUDIT OF THE DEPARTMENT OF PUBLIC INSTRUCTION

SECTION 7.23L. The Superintendent of Public Instruction shall select an independent research organization that is a public or private entity or university for the 2017-2018 fiscal year to conduct an organizational, functional, and business-process audit of the Department of Public Instruction. The selected organization shall have experience and special expertise in performing the type of audit described above. No later than May 1, 2018, the Department shall submit a report to the General Assembly, the Joint Legislative Education Oversight Committee, and the Fiscal Research Division with the results of the audit including, at a minimum, all of the following information:

- (1) Identification of cost saving measures that could be implemented within the Department.
- (2) A statement regarding the minimum funding necessary to ensure that federal grant funds do not constitute more than fifty percent (50%) of the budget of the Department.
- (3) All maintenance of effort requirements related to federal grants administered by the Department and the financial impact of failing to meet those requirements.
- (4) Any activities for which the Department uses State funds that are not related to federal or State law or policy.
- (5) Identification of programs, services, or divisions within the Department that could be consolidated or reorganized.
- (6) Any positions within the Department that are unnecessary, duplicative, or unrelated to the implementation of federal or State law or policy.
- (7) Any programs that are ineffective, cumbersome, or no longer functioning as intended by federal or State law or policy.
- (8) Any recommendations for legislative action.

To conduct this assessment the North Carolina Department of Public Instruction (NCDPI) selected the firm Ernst and Young (EY) through a competitive bidding process. NCDPI selected EY for its extensive experience in K-12 education consulting for multiple state education agencies, school districts, and education stakeholder groups.

Summary of Methodology

EY worked on-site at NCDPI from January-April 2018 to gather two types of information. First, EY interviewed over 100 NCDPI employees and 100 external stakeholders including superintendents, local academic officers, school principals, and teachers. Second, EY collected data and documents to analyze NCDPI's operational budget, staffing, and businesses practices.

The EY assessment focused on the core operations of NCDPI, and did not include assessment of the three residential schools, the NC Center for the Advancement of Teaching (NCCAT), the NC Virtual Public School, the Innovative School District, or the licensure division (an operational review of the licensure division was completed by TNTP in 2017).

Summary of Recommendations

On April 27th, 2018, EY delivered a final report (attached) to NCDPI with 18 recommendations based on their analysis of NCDPI and extensive knowledge of state education agencies. These recommendations provide a roadmap for improving operations within NCDPI and improving how the agency serves LEAs and charter schools. Table 1 summarizes these recommendations.

Table 1: Summary of EY Recommendations

#	Recommendation
1	Establish a central repository that sources, validates, and maintains data.
2	Bolster and embed analytics capabilities across key program offices.
3	Develop a policy and strategy function to facilitate collaboration and feedback around agency priorities.
4	Engage and empower division leaders as business owners of their budgets.
5	Improve the efficiency, governance and transparency of contracting.
6	Redesign the regional structure to better coordinate and differentiate identified supports to LEAs.
7	Align, coordinate and potentially streamline assessments.
8	Combine educator talent-related functions into a single end-to-end talent division.
9	Reduce IT support response times to the field and improve resolution experience.

#	Recommendation
10	Centralize IT capabilities housed in non-IT divisions and consolidate the functions within the IT division.
11	Repurpose IT by outsourcing common and low value functions and refocusing to advise and support business needs.
12	Implement a vendor-first approach for application services and prioritize cloud hosting.
13	Design and implement the future state application portfolio (rationalize/consolidate/upgrade).
14	Streamline and accelerate the talent acquisition process using technology and internal process optimization.
15	Enable HR to be a strategic function
16	Develop an employee engagement and support strategy focused on communication, transparency, learning and development.
17	Better align compensation levels and changes with performance.
18	Create a transformation management office to support effective implementation of these recommendations.

These recommendations have identified areas of the department that can be consolidated or reorganized and highlight ways in which NCDPI programs can be improved to better serve schools, educators, and students as directed by federal or state law and policy. A number of recommendations also involve improving internal processes to ensure that, as an agency, NCDPI's internal operations are as effective as possible so time and resources can be focused on supporting schools, educators, and students.

Some recommendations can be implemented over the course of the next year without additional resources. However, other recommendations will take more time, and may require some upfront investment before yielding long-term efficiencies. Overall, implementing the 18 recommendations will significantly improve the return that North Carolina taxpayers get on the funds that are invested in NCDPI, and how districts, schools, educators, and students are supported across the state.

Next Steps

Over the next month, NCDPI will establish a “transformation management office (TMO)” to develop an implementation plan with specific actions, detailed timeline, and milestones to use in leading change efforts in the agency.

To help ensure effective implementation of the EY recommendations the State Board of Education and Superintendent of Public Instruction request two things from the General Assembly:

- 1) Delay of the \$5.1 million management flexibility reduction scheduled to take effect on July 1, 2018. Reductions of more than \$5 million for next year will prevent the strategic implementation of thoughtful changes that will yield efficiencies over a multi-year period and improve NCDPI effectiveness on behalf of students.
- 2) Include language in the 2018 Appropriations Act permitting the Department to restructure positions, operating budget, and related funding and fund code structures on a recurring basis that may be necessary to implement the EY recommendations.