

*Health and Human Services Issues -*  
**Department of Human Resources  
Organization and Staffing Issues**

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for  
North Carolina General Assembly  
Government Performance Audit Committee  
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## **Issue Statement**

The Department of Human Resources (DHR) is a large, complex agency with significant program mandates and responsibilities. This paper investigates whether DHR's current organizational structure and staffing is suitable to carrying out the Department's mission and objectives. It primarily focuses on the Secretary's Office and the central administration units of DHR's nine program divisions.

## **Background**

The mission of DHR is the achievement and maintenance of an adequate level of health, social, and economic well-being for all North Carolina citizens. The Secretary of DHR supervises a staff of over 17,500 permanent positions, with over 12,000 of these positions located in the 16 institutions operated by the Division of Mental Health. The other 5,500+ positions are located throughout the agency's nine program divisions which are described below. DHR has oversight over 22,000 state funded county employees that are subject to compliance with state and federal laws. There are now over 1,000 vacancies within the agency. DHR's current organizational chart can be found in Exhibit 1.

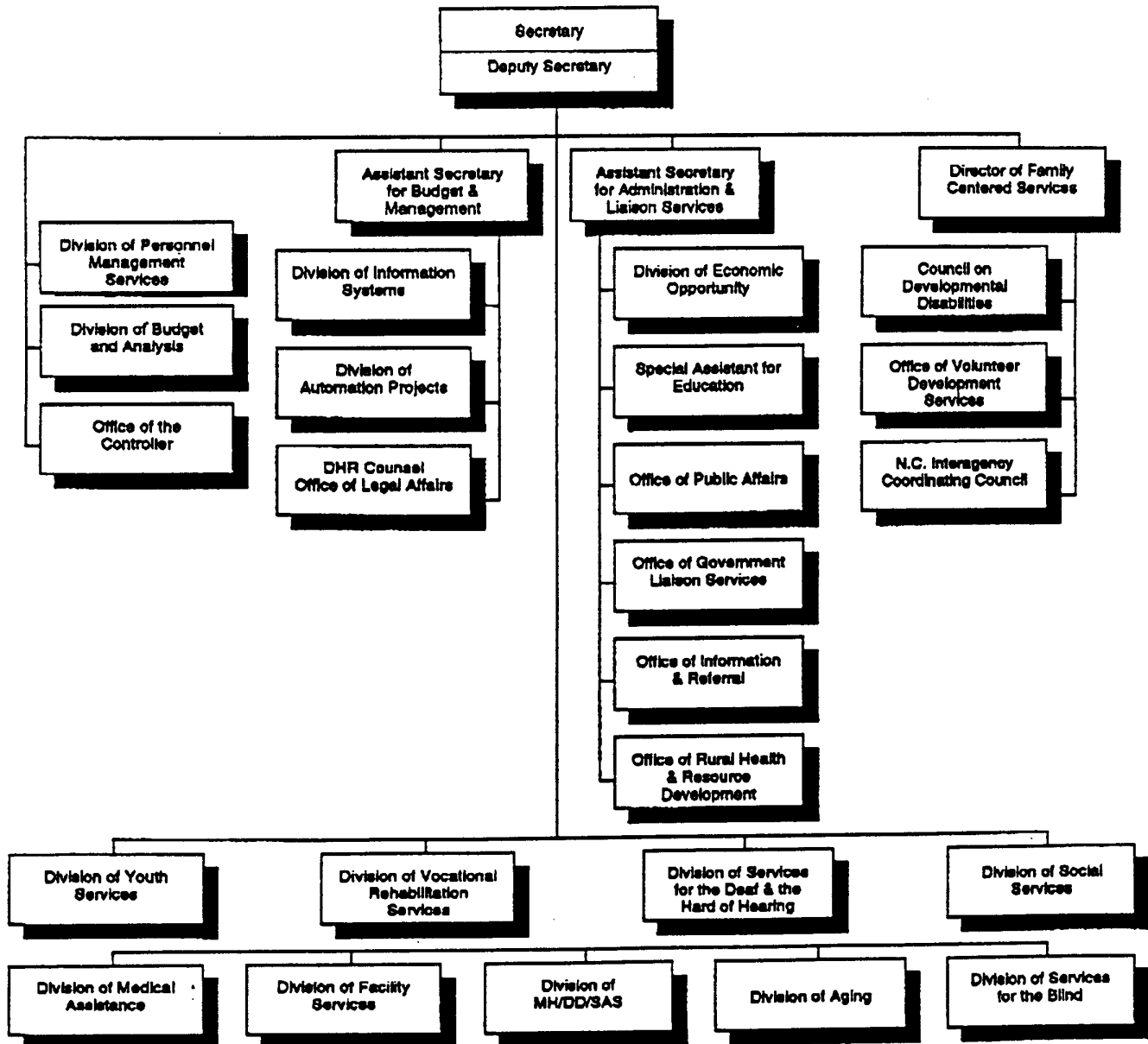
DHR has an estimated fiscal year 1992 budget of \$4.1 billion, which is the second largest concentration of spending in North Carolina state government. The DHR Secretary has made a concerted effort to decentralize operations and decision-making responsibility to the nine program divisions. The Secretary's Office, with 327 positions, provides policy and administrative oversight, while the program division directors are responsible for day-to-day operations. DHR's nine divisions with their programmatic and functional responsibilities are as follows:

- **Division of Aging** - This division serves as the advocate for over one million North Carolinians who are 60 years of age and over. The division administers a comprehensive array of programs in accord with the Federal Older Americans Act. (35 positions)
- **Division of Services for the Blind** - The division's primary goals are the prevention of blindness, and the facilitation of the rehabilitation of the state's visually impaired citizens. The division is also responsible for the operations of the Governor Morehead School, the state's public residential school for students with blindness and visual impairments. (863 positions)
- **Division of Services for the Deaf and Hard of Hearing** - This division addresses comprehensive needs of the State's deaf and hard of hearing citizens. It operates three residential/day school programs for the deaf, preschool satellite programs, and six regional resource centers. (664 positions)

# North Carolina Department of Human Resources

EXHIBIT 1

## CURRENT ORGANIZATIONAL CHART



- **Division of Vocational Rehabilitation** - The division's primary goal is to serve all of the State's handicapped citizens in order that they become productive, gainfully employed citizens. (1,005 positions)
- **Division of Facility Services** - This division is responsible for:
  - Inspecting, certifying, registering, and licensing medical and domiciliary care facilities, day care facilities, mental health facilities, ambulances, jails, and other programs
  - Planning for distribution of health care facilities
  - Providing technical assistance, service, and regulatory oversight of the State's Emergency Medical Services program at the local level
  - Ensuring the availability, affordability, and accessibility of the State's child day care services to all citizens

This division has 412 positions.

- **Division of Medical Assistance** - The division's primary goal is to manage the Medicaid program efficiently and effectively so that cost effective health care services are available through enrolled providers to all eligible persons across the State. (222 positions)
- **Division of Mental Health, Developmental Disabilities, Substance Abuse Services** - The division provides aid to the mentally ill, the developmentally disabled, and to those with alcohol and drug problems through a system of State-operated institutions and locally operated community programs. (12,160 positions)
- **Division of Social Services** - The division supervises the administration of public assistance programs including:
  - Aid to Families with Dependent Children (AFDC)
  - Emergency Assistance
  - Food Stamps
  - Low-Income Energy Assistance
  - State-County Special Assistance
  - Foster Care
  - Adoption Assistance payments

The division also administers in-home services, protective services for adults and children, and many other supportive services. (1,077 positions)

■ **Division of Youth Services** - The division is responsible for:

- Operating the state's training schools for delinquent children (ages 10-16) and state-owned detention centers
- Providing funding and technical assistance to community-based youth programs
- Developing a one-on-one volunteer program
- Managing the Eckerd Wilderness Camp

This division has 935 positions.

An illustration of the distribution of DHR employees by division can be found in Exhibit 2.

DHR's operations are funded by a variety of federal receipts and state funds. DHR's federal funding represents 68 percent of its required budget and its state appropriation accounts for approximately 32 percent.

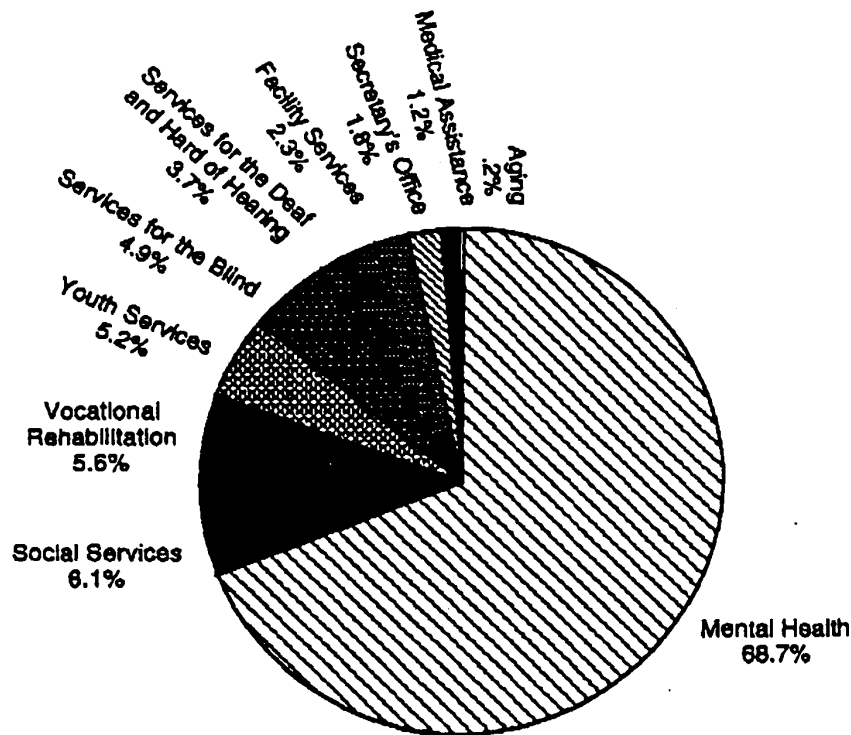
Pressures on DHR's budget come from increasing medical costs, the increasing over-85 age population, and the increasing requirements for serving the needs of the developmentally disabled. Fiscal year 1992 General Fund expenditures for Medicaid at \$590 million represented 45 percent of DHR's state appropriation. Medicaid expenditures have increased by 25 percent from the prior year. The growth in the State's elderly and disabled populations will also have an impact on Medicaid program funding. The over-85 age population is expected to increase by approximately 70 percent over the next decade.

EXHIBIT 2

# North Carolina Department of Human Resources

EXHIBIT 2

## DISTRIBUTION OF STAFF BY DIVISION



## Findings

***Finding 1: 20 positions in the Secretary's Office have one-to-one reporting relationships, and/or excessively narrow spans of control.***

Twenty positions in the Secretary's Office, many of which are managerial/supervisory positions, have three or fewer positions reporting directly to them. Many of these positions involve one-to-one reporting relationships. Such positions were identified in the following organizational units:

- Office of Government Liaison Services
- Council on Developmental Disabilities
- Division of Information Systems
- Division of Economic Opportunity
- Office of Public Affairs
- Division of Personnel Management Services
- Division of Budget and Analysis
- Office of the Controller

A well structured organization can operate with a managerial/supervisory span of control between three and six positions. While this is not a hard and fast rule, this span of control is used as a bench mark in guiding organizational structure and staffing analyses. A high supervisory-to-staff ratio that occurs from narrow spans of control can result in increased operating costs, and the creation of a middle layer of management that could impede organizational efficiency.

***Recommendation 1: The 20 excess positions identified in the Secretaries Office should be eliminated.***

The 20 excess positions identified in the Secretary's Office should be eliminated, and the Offices of Public Affairs, Government Liaison Services, and Information and Referral should be combined into one Office of External Affairs (under a director) that could report directly to the Secretary or Deputy Secretary. Based on the average DHR employee salary of \$24,104, including benefits in the amount of \$6,213, we estimate the potential annual savings as a result of eliminating these positions would be approximately \$606,000.

***Finding 2: The Secretary's Office includes an unnecessary layer of management.***

Three Assistant Secretaries positions report directly to the Secretary of DHR: the Assistant Secretary for Budget and Management, Assistant Secretary for Administration and Liaison Services, and the Assistant Secretary for Aging. Although agencies of this size usually have a director for administration and/or budget and management, we believe that the Assistant

Secretaries with these titles are not performing the functions that their titles imply.

- **The Assistant Secretary for Budget and Management** primarily oversees the operations of the Divisions of Information Systems and Automation Projects, which are DHR's information resource management (IRM) functions. He does not oversee the divisions that would naturally fall under his title - the Controller and Budget and Analysis.
- **The Assistant Secretary for Administration and Liaison Services** focuses more on liaison services than administration because administrative decision-making is decentralized to the program divisions and Personnel Management Services reports directly to the Secretary.
- **The Assistant Secretary for Aging** does not serve a leadership role in DHR beyond his responsibilities with the Division of Aging. No other divisions or organizational units report to him. The Division of Aging also has a director whose primary responsibility is the day-to-day program administration of the division.

An efficient organization has minimal layers of management to ensure that there are clear lines of communication throughout the organizational structure, and to facilitate organizational decision-making efficiency. The organizational units within the span of control of these assistant secretaries are divisions that should either report to the Secretary or Deputy Secretary or should be moved into the respective program divisions, as discussed in Finding 2. The three Assistant Secretaries represent an unneeded layer of management in DHR.

**Recommendation 2:** *Eliminate the positions of the Assistant Secretaries for Budget and Management, Administration and Liaison Services, and the Division of Aging.*

The potential annual savings that would result from the elimination of these three positions is approximately \$89,000 based on using average State employee salary and benefits assumptions. This is a conservative assumption.

**Finding 3:** *Several program functions in the Secretary's Office should be located at the program division level.*

The following programmatic functions are located in the Secretary's Office:

- Division of Economic Opportunity
- Director of Family Centered Services
- Council on Developmental Disabilities
- Office of Volunteer Development Services
- North Carolina Interagency Coordinating Council



- Office of Rural Health and Resource Development
- Special Assistant for Education

The Secretary's office should act as a policy and administrative oversight function, and should not be directly involved with program service delivery. To be consistent with the current mode of operations for the Department, there should be no programmatic functions located in the Secretary's office and all pertinent functions should be decentralized and performed at the program division level. The heads of the divisions are seasoned professionals able to handle most, if not all, of the program issues that arise. Program issues do rise to the Secretary's level, but rarely. Because the program divisions generally operate autonomously, the focus of the Secretary's time should be on overall administrative matters such as personnel, budget, public relations, legal matters, and efficiency.

**Recommendation 3:**        *All pertinent program functions located in the Secretary's Office should be decentralized and performed at the program division level.*

The following program functions should be moved from the Secretary's Office to the appropriate program division:

- Shift the Division of Economic Opportunity, which administers grant programs that provide opportunities for low-income individuals and families, to the Division of Social Services.
- Shift the Office of Rural Health and Resource Development so that it may be integrated with the State's other public health functions in the Department of Environment, Health, and Natural Resources.
- Reassign the following programs to the Division of Mental Health, Developmental Disabilities, Substance Abuse Services:
  - **Council on Developmental Disabilities**, which is a federal program designed to assist states in developing and implementing plans for the developmentally disabled.
  - **North Carolina Interagency Coordinating Council**, which provides the necessary management and interagency coordination for the planning, development, and evaluation of services provided to developmentally disabled and at-risk infants.
- Decentralize the volunteer services provided by the Office of Volunteer Development Services to the respective program divisions being served.
- Transfer the Director of Family Centered Services, which is a newly created program to provide policy and resource coordination among the various divisions within DHR

to strengthen family-centered services, to the Division of Social Services after the program is fully operational (two to three years).

- Eliminate the Special Assistant for Education and transfer the position responsibilities to the Deputy Secretary.

With the implementation of the recommendations under Findings 2 and 3, the following organizational units would report to the Secretary:

- Deputy Secretary
- DHR Counsel/Office of Legal Affairs
- Office of External Affairs
- Division of Information Systems
- Division of Personnel Management Services
- Division of Budget and Analysis
- Office of the Controller

The program divisions would report to the Deputy Secretary:

- Division of Youth Services
- Division of Medical Assistance
- Division of Family Centered Services
- Division of Vocational and Rehabilitation Services
- Division of Facility Services
- Division of Mental Health, Developmental Disabilities and Substance Abuse Services
- Division of Services for the Deaf and the Hard of Hearing
- Division of Aging
- Division of Social Services
- Division of Services for the Blind

These actions will result in approximately 50 positions being relocated out of the Secretary's Office. In addition, there are eight staff positions that appear to be unnecessary if these program offices are moved. Total savings from this recommendation is estimated at \$243,000 annually. The new organizational structure resulting from this recommendation is shown in Exhibit 3.

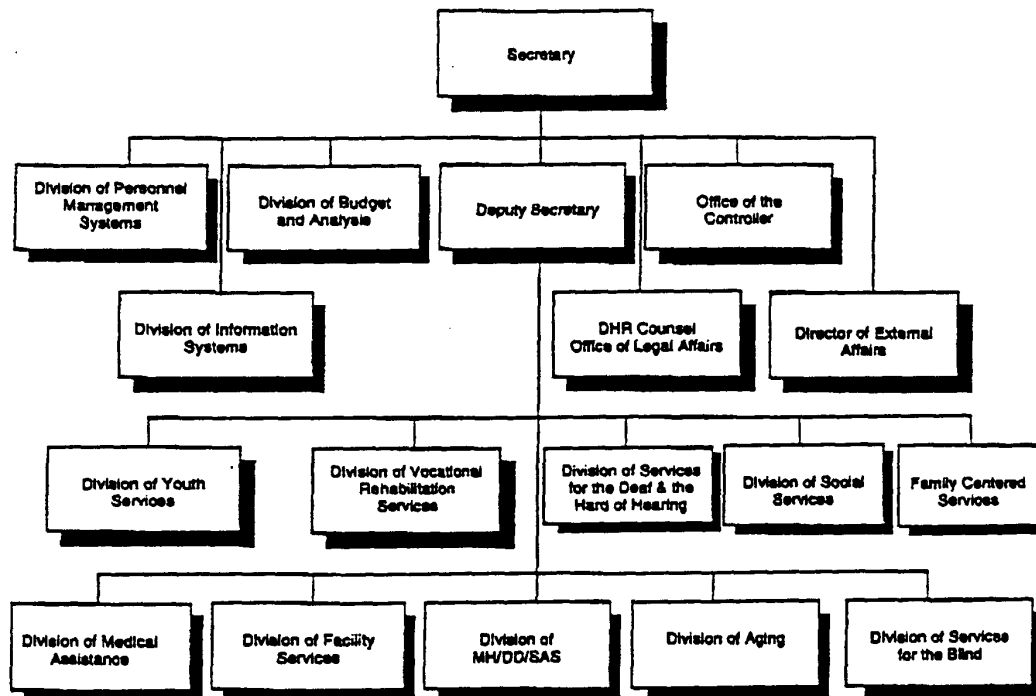
***Finding 4: The department has 38 FTE positions throughout the program divisions involving excess layers of management, excessively narrow spans of control, overlapping functions and unnecessary positions.***

There are approximately 26 positions in DHR that are considered excessive because of narrow

# North Carolina Department of Human Resources

EXHIBIT 3

## PROPOSED ORGANIZATIONAL CHART



spans of control, duplicate work being performed by similar positions, performance of unnecessary functions, and level of workload that does not justify a full-time position. These positions were found in the following divisions:

- Division of Mental Health
  - Quality Improvement Section
  - Alcohol and Drug Abuse Section
  - Developmental Disabilities Section
- Division of Personnel Management Services
  - Operations Section
- Division of Youth Services
  - Community Services
  - Institutional Services
- Division of Social Services
  - Information Systems
  - Regional Administration
  - Child Support Enforcement
  - Employment Programs
  - Public Assistance
  - Children's Services
- Division of Vocational Rehabilitation
  - Staff Development
  - Support Services
  - Administrative Services
  - Planning and Evaluation Services

An additional 12 positions are considered to be excessive because they represent an additional layer of management and/or supervision that was not warranted. These positions were found in the following divisions:

- Division of Mental Health
  - Mental Health Section
  - Alcohol and Drug Abuse Section
  - Developmental Disabilities Section
  - Willie M Services Section
- Division of Social Services
  - Child Support Enforcement
  - Employment Programs
  - Public Assistance

The specific positions considered to be excessive are detailed in the study's workpapers.

**Recommendation 4:**        *The 38 positions involving excess layers of management, excessively narrow spans of control, overlapping functions and unnecessary positions should be eliminated.*

The 38 positions noted in Finding 1 should be eliminated. Based on the average DHR employee salary of \$24,104, including benefits in the amount of \$6,213, we estimate the potential annual savings as a result of eliminating these positions would be \$1.15 million annually.

**Finding 5:**    *Some organizational units are misplaced within DHR.*

The following organizational units and positions within DHR are organizationally misplaced:

■    **Division of Facility Services:**

- **The Charitable Solicitation Unit** - This unit is primarily a consumer protection function but is inappropriately placed in DFS. This unit was created as a result of the Charitable Solicitation Licensing Act, which requires this unit to issue licenses to individuals that solicit at least \$10,000 per year in charitable funds or act as consultants in such ventures. This function serves as a registration unit only, and is not involved in regulation. The inappropriate placement of this division results in fragmented service delivery. The Better Business Bureau is the primary user of information from the Charitable Solicitation Unit, and would have no reason to interact with DFS otherwise. It should be assigned to the Attorney General's office as a consumer protection function, which is the practice that is done in other states that have similar license issuing units. This unit has two positions.

■    **Division of Mental Health: Alcohol and Drug Abuse Section**

- **Employee Assistance Program (EAP) Branch** - This unit of seven employees is responsible for identifying and assisting "troubled" employees throughout DHR to find personal counseling help and/or accessing the appropriate referral resources. The EAP Branch also assists the Mental Health area programs through promotion, training and support of area EAP procedures and programs. This is a personnel function that has been misplaced and should report to the Division of Personnel Management Services in the Secretary's Office.
- **Adult Services Branch/Controlled Substance Regulatory Unit** - This unit is responsible for implementing the regulatory responsibilities of the North

Carolina Controlled Substance Act. There are four drug control representatives that do licensing and inspection of drug-related facilities in order to prevent legitimately manufactured, distributed, dispensed controlled substances from being diverted into the illicit market. This regulatory function is misplaced and should belong in the Division of Facility Services.

***Recommendation 5: The organizational units mentioned above should report through the recommended revised organizational structures to eliminate fragmentation and improve program effectiveness.***

To improve DHR's overall effectiveness, the following organizational changes should be made:

- The Charitable Solicitation Unit in DFS should be moved to the Attorney General's Office, which is the practice that is done in other states that have similar license issuing units.
- The EAP Branch in the Division of Mental Health's Drug and Alcohol Abuse Section should be relocated to the Division of Personnel Management Services in the Secretary's Office, since it performs a personnel function for all DHR employees.
- The four drug control representatives and their supervisor in the Division of Mental Health's Controlled Substance Regulatory Unit should be relocated to the Division of Facility Services, since they perform a regulatory and licensing function.
- The Computer Systems Analyst IV in the Division of Vocational Rehabilitation should be relocated to the division's Administrative Services section for better coordination in implementing the division's computer system.
- The staff development specialist located in the Program Operations and Support Section should be relocated to the Administrative Services Section to eliminate fragmentation of the computer program automation function.

While these organizational changes will not effect the number of positions or facilities in these units, they will make the units more effective by moving them closer to their actual areas of responsibility and accountability.

## **Implications**

The approximately \$2.2 million in annual cost savings resulting from staff reductions of 69 positions identified in Findings 1 - 3 above will yield savings that can be used to fund other program needs. Of the \$2.2 million identified, approximately \$700,000 represents state appropriated dollars to DHR, and the remainder represents federal receipts. It is possible that individuals occupying the unnecessary positions can fill other positions in DHR that are or may become vacant through retirements and other personnel actions. Exhibit 4 illustrates the financial savings over a 10-year period if 69 positions are eliminated.

## **Implementation**

The General Assembly can implement the recommended staffing changes through the budgetary process, and the identified excess positions should be eliminated at the beginning of fiscal year 1994. Some organizational changes may require the passage of state legislation.

# EXHIBIT 4

## NORTH CAROLINA DEPARTMENT OF HUMAN RESOURCES

ESTIMATED ANNUAL SAVINGS  
(1992 DOLLARS)

(\$ = MILLIONS)

	Current	1994	1995	1996	1997	1998	1999	2000	2001	2002
Yearly		2.177	2.177	2.177	2.177	2.177	2.177	2.177	2.177	2.177
Cumulative		2.334	4.354	6.531	8.708	10.885	13.062	15.239	17.416	19.593