



**NORTH CAROLINA GENERAL ASSEMBLY  
GOVERNMENT PERFORMANCE AUDIT COMMITTEE**

300 North Salisbury Street - Room 206-B Legislative Office Building  
Raleigh, North Carolina 27603-5925

Phone: 919.301.1402

Fax: 919.301.1406

**Co-Chairmen**

Senator Dan Clodfelter

Senator Fletcher Hartsell

Representative Jim Crawford

Representative Drew Saunders

**Members**

Senator Linda Garrou

Senator Malcolm Graham

Senator Kay Hagan

Senator Clark Jenkins

Senator Martin Nesbitt

Senator Richard Stevens

Representative Debbie Clary

Representative Linda Coleman

Representative Bill Faison

Representative Robert Grady

Representative Jim Harrell, III

Representative Mickey Michaux

**Staff**

John Turcotte  
Project Administrator

Michele Nelson  
Principal Fiscal Analyst

Doris Gilbert  
Administrative Assistant

**Joint Select  
Government Performance Audit Committee**

*Status Report and Potential Program  
Evaluation Topics*

**May 17, 2007**

# Progress Report

## Joint Select Government Performance Audit Committee

### December 2006 through May 17, 2007<sup>1</sup>

#### Activities to Date

##### December 2006-February 28, 2007

GPAC began efforts in earnest in December of 2006. A comprehensive mid-project status report submitted on February 28, 2007 reported on early activities, which is included as Appendix A, page 4.

##### March-May 17, 2007

As a result of groundwork done in early 2007, GPAC completed several milestones:

- **Identified central management issues for future study by GPAC or its successors.** The ideas stemmed from a GPAC meeting in December 2006 and by a meeting of Co-Chairs in early 2007. A separate report *Central Management Study Options for Consideration by the Joint Select Government Performance Audit Committee*, April 5, 2007 is available at the GPAC office, 206-B Legislative Office Building.
- **Contracted with MGT of America, Inc. for a study of statewide internal auditing.** GPAC selected MGT through a competitive Request for Proposal (RFP) process. MGT submitted its report to GPAC on May 15.
- **Proposed HB 1401 relative to internal auditing and introduced by GPAC Co-Chair, Representative James Crawford.** The bill, which was intended to serve as a vehicle for the MGT recommendations, received a favorable report from the House Ways and Means Committee and passed the House on April 30. As of May 15, the bill is awaiting action by the Rules and Operations of the Senate Committee.
- **Issued a RFP for a study of state personnel administration including a review of career banding.** The RFP is attached as Appendix B, page 10. As of May 15, GPAC had two proposals under consideration and plans to recommend a contractor to the Legislative Services Commission by May 25.
- **Contracted with the National Conference of State Legislatures for a feasibility study of establishing a program evaluation division.** NCSL recommended creation of a Program Evaluation Division and a Program Evaluation Oversight Committee. The NCSL report is available at the GPAC office
- **Proposed SB 1132 introduced by Senator Daniel Clodfelter to establish a Program Evaluation Division.** The Senate passed the bill on May 8. The bill was reported favorably on May 16 by the House Ways and Means Committee and by the House Appropriations Committee on May 17, 2007.

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<sup>1</sup> TPACT, LLC submitted this document as required by its December 1, 2006 contract with the Legislative Services Commission.

- **Identified potential program/agency topics for future study by GPAC or its successors.** GPAC obtained the ideas from separate roundtables for House and Senate GPAC members and from topics suggested by the Fiscal Research and Research Divisions of the General Assembly. A separate report *Agency and Program Study Options for Consideration by the Joint Select Government Performance Audit Committee*, April 25, 2007 is available at the GPAC office.

In addition, GPAC consultant TPACT, LLC is required to submit detailed options for ongoing legislative program reviews, which are activities other than the traditional project-by-project evaluations that constitute the bulk of work produced by program evaluation units in other states. These options contained in Appendix C, page 26 are intended to supplement the earlier lists of central management and program/agency topics identified by House and Senate GPAC members and topics suggested by the Fiscal Research and Research Divisions of the General Assembly.



# Appendix A

## NORTH CAROLINA GENERAL ASSEMBLY

### GOVERNMENT PERFORMANCE AUDIT COMMITTEE

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Project Administrator

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Doris Gilbert  
Administrative Assistant

# Government Performance Audit Committee Status Report

## February 28, 2007

**Government Performance Audit Committee  
Status Report as of February 28, 2007**

**GPAC Start Up  
November-December 2006**

In November 2006, the Government Performance Audit Committee decided to issue a series of Requests for Proposals for contractual studies of statewide management issues and to consider topics related to specific programs in 2007. On December 1, 2006, the Legislative Services Commission engaged John Turcotte from Turcotte Public Administration Consulting and Training, LLC (TPACT) to serve as project manager for the Joint Select Government Performance Audit Committee. John Turcotte is assisted by three other TPACT professionals, Jim Pellegrini, former Deputy Auditor General for Montana; Larry Yates, a retired USAF Colonel and measurement expert; and Matt Dry, TPACT research associate.

The Legislative Services Commission provided GPAC two offices and a conference room on the second floor of the Legislative Office Building. In addition, the Commission employed Doris Gilbert as an administrative assistant for GPAC. The Fiscal Research Division assigned Michele Nelson, Principal Fiscal Analyst, to GPAC.

On December 12, John Turcotte briefed GPAC Co-Chairs on proposed topics and project scheduling. Responding to a recommendation made by the State Auditor's performance audit report *Internal Auditing in State Agencies and Institutions* that the General Assembly determine the strategic direction for internal auditing, the Co-Chairs requested a study to provide the requested legislative direction as a first priority. The second priority is issuance of an RFP on State Personnel Administration. Co-chairs requested that the consultant address "career banding" in a special report first and then complete the remaining components.

The Co-Chairs also requested GPAC staff to study the possibility of a creating a program evaluation staff unit for the General Assembly to provide a permanent structure for sophisticated legislative oversight and evaluation and to provide a mechanism for following through on recommendations made by GPAC, which was identified as a shortcoming of the first GPAC effort in 1992.

**Internal Audit Study Underway**

After consulting with the Co-Chairs, State Auditor, Fiscal Research Division, and Legislative Administration, GPAC released a Request for Proposal on December 22, 2006 for the internal audit study. Six firms submitted proposals by the January 19, 2007 deadline. A review team consisting of representatives from the Office of State Auditor, Office of State Controller, Fiscal Research Division, and Legislative Administrative Division evaluated the proposals. The review team recommended MGT of America, Inc. for the contract because its proposal represented the best overall value. The approved contract amount is \$199,645. GPAC staff is assembling background documents and making appointments for the MGT

team, which will begin field work in Raleigh the week of February 26. MGT's team will be led by Partner, Mary Winkley and Principal Consultant, Celina Knippling.

### Internal Audit Project Timetable

Activity	Date
RFP Distributed	December 22, 2006
Proposals from Contractors Due	January 19, 2007, no later than 5:00PM Eastern Time.
Award Contract	February 2, 2007
Draft Report	April 27, 2007
Final Report	May 8, 2007

### Internal Audit Project Description

The (September 2006) State Auditor's performance audit of internal auditing recommended "more direct guidance from the General Assembly." This study should provide recommendations for legislation including draft language that if enacted would give that guidance. *The study must include recommendations and draft implementing legislation to add to or change existing North Carolina statutes and must be accompanied by cost estimates.*

The contractor must prepare a report that will:

1. Contain recommendations for correcting the deficiencies identified in the State Auditor's performance audit. While the State Auditor's performance audit may serve as background for the consultant's study, the Committee expects the consultant to build upon the performance audit and form independent conclusions about what may be needed as well as priorities for action by the General Assembly.
2. Recommend how to assure that internal auditors conduct internal efficiency, economy and program results reviews and do not limit the scope of internal audits to accounting and internal control issues.
3. Define potential economic cost and other deleterious consequences of insufficient or inadequate internal audit coverage. The contractor should define outcome measures for effectiveness of an internal audit system within the state as a whole and for individual agencies and legislative oversight committees to gauge whether internal auditing is effective in minimizing these deleterious consequences.
4. Recommend how an agency internal audit unit should be placed organizationally within the existing organizational structure of state agencies and state-supported institutions.

5. Review existing qualifications of internal auditors and recommend appropriate qualifications including education, certification, knowledge, skills and abilities for internal auditors. Include a recommended career path to allow for internal audit professionals to advance in competence, responsibility, and compensation without assuming managerial responsibilities.
6. Recommend appropriate professional standards for internal audit organizations.
7. Define how to measure outputs of internal audit units. Develop quantitative measures for comparing the relative productivity of an agency internal audit unit with other state internal audit units or with comparable units in the private sector. The contractor will determine a reasonable productivity standard for use by the state in determining the number of internal auditors required for a given internal audit unit.
8. Define a process for measuring the cost of internal audit activities to allow comparison of unit costs of an agency internal audit unit with other state internal audit units or with comparable units in the private sector. The contractor will determine a reasonable unit cost standard to gauge the relative efficiency of internal audit units.
9. Recommend staffing increases if needed. If the consultant recommends increased staffing, the consultant must establish a methodology for rank ordering the internal audit positions recommended among and within state agencies to address highest risk agencies and highest risk activities within agencies first. The ranking methodology should enable the General Assembly in the future to target additional resources to high risk agencies and within agencies to highest risk areas internally. Using that methodology, the consultant will recommend where the General Assembly should allocate or reallocate internal audit positions and the number and costs of such positions. The consultant will draft any necessary legislation to implement and continue this risk based methodology.
10. Explore the feasibility, organizational location, and resources required of a system whereby smaller agencies could share the internal audit services of larger agencies that employ best practices or could receive shared services from a centralized highly-skilled and technology-oriented team. However, the Committee is not requesting a concept design for software or a computer network.
11. Recommend an appropriate independent legislative and executive oversight structure to assure that internal audit units conform to legislative intent and professional standards as well as other requirements recommended by the consultant. Include a determination of whether the State Auditor should perform the oversight role.

## **Personnel Management RFP Issued**

After consulting with the Co-Chairs, Office of State Personnel, State Controller, Fiscal Research Division, and Legislative Administration, GPAC released a Request for Proposal on January 30, 2007 for a study of the statewide personnel system.

John Turcotte conducted a voluntary pre-proposal conference on Thursday, February 15 attended by representatives of three firms. As of February 20, five firms have registered intent to submit proposals. Registration is voluntary so there may be other firms interested who may propose.

Potential contractors may also propose an optional survey of state employees and managers with a separate cost breakdown.

## **National Conference of State Legislatures Program Evaluation Staff Project**

GPAC Co-Chairs requested a limited study of creation of a permanent program evaluation staff unit as a way of providing a structure and resources for major legislative oversight studies. A technical assistance team from the National Conference of State Legislatures conducted a site visit and is assembling a team of legislative program evaluation experts to offer suggestions to GPAC on potential startup. The NCSL report is expected in April 2007.

## **First Meeting of the 2007 Government Performance Audit Committee**

The Select Committee held its first meeting on February 27, 2007 in Room 544 of the Legislative Office Building, Co-Chairman, Senator Daniel Clodfelter, presiding. Chairman Clodfelter reviewed the committee's authorization and explained that the committee differed from other committees in that GPAC would meet as needed at the call of the Co-Chairs and had jurisdiction over all North Carolina governmental programs, funding, and operations.

The Committee heard a presentation from Tony Goldman, Director of Legislative Administration, about the 1992-1993 Government Performance Audit Committee project (GPAC I). The history of GPAC I is available on the GPAC web site at: [www.ncleg.net/GPAC/index.html](http://www.ncleg.net/GPAC/index.html).

Michele Nelson, Principal Fiscal Analyst from the Legislative Fiscal Division and assigned to GPAC, reviewed:

- The GPAC staff office location at 206 and 205 of the Legislative Office Building
- The high level of support to GPAC received from the Fiscal, Research, Administration, and Information Technology divisions of the legislative staff and from the staff of the presiding officers
- The launch of GPAC's website and its content: [www.ncleg.net/GPAC/index.html](http://www.ncleg.net/GPAC/index.html)

John Turcotte, GPAC Project Administrator, reviewed:

- The process of issuing RFP's by GPAC
- The current contract with MGT of America, Inc. to review the state's system of internal auditing. Turcotte introduced the MGT team:
  - Mary Winkley, Partner-In-Charge
  - Celina Knippling, CPA, Project Manager
  - Suzanne Bradford, CPA, Team Member
- The RFP for a study of career banding and the statewide personnel system described earlier in this progress report

Chairman Clodfelter asked GPAC members to submit ideas for projects to the Co-Chairs. Members suggested several potential projects during the meeting including:

- Division of Motor Vehicles
- Mental Health System
- Medicaid
- Department of Transportation
- Information Technology
- State Legislature

**Appendix B**  
**NORTH CAROLINA GENERAL ASSEMBLY**  
**Government Performance Audit Committee**

**A Performance Review of State Personnel Administration**

**REQUEST FOR PROPOSALS**

**March 23, 2007**

This RFP supersedes the January 30, 2007 RFP calling for a nearly identical study. This RFP:

- Eliminates the requirement for a separate and expedited report on Career Banding
- Provides more time for submitting proposals and for completing the study.

Consultants submitting proposals in response to the January 30 RFP must submit a new proposal as specified by this RFP in order to receive consideration.

Sealed proposals subject to the conditions made a part hereof will be received until **5:00 p.m., April 27, 2007**, for furnishing services described herein. Send all proposals packages to:

**Doris Gilbert**  
**Administrative Assistant**  
**Government Performance Audit Committee**  
**General Assembly of North Carolina**  
**Room 206-B, Legislative Office Building**  
**300 N. Salisbury St.**  
**Raleigh, NC, 27603**  
**Phone: 919-301-1402**

**NOTE:** Indicate submitting firm's name, "Technical Proposal for Personnel Administration Review" or "Cost Proposal for Personnel Administration Review" on the front of each sealed proposal envelope, along with the date for receipt of proposals specified above.

Direct project-related questions to **John Turcotte, GPAC Project Manager** via email to [johnt@ncleg.net](mailto:johnt@ncleg.net).

**Registration of Intent to Propose**

All potential contractors are encouraged to register their intent to propose as soon as possible after release of the RFP to provide greater assurance that they will receive written responses to questions about this RFP. *Requesting the RFP does not constitute registration of intent to propose.* However, there is no penalty for not registering and any potential contractor may pose questions, by email only, about the RFP to the project manager, John Turcotte, at [johnt@ncleg.net](mailto:johnt@ncleg.net) with cc's to [dorisg@ncleg.net](mailto:dorisg@ncleg.net) and [michelen@ncleg.net](mailto:michelen@ncleg.net).

To register intent to propose, potential contractors should email the firm name, person to contact, email address, mailing address, physical address, daytime telephone number, and fax number to Doris Gilbert at [dorisg@ncleg.net](mailto:dorisg@ncleg.net). In the subject line of the email, state: *Intent to Submit Proposal for HR Study: Your Firm's Name*

## **Introduction**

Government Performance Audit Committee of the General Assembly of the State North Carolina is considering a series of reviews of statewide management issues. The first project underway is a review of internal auditing in state government.

Management of state government human capital—obviously the most expensive and strategically important use of public resources invested in government—is another critical issue. GPAC seeks a consultant to assess the North Carolina system, identify bright line standards emerging from the science of human resource management and public administration, and compare the state system to similar large employer systems and those of comparable state governments. The consultant will address other related issues described later in this RFP.

## **Qualifications**

- A. Potential contractors shall demonstrate:
1. Knowledge of human resource administration within state government or similar large and complex organizations. Contractors are reminded of differences in the operating environments of private sector human resources functions and those within state government.
  2. Ability to explain how your organization assures delivery of a work product that is responsive to this RFP and minimizes risk of requests for time extensions and other project delays and unanticipated cost escalations.
- B. Potential contractors shall demonstrate by examples of completed projects:
1. Capability to produce clear, well-written, well-illustrated reports.
  2. Capability to explain and defend if necessary, professional recommendations before audiences.
  3. Development of drafts of proposed general legislation for consideration by a state legislature.
  4. Development of cost and savings estimates for consideration by legislative committees, budget staffs, or similar governing bodies.
- C. Potential contractors should describe any generally accepted national quality standards that will be used when conducting the review and how those standards apply to a review of state personnel administration.

## **Background**

### **Links to Information about the North Carolina Personnel System**

For details about the North Carolina state personnel system, see the site map of the Office of State Personnel website: <http://www.osp.state.nc.us/sitemap.htm> .

The Office of State Personnel produces an annual report on state employee compensation and benefits including policy recommendations available at:

<http://www.osp.state.nc.us/divinfo/frames/divisions/ecc/2005finalcompreport.pdf>.

The following is a brief profile of the state employee workforce at the end of 2006 provided by the Office of State Personnel:

The state workforce consists of 93,608 SPA (Subject to State Personnel Act) employees as of December 31, 2006. This total includes permanent full-time, part-time, and temporary employees.

State agencies comprise 76.2% (71,319 employees) of this total. University employees comprise 23.8% (22,289 employees).

For the 89,034 permanent full-time State employees, which include permanent, probationary, trainee, time-limited employees, the following statistics apply:

Average Annual Salary = \$38,558.60

Average Age = 44.1

Average Employee Service = 124.3 months (10 years 4.3 months)

### **BEACON Project**

The consultant should be aware of BEACON (a major information system project) currently underway under the direction of the State Controller that will affect North Carolina state personnel administration. The policy implications of BEACON may be included within the consultant's study approach. However, this study is not a software or equipment design project and the contractor should not plan a review of the mechanics of BEACON. The BEACON website <http://www.beacon.nc.gov/index.htm> provides an overview of the project. A detailed description of BEACON including the names and contact information of key project personnel is available from the BEACON project newsletter: [http://www.beacon.nc.gov/resources/Newsletter/Beacon\\_View\\_Nov-Dec\\_06\\_Final.pdf](http://www.beacon.nc.gov/resources/Newsletter/Beacon_View_Nov-Dec_06_Final.pdf)

### **Previous Reviews of Personnel Administration**

1992 Review of Personnel Administration by a National Consulting Firm for the Government Performance Audit Committee, a consulting firm report of findings and

recommendations to the North Carolina General Assembly Government Performance Audit Committee.<sup>2</sup>

### 2005 Government Performance Project: “C+” Grade Assigned to North Carolina Personnel Administration

In 2005, a team of academic experts, policy analysts, and journalists engaged by the Government Performance Project, a non-partisan, independent research program, evaluated several components of state government management in all fifty states. As part of its review of North Carolina, project identified weaknesses in strategic workforce planning and in hiring.<sup>3</sup>

### **Career Banding**

The Office of State Personnel has attempted to implement a Career Banding system.<sup>4</sup> In 2006, the General Assembly suspended Career Banding<sup>5</sup> pending further review by the General Assembly. The North Carolina Office of State Budget summary of the legislation suspending career banding says: “This section states that the State Personnel Commission, the Office of State Personnel and each State department, agency and institution shall suspend further implementation of career banding pending subsequent action by the General Assembly. Career-banded classifications approved by the State Personnel Commission on or before June 15, 2006 may continue to be implemented without suspension if (1) It is fully and completely implemented no later than February 1, 2007; and (2) It is implemented entirely using technical resources provided by the Office of State Personnel.”

### **Project Description**

Project tasks shall include but not be limited to:

1. A review of organizational reporting relationships, delegation agreements, and degree of independence or centralization within the HR system structure and the authority of the State Personnel Commission.
2. A review of existing HR statutes (G.S. 126) and recommendations for potential changes that enable an effective HR culture and high performance workforce.

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<sup>2</sup> KPMG Peat Marwick, *Performance Audit of Personnel Systems*, 1992. Available on line as of January 15, 2007: <http://www.ncga.state.nc.us/GPAC/person.html>

<sup>3</sup> Government Performance Project and GOVERNING.COM, *Grading the States 2005*, available on-line: <http://results.gpponline.org/Default.aspx>. North Carolina’s overall grade for state government as a whole was also a “C+.”

<sup>4</sup> North Carolina Office of State Personnel (OSP) website section on Career Banding. Available on line as of January 15, 2007: <http://www.osp.state.nc.us/CareerBanding/career-banding.htm>

<sup>5</sup> SB 1741 Section 22.15A. (a), pp.153-154. Available on-line as of January 15, 2007: <http://www.ncga.state.nc.us/EnactedLegislation/SessionLaws/HTML/2005-2006/SL2006-66.html>.

3. Recommendations for improving employee cost forecasting for executive budgeting and appropriation of salary and benefits by the General Assembly.
4. Recommendations for state policies, including but not limited to those related to BEACON, for attaining accuracy, tracking and integration of other salary and compensation information for appropriations for salaries and benefits and other entities where compensation is exempt from G.S. 126 but set or predominantly financed by the state.
5. Recommendations to improve effectiveness of all HR functions including but not limited to:
  - a. How North Carolina state government can improve its overall personnel and HR system given contemporary science and standards determined by the consultant.
  - b. How to assure strategic workforce planning to assure sufficient policies and plans for enhancing attraction to state service, recruiting for immediate employee needs, and retaining a solid workforce to respond to immediate, intermediate, and long term HR needs of the State of North Carolina. GPAC received reports of concerns about loss of and failure to “re-grow” institutional knowledge stemming from increasing retirement of state employees in professional categories including financial, health care, technology, HR, and general program management in addition to senior front line employees who perform critical support functions.
  - c. Training and development of employees at all levels and the extent to which there should be more statewide training programs offered by a central training and executive development program to complement training offered by individual state agencies exclusively to their employees. The consultant should identify best practices within agencies or by educational institutions that could be used as models or scaled up to accommodate the state employee community.
  - d. Improving basic functions of position classification and reclassification, recruiting, selection, compensation, discipline, termination, separation, and appeals. However, the consultant should not conduct a detailed management or process oriented review of such functions, but instead determine if basic functions should be continued as operated, improved, or discontinued if there is a cost-effective alternative.
6. An evaluation of implementation of the Career Banding in the State of North Carolina including but not limited to:
  - a. A historical review of Career Banding as implemented outside North Carolina including references and web links to professional literature about its applicability to state government
  - b. A critical analysis of Office of State Personnel Career Banding policies and procedures including but not limited to identification of strengths and weaknesses
  - c. How to assure that agencies do not abuse Career Banding to escalate state salary costs without legislative authorization and budgetary control
  - d. A summary conclusion by the consultant concerning whether Career Banding should or should not be continued in North Carolina

- e. Any changes to the current Career Banding system recommended by the consultant if the consultant concludes that Career Banding should be continued
  - f. Any creative alternatives to Career Banding that may be recommended by the consultant along with potential strengths and weaknesses. Alternatives to Career Banding should be explored and reported even if the consultant recommends continuation of Career Banding.
  - g. Suggested timetables for implementation steps for recommendations and what state offices should be responsible for any future actions related to Career Banding or alternatives to Career Banding recommended by the consultant
7. Draft legislation to add to or change existing North Carolina statutes if necessary to implement any consultant recommendation. Draft legislation that may result in cost increases must be accompanied by cost estimates specifying new positions required, existing positions eliminated, sources of funding and a timetable for recommended actions.

**GPAC discourages:**

- **Recommendations for follow-on studies by consulting firms**
- **Methodologies that depend excessively upon GPAC staff, other legislative staff, or state agencies.** Although consultants may be provided with some guidance and advice and may be assisted with records identification, photocopying, and scheduling of interviews, consultants are expected to provide *independent* expertise and to perform the research, writing and presentations called for by this RFP.

**Optional Survey of State Employees and Managers**

Consultants may propose a comprehensive anonymous survey of state employees and managers that would determine how front-line employees view personnel management and other related issues as determined by the consultant. The consultant should propose a survey methodology including the precision and confidence limits expected. To be helpful to legislators and the general public, survey findings should be appropriately stratified by employee geographic location, agency, position type, and experience and compensation levels or through an equivalent stratification determined by the consultant. If the consultant proposes such a survey, costs should be proposed separately as specified below.

**Format and Delivery of Drafts and Final Versions of Reports**

On the dates specified in the Project Timeframe below, the consultant will deliver a *draft* of the report electronically in Microsoft WORD format and five inexpensively bound hard copies of each draft for review by GPAC staff and the *final report* in PDF format plus 20 hard and inexpensively bound copies. All costs for producing, revising, and delivery of reports and copies shall be borne by the consultant.

## **Presentations**

The consultant will be expected to deliver up to 10 oral presentations in Raleigh, NC to GPAC, other legislative entities, and others upon request by GPAC. All costs for consultant travel and preparation of presentations shall be borne by the consultant. For planning purposes, the consultant should propose a minimum of five round trips to Raleigh.

## **Project Timeframe**

<b>Activity</b>	<b>Date</b>
RFP Distributed	March 23, 2007
Proposals from Contractors Due	April 27, 2007, no later than 5:00PM Eastern Time.
Estimated Contract Award	May 18, 2007
Report Draft and Draft Power Point Presentation Due	September 5, 2007
Final Report and Power Point Presentation Due	September 21, 2007

## **Status Reports**

The consultant must deliver project status reports electronically in PDF format twice a month to the GPAC project manager and any special status reports as soon as practical upon the request of the project manager.

## **Required Contents for Proposal**

The response to this request for proposals shall consist of the following sections:

**a) Executive Summary**

The executive summary shall consist of a brief summary of the contents of the proposal.

**b) Corporate Background and Experience**

This section shall include:

- 1) Background information on the organization and details of experiences with similar projects.
- 2) A list of at least three references, including contacts and telephone numbers, for whom similar work has been performed.
- 3) Samples of work products.

**c) Financial Statement**

The contractor must submit the most recent financial statement or similar evidence of financial stability.

**d) Project Staffing and Organization**

This section shall include:

- 1) Proposed staffing, deployment and organization of personnel to be assigned to this project.
- 2) The contractor shall include resumes of key personnel who will actually be assigned to the project, describing experience with similar projects and the responsibilities to be assigned to each person. The contractor should define clearly what proportion of the work effort and topic areas each key person will perform. A breakdown of time allocations of all project personnel is required in the format below. Include subcontractors in the table. Proposed contractor must total all columns:

Name	Title	Administration Hours	Field Work Hours	Writing Hours	Presentation Hours	Total Hours
Example Person A	Project Director	50	100	30	12	192
Example Person B	Consultant	10	200	10	2	222
Example Person C	Support Staff	20	0	20	0	40
Total		80	300	60	14	454

Note that an additional table in the same format, but including hourly rates and time costs must be included in the separate cost proposal.

- 3) How the study will be planned, organized and conducted.

- 4) If the contractor opts to propose the state employee and manager survey, the contractor should submit a separate and clearly identifiable description and breakdown of same information specified in 1), 2), and 3) above including a breakdown of time allocations describing the survey effort.

**e) Technical Proposal**

This section shall include, in narrative, outline or graph form, the contractor's approach to accomplishing the tasks outlined in the project description section of this RFP. A description of each task and the schedule for accomplishing each shall be included.

**f) Cost Proposal**

The cost proposal must be submitted in a separate sealed package and must contain the following information:

- 1) Personnel costs (including hourly rates and total hours) for each consultant and support staff. Arrange personnel costs and hours in the format in the following example table to specify distribution of costs. Include subcontractors by name in the table. Total all columns.

Name	Title	Hourly Rate	Administration Hours	Field Work Hours	Writing Hours	Presentation Hours	Total Hours	Time Cost
Example Person A	Project Director	\$ 125	50	100	30	12	192	\$24,000
Example Person B	Consultant	\$ 75	10	200	10	2	222	\$16,650
Example Person C	Support Staff	\$ 25	20	0	20	0	40	\$1,000
<b>Total</b>			<b>80</b>	<b>300</b>	<b>60</b>	<b>14</b>	<b>454</b>	<b>\$41,650</b>

*All numbers in the table above are illustrative and hypothetical and do not represent a guideline for hours or fees.*

Note that an additional table in the same format, but excluding hourly rates and time costs must be included in the separate technical proposal.

- 2) Travel and subsistence expenses
- 3) Office space, telephone, and other support needs, if any, anticipated from the General Assembly. *Note: an open work area/conference room with a telephone will be available for use by the consultant in Room 205-A of the Legislative Office Building.*
- 4) Subcontractors and costs (if any) should be explained in a separate and clearly identifiable narrative.
- 5) Other costs with an explanation of what these include
- 6) Total cost for completing the project
- 7) **Contractor may include in the cost proposal package a separate cost breakdown for conducting a state employee and manager survey according to the methodology proposed by the consultant. This must be a separate and clearly identified breakdown and include the personnel cost detail in the table form specified above.**
- 8) Rates for additional analyses requested during the project period

## **Proposal Submittal Process**

- a) Two original and 10 copies of both the technical proposal and cost proposal, in separate sealed and clearly identified packages.
- b) A CD containing an electronic version of the technical proposal and labeled *Technical Proposal for HR Study by Your Firm's Name and Date.*
- c) Separate CD containing an electronic version of the cost proposal and labeled *Cost Proposal for HR Study by Your Firm's Name and Date.*
- d) Each original shall be signed and dated by an official authorized to bind the firm.

## **Proposal Evaluation Process**

The selection of the contractor shall be determined by a "best value" methodology, with key factors to be considered to include experience of the contractor and any subcontractors with related projects and price.

## **General Conditions Related to Submittal of Proposals**

### **Right to Reject**

The Legislative Services Commission (hereinafter "Commission") reserves the unqualified right to reject any and all proposals when such rejection is deemed to be in the best interest of the State of North Carolina.

### **Right to Accept Part of Proposal, Negotiate Content and Cost**

The Commission reserves the right to accept part of any proposal, and to divide any proposal into parts deliverable in stages over an extended time period. The Commission reserves the right to negotiate and alter the content, form, schedule, and deliverables of any proposal or portion of a proposal accepted. The Commission reserves the right to negotiate the cost of any proposal or portion of a proposal accepted.

### **Time for Acceptance**

Each proposal shall state that it is a firm offer that may be accepted within a period of 30 days from the date of submission.

### **Unsolicited Proposal Changes**

Any unsolicited change to a proposal that is received after the closing date of this RFP will be rejected.

### **Responsibility to Make Timely Submission**

The contractor is responsible for assuring the timely delivery of a proposal. Late proposals will be rejected without review.

**Cost for Proposal Preparation**

Any costs incurred by contractors in preparing or submitting offers are the contractor's sole responsibility; the Commission will not reimburse any contractor for any costs incurred prior to award.

**Elaborate Proposals**

Elaborate proposals in the form of brochures or other presentations beyond that necessary to present a complete and effective proposal are not desired.

**Oral Explanations**

The Commission shall not be bound by oral explanations or instructions given at any time during the competitive process or after award.

**Confidentiality of Proposals**

In submitting its proposal the contractor agrees not to discuss or otherwise reveal the contents of the proposal to any source outside of the Commission or its Legislative Services Office staff until after the award of the contract.

**Form of Proposal**

Proposals shall be submitted in a form that, in the opinion of the Commission, may be incorporated verbatim into a contract.

**Exception to Terms**

Any exception, interpretation, or suggestion for clarification by the contractor to any of the terms and conditions of this RFP must be clearly stated by the contractor.

**Competitive Offer**

Pursuant to the provision of G.S. 143-54, and under penalty of perjury, the signer of any proposal submitted in response to this RFP thereby certifies that this proposal has not been arrived at collusively or otherwise in violation of either Federal or North Carolina antitrust laws.

**Right to Submitted Materials**

All responses, inquiries, and correspondence relating to or in reference to this RFP shall become the property of the State of North Carolina when received.

**Contractor's Representative**

Each contractor shall submit with its proposal the name, address, and telephone number of the person(s) with authority to bind the firm and answer questions or provide clarification concerning the contractor's proposal.

**Proprietary Information**

All contractors' information submitted in the proposal has the potential to become public information. Contractors are cautioned that any proprietary

information contained in the proposal may not be protected as confidential and should not be submitted in response to this RFP.

**Historically Underutilized Businesses**

Pursuant to General Statute 143-48, the North Carolina General Assembly invites and encourages participation in this procurement process by businesses owned by minorities, women, disabled, disabled business enterprises and non-profit work centers for the blind and severely disabled.

**Titles**

Titles and headings in this RFP and any subsequent contract are for convenience only and shall have no binding force or effect.

**Terms and Conditions of Resulting Contract**

The following are terms and conditions that will be included in the contract for conducting the project. Other terms and conditions may be added prior to the signing of the contract.

**Applicability of State Government Ethics Act**

Pursuant to G.S. 120C-100(6) and G.S. 138A-3(21), the Contractor is subject to the ethics requirements of Chapter 138A of the General Statutes (State Government Ethics Act) that are applicable to legislative employees. These ethics requirements include, but are not limited to, the prohibition on the acceptance of most gifts from lobbyists and lobbyists' principals and the mandatory ethics training required for all legislative employees. Also, if the contractor is a consulting corporation, the corporation will need to identify the individuals assigned to the Legislative Research Commission as individual consultants so that these individuals' names can be provided to the State Ethics Commission for inclusion on the list of legislative employees subject to the lobbying laws. The Contractor shall familiarize itself with these and all other requirements of the State ethics law and shall ensure that it and its individual employees comply with these requirements.

**Contractor**

The contract is between the Legislative Services Commission and the selected contractor (hereinafter referred to as "Contractor").

**Governing Law**

This contract is made under and shall be governed and construed in accordance with the laws of the State of North Carolina.

**Situs**

The place of this contract, its situs and forum, shall be Raleigh, North Carolina, where all matters, whether sounding in contract or tort, relating to its validity, construction, interpretation and enforcement shall be determined.

**Contract Period**

The terms of the contract shall begin at its signing and shall end on or before June 30, 2007, unless extended or terminated as provided in this document.

**Termination**

Upon mutual written agreement of the Commission and the Contractor, the contract may be terminated at any time. Failure to perform by the Contractor may result in termination by the Commission. In addition, the Commission has the right to unilaterally terminate the contract at its discretion with 10 days written notice. In the event of termination, either by mutual consent, or by unilateral action of the Commission, the Contractor will be paid an amount commensurate with work completed, and the Contractor shall deliver all work completed prior to the date of termination.

**Independent Contractor**

The Contractor shall be considered to be an independent contractor and as such shall be wholly responsible for the work to be performed and for the supervision of its employees. The Contractor represents that it has, or will secure at its own expense, all personnel required in performing the services under this agreement. Such employees shall not be employees of, or have any individual contractual relationship with the Commission or the Legislative Services Office.

**Key Personnel**

The Contractor shall not substitute key personnel assigned to the performance of this contract without prior written approval by the Commission. The individuals designated as key personnel for purposes of this contract are those specified in the Contractor's proposal.

**Subcontracting**

Work proposed to be performed under this contract by the Contractor or its employees shall not be subcontracted without prior written approval of the Commission.

**Performance and Default**

If, through any cause, the Contractor shall fail to fulfill in timely and proper manner the obligations under this agreement, the Commission shall thereupon have the right to terminate this contract by giving written notice to the Contractor and specifying the effective date thereof. In that event, all finished or unfinished deliverable items under this contract prepared by the Contractor shall, at the option of the Commission, become its property, and the Contractor shall be entitled to receive just and equitable compensation for any satisfactory work completed on such materials. Notwithstanding, the Contractor shall not be relieved of liability to the Commission for damages sustained by the Commission by virtue of any breach of this agreement, and the Commission may withhold any payment due the Contractor for the purpose of setoff until

such time as the exact amount of damages due the Commission from such breach can be determined. In case of default by the Contractor, the Commission may procure the services from other sources and hold the Contractor responsible for any excess cost occasioned thereby. Neither party shall be deemed to be in default of its obligations hereunder if and so long as it is prevented from performing such obligations by any act of war, hostile foreign action, nuclear explosion, riot, strikes, civil insurrection, earthquake, hurricane, tornado or other catastrophic natural event or act of God.

### **Bankruptcy**

Upon the filing for bankruptcy or insolvency by or against the contractor, the Commission may terminate the contract, and the provisions of paragraph entitled "Performance and Default" shall apply.

### **Performance Bond**

The Commission may require either a performance bond up to the full amount of the contract or another performance guarantee.

### **Availability of Funds**

Any and all payments to the Contractor are dependent upon and subject to the availability of funds to the Commission for the purpose set forth in this agreement.

### **Confidentiality**

The contractor agrees to protect the confidentiality of any files, data, or other materials provided by the Commission and to restrict their use to the purpose of performing the contract. The contractor shall comply with the provisions of Article 17 of Chapter 120 of the North Carolina General Statutes regarding confidentiality between the contractor and members of the General Assembly.

### **Care of Property**

Contractor shall take all steps necessary to safeguard any property, including data, files, reports, or other information from loss, destruction, or erasure. Any costs or replacement expenses, or damages resulting from the loss shall be borne by the contractor when the loss occurred through its negligence.

### **Copyright**

No deliverable items produced in whole or in part under this agreement shall be the subject of an application for copyright by or on behalf of the Contractor.

### **Access to Persons and Records**

The State Auditor shall have access to persons and records as a result of all contracts or grants entered into by State agencies or political subdivisions in accordance with General Statute 147-64.7. The Contractor shall retain all records for a period of three years following completion of the contract.

**Transfer or Assignment**

The contract shall not be transferred or assigned to a third party.

**Compliance with Laws**

The Contractor shall comply with all laws, ordinances, codes, rules, regulations and licensing requirements that are applicable to the conduct of its business, including those of federal, state, and local agencies having jurisdiction or authority.

**Equal Opportunity Statement**

The nondiscrimination clause contained in Section 202 Executive Order 11246, as amended by Executive Order 11375, relative to equal employment opportunity for all persons without regard to race, color, religion, sex, age or national origin, and the rules and regulations prescribed by the Secretary of Labor, are incorporated herein. The program for Employment of the Handicapped (Affirmative Action) Regulations issued by the Secretary of Labor of the United States in Title 20, Part 741, Chapter VI, Subchapter "C" of the Code of Federal Regulations, pursuant to the provisions of Executive Order 11758 and Section 503 of the Federal Rehabilitation Act of 1973, are incorporated herein.

**Insurance**

The Contractor shall obtain, pay for, and keep in force, for the duration of the contract, worker's compensation insurance, as required by the laws of North Carolina, covering all of the Contractor's employees engaged in any work on the project in the State.

**Additional Contract Expenses**

The contract for the project is not a time and materials agreement. Any expenses of the contractor in addition to those contracted for, or above the contract amount, are the sole responsibility of the Contractor.

**Advertising**

Contractor agrees not to use the results or existence of the contract, or the products produced pursuant to the contract as a part of any news release or commercial advertising without the prior written approval of the Commission.

**General Indemnity**

The Contractor shall hold and save the State, its officers, agents, and employees harmless from liability of any kind, including all claims and losses, with the exception of consequential damages, accruing or resulting to any other person, firm, or corporation furnishing or supplying work, services, materials, or supplies in connection with the performance of this contract, and from any and all claims and losses accruing or resulting to any person, firm, or corporation that may be injured or damaged by the contractor in the performance of this contract and that are attributable to the negligence or intentionally tortuous acts

of the Contractor provided that the contractor is notified in writing within 30 days that the State has knowledge of such claims. The Contractor represents and warrants that it shall make no claim of any kind or nature against the State's agents who are involved in the delivery or processing of the Contractor's goods to the State. The representation and warranty in the preceding sentence shall survive the termination or expiration of this contract.

## Appendix C

### Options for Ongoing Legislative Program Reviews

Legislative program evaluation organizations in other states engage in a number of activities on a recurring basis as opposed to *ad hoc* projects that generally constitute the bulk of workload. These activities may be potentially useful to the General Assembly. However, legislators are cautioned that, while productive and often very popular to members and staff, these activities need additional staff or staff resources will be diverted away from program evaluation projects that are the “bread and butter” of evaluation offices. Examples of these activities from Mississippi and Virginia are listed below.

1. **Web Encyclopedia of State Programs.** The Florida Legislature’s Office of Program Policy Analysis and Government Accountability (OPPAGA) maintains the *Florida Government Accountability Report* (FGAR)—a web-based encyclopedia containing 244 profiles describing every state agency, program, and subprogram. (See [www.oppaga.state.fl.us/government](http://www.oppaga.state.fl.us/government).) Users may search FGAR using a table of contents arrayed by agency, program, and subprogram; by topic; or by using a built-in search engine. OPPAGA employs a staff of 80 analysts who are specialized by policy area and have to maintain expertise and currency at the subprogram level. OPPAGA analysts are assigned a portfolio of FGAR profiles to update as needed. In addition to its utility to users, FGAR provides secondary benefits to OPPAGA staff.
  - a. Newer analysts learn the details of programs in their policy area when preparing profiles for the first time.
  - b. Senior analysts benefit by having to regularly refresh their factual grounding in programs and to develop awareness of current events, policy developments, legal and budget changes.
  - c. Requests from members about programs are easily fulfilled through FGAR.
2. **Financial Data and Trend Reporting.** The Virginia Joint Legislative Audit and Review Commission (JLARC) achieved such a high level of credibility in analyzing government-wide fiscal trends that the General Assembly directed JLARC to establish an internal staff unit to report trends annually and to maintain databases for access by the public and other researchers. (See <http://jlarc.state.va.us/fauabt.htm>).
3. **High Cost Program Monitoring.** Legislatures have assigned evaluators to engage in recurring monitoring and reporting on single programs that have experienced high cost growth or that if not controlled could have extremely negative long term cost impact.
  - a. **Internal Service Funds.** Virginia’s JLARC is required to monitor internal service funds to assure that excessive balances are not maintained. (See <http://jlarc.state.va.us/isfstat.htm>).
  - b. **Corrections.** The Mississippi Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER) employs a full-time corrections auditor who monitors the Department of Corrections and produces regular and special topic reports.
  - c. **Retirement System Costs.** PEER and Florida’s OPPAGA contract annually with an actuary to provide a second opinion on the actuarial valuation conducted by the state retirement agency. (See

<http://www.oppaga.state.fl.us/reports/govt/r05-25s.html> and <http://www.peer.state.ms.us/391.html>). These second opinions provide the insight on whether the recommended state contribution rate is reasonable. Virginia's JLARC publishes periodic status reports and a *Legislator's Guide* to the retirement system. (See <http://jlarc.state.va.us/vrs.htm>). In addition, JLARC publishes semi-annual reports which summarize the performance of retirement system investments.

- d. **State Investment Performance.** Florida OPPAGA also conducts an annual review of investment performance by the State Board of Administration that invests the assets of the Florida Retirement System. (See <http://www.oppaga.state.fl.us/reports/agency/sba.html>).
4. **Cost Benchmarking.** The Mississippi PEER Committee contracts with a CPA firm to conduct a unit cost analysis of representative state prison facilities. The cost per inmate day figures are used by the state to set per diem rates for private prisons to assure a fixed percentage savings below what it costs the state to house inmates. (See <http://www.peer.state.ms.us/482.html>).
5. **Fiscal Forecasting.** The Mississippi PEER Committee staff prepares fiscal notes upon request of legislators. Fiscal notes have become a significant portion of PEER workload.
6. **Information Research.** All legislative program evaluation units furnish information on state and local government to legislators upon request. However, some requests require short-term field research. Most evaluation units have been able to perform such work without additional staff. However, Mississippi's PEER staff performs scores of these projects every year, which have consumed a significant portion of staff time.



**Agency and Program Study Options  
For Consideration by the  
Joint Select Government Performance Audit Committee**

April 25, 2007

## **Potential Government Performance Audit Committee Program and Agency Projects<sup>1</sup>**

In December 2006, the Joint Select Government Performance Audit Committee (GPAC) requested Turcotte Public Administration Consulting and Training (TPACT) to consult with GPAC members and with legislative staff to identify potential topics for review in two categories:

- 1. Statewide administrative issues affecting all areas of state government, which should be addressed first.** GPAC identified internal auditing and personnel management as top priorities. TPACT submitted a background paper that addressed these topics in a background paper submitted to the Legislative Services Commission on April 5, 2007.<sup>2</sup>
- 2. Agency and program specific issues.** These topics cover a wider array of issues due to the broad scope of North Carolina government. To identify the topics that warranted GPAC review, the Fiscal Research Division and Research Divisions surveyed staff for ideas. TPACT facilitated roundtable discussions separately for House and Senate GPAC members. In addition, TPACT was required by contract to suggest additional program topics.

This paper provides a listing of those issues in the second category identified to date.

### **Topics Suggested by House and Senate GPAC Member Roundtables**

GPAC staff conducted a roundtable for House members on March 14 and for Senators on March 27. Program or agency topics proposed by members were listed on a flip chart. Then members were given a red, yellow, and blue sticker and asked to place the red sticker by the highest priority topic, the yellow sticker by the second priority, and a blue by the third priority. Each red sticker was assigned a point value of 3, yellow 2, and blue 1. Tallies consisted of the sum of sticker points assigned to topics. Several topics received no points.

The House and Senate members were in agreement that Medicaid, Mental Health, and management of the Department of Health and Human Services should be reviewed.

However, the highest priority of the House was a policy analysis of governance of education---currently divided into pre-K-12; community college; and university areas with pre-K-12 divided again among the State Board of Education, the State

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<sup>1</sup> This document, which includes the attached 12-page listing of 61 program and agency topics for potential GPAC review, is submitted as required by TPACT, LLC according to the December 1, 2006 contract with the Legislative Services Commission of the North Carolina General Assembly.

<sup>2</sup> See TPACT, LLC, *Central Management Study Options for Consideration by the Joint Select Government Performance Audit Committee of the North Carolina General Assembly*, April 5, 2007.

Superintendent of Education, county school boards, and county commissions, which provide local funding.

The Senate's highest priority was a review of the Department of Transportation, which has received criticism for flawed designs and excessive delays from concept to opening new roads to traffic.

The list below recaps those projects identified by committee members along with a cross-reference to the detailed and longer listing that is attached. The longer list also includes a number of project ideas submitted by the Fiscal Research Division and Research Division. TPACT suggested four projects at the end of the list. The list is also a work in progress as GPAC staff is gathering ideas from members of GPAC who were unable to participate in roundtables. For additional information about the topic, see the detailed listing.

- Controlling Medicaid Costs (See #2 and #10 of attached topic list, Priority 2 by House and Priority 2 by Senate)
  - Cost effectiveness of optional services
  - Use of sophisticated technology to identify patterns of fraud and abuse
  - Best practices identified by blue ribbon panels in North Carolina and other states
- Delivery of Mental Health Services in North Carolina (#2)
- Department of Health and Human Services Management (#2)
- Tripartite Governance of North Carolina Education (See #1, House Priority 1)
- A Review of Department of Transportation Construction Planning, Bidding and Project Management (#9, Senate Priority 1)
- Evaluation of Division of Motor Vehicles Services (#3)
- Developing and Recruiting Teachers (#4)
- Water Programs (#6)
- Obsolete State Programs (#11)
- Alcohol Beverage Control (#13)

Potential Topic	Feasibility Issues If Any	References
<p><b>TOPICS IN ORDER OF PRIORITY ASSIGNED BY HOUSE MEMBERS (Numbers in Parenthesis Denote the Priority Weighting Points Assigned by Members Out of Maximum Possible)</b></p> <p><b>1 Education Policy (17 of 21)</b> – Members reported problems stemming from three governing bodies, i.e. UNC Board of Governors, State Board of Education, and State Board of Community Colleges. The state law that calls for tri-party governance appears to have lost clarity in application. A review of statutory authority would determine if the General Assembly should realign authority, whether the Superintendent of Education should be elected or appointed, and how the Superintendent's responsibilities interface with the State Board of Education.</p>	<p>As a policy analysis, will be sensitive and it is a near certainty that recommendations will be challenged by stakeholders. Contracting out this project is suggested.</p>	
<p><b>2 Department of Health and Human Services (9 of 21)</b> – Members identified multiple issues: the Medicaid Program, which is one of the largest State expenditures; IT project management which is considered to be out of control; elimination of program duplication as a means of achieving potential savings; awarding personal services contracts; and the State Mental Health System's cost and service delivery. How is funding allocated to local mental health programs? A review of the Mental Health System would look at the efficiency and effectiveness of the entire mental health, developmental disabilities, and substance abuse services system. It could involve a number of other issues, including use of Medicaid (a major part of the funding for the system), handling IT projects, managing Adult Services, and looking at the state's use of local governments in the delivery system. It could focus on how the state has moved towards the goals of mental health reform.</p>	<p>This topic should be divided into a series of component report projects and not undertaken as a DHS-wide review. Suggested component reports might include:</p> <ol style="list-style-type: none"> <li>1. Controlling Medicaid Costs in North Carolina</li> <li>2. Use of Technology to Identify Fraud and Abuse of Medicaid</li> <li>3. Evaluating Health Outcomes of Medicaid Services in North Carolina</li> <li>4. DHHS Technology Project Management</li> <li>5. DHHS Personal Service Contracting</li> <li>6. Financing and Delivering Mental Health Services in North Carolina</li> </ol> <p>Due to the size and complexity of these projects, some will have to be contracted out entirely and some may require use of consultants.</p>	<p>Blue Ribbon Commission on Medicaid Reform (2004); Blue Ribbon Task Force (1997) - Potential Impact of Federal Block Grant Funding and Other Federal Actions on Medicaid in North Carolina; LRC (1995) - Committee on Medicaid; NCGA (2001) - North Carolina Medicaid Benefit Study - The Lewin Group and West Virginia Medical Institute; Office of State Auditor (2000) - Study of State Psychiatric Hospitals and Area Mental Health Programs; MGT of America, Inc. (1998) - Efficiency study of the state psychiatric hospitals; NC Mental Health Study Commission (1995) interim Rpt to 1995 Session; JLC on MH/DD/SA (2000, 2001, 2004, &amp; 2006) Rpts to Regular Sessions; and FRD (1990) - Legislator's Guide to Client Costs of MH/DD/SA Services in Institutions and Community-Based Pgms.</p>

	Potential Topic	Feasibility Issues If Any	References
3	<p><b>Division of Motor Vehicles (6 of 21 - tied)</b> – Members were in consensus that the entire agency warranted review with specific issues referenced: customer service; inefficient management of daily collection of fees, specifically a lack of policy/procedures for daily deposits; and license tag/vehicle services. DMV has for years delivered many of its vehicle services through tag agents. The agency appears to be moving toward more agency delivery of some of these services. A review would examine the costs and benefits of various approaches to the delivery of these services.</p>	<p>This topic lends itself well to a program evaluation. An unannounced service quality survey could be conducted at DMV locations and by telephone and email. In addition, a process review might reveal time and cost savings opportunities.</p>	<p>Dye Management Group (2006) - Enhancement of the NC Division of Motor Vehicles' System of Online Dealer Titling and Registration; and MGT of America, Inc (1996) - Performance Audit of the Division of Motor Vehicles for the Joint Legislative Commission on Governmental Operations. The Fiscal Research Division observed: <i>DMV has, for years delivered many of its vehicle services through tag agents. DMV appears to be moving toward more agency delivery of some of these services. The review would examine the costs and benefits of various approaches to the delivery of these services.</i></p>
4	<p><b>Teacher Recruitment (3 of 21)</b> – Members said that the major issue is professional development or the lack thereof.</p>	<p>This topic lends itself well to a program evaluation, which could identify the size of the problem, identify best practices, and propose policy options.</p>	
5	<p><b>UNC Board of Governors (1 of 21)</b> – three (3) areas of concern were referenced: composition of the UNC Board of Governors with emphasis on confining membership to North Carolina residents, and including chancellors from all university system campuses on the Board; relocation of the President's office to Raleigh with a bi-product of freeing up space on the UNC campus; and appropriateness of the PAC.</p>	<p>As a policy analysis, the project presents few technical or data difficulties. However, it will be sensitive and recommendations will be challenged by stakeholders. Contracting out this project is suggested.</p>	
6	<p><b>Water Programs (6 of 21 – tied)</b> - water and sewer funding is handled by at least three different entities, i.e. the Clean Water Management Trust Fund and State Revolving Funds in the Department of Natural and Economic Resources, and the Rural Economic Development Center's program. A comprehensive look at which agencies or organizations and what is being funded would be very helpful to the legislature. The State will spend between \$51 and \$56 million among the three (3) programs in Fiscal Year 2006-07.</p>	<p>This topic lends itself well to a program evaluation, which could identify the size of the problem, identify best practices, and propose policy options.</p>	<p>The NC Progress Board reported a steady and unfavorable increase in the number of water systems in violation of state or federal safe drinking water regulations. Rural Center (2006) - The Water 2030 Report lays out North Carolina's water resource needs for the next 25 years; and State Water Infrastructure Commission (2005) - The State Water Infrastructure Commission was formed to provide greater coordination across agencies that fund water and sewer projects. The Commission issued a report in November 2006 that used Water 2030 data to guide recommendations for the General Assembly to consider.</p>

	<b>Potential Topic</b>	<b>Feasibility Issues If Any</b>	<b>References</b>
7	<p><b>Underground Storage Tanks (0 of 21)</b> – although mentioned as area of contention, it did not receive priority in the final selection.</p>		

	<b>Potential Topic</b>	<b>Feasibility Issues If Any</b>	<b>References</b>
8	<p><b>Community Colleges (0 of 21)</b> – The concern is elimination of dysfunctional programs and adjustments in the budget to accommodate programs that are in demand, i.e. well attended. A review of the curriculum is appropriate to isolate programs that drive the economy and those that do not. Although specific issues were isolated, this area did not receive priority in the final selection.</p>		
	<p><b>TOPICS IN ORDER OF PRIORITY ASSIGNED BY SENATORS (Numbers in Parenthesis Denote the Priority Weighting Points Assigned by Members Out of Maximum Possible)</b></p>		
9	<p><b>Department of Transportation (14 of 21)</b> – review cost control of road construction and maintenance programs.</p>	<p>Several component and subcomponent projects are suggested:</p> <ol style="list-style-type: none"> <li>1. Accountability for Project Delivery. The review would determine if management tools are in place for appropriate oversight, management control, and strategic direction.</li> <li>2. Cost Effective Design of Roads and Bridges</li> <li>3. Oversight of Contractors: Management of Change Orders, Supplemental Agreements and Release of Liquidated Damages</li> <li>4. Assuring Competitive Bidding and Economical Pricing of Bid Items</li> <li>5. Use of Alternative Contracting Approaches for Road and Bridge Construction</li> <li>6. Efficiency and Effectiveness: Maintenance Cost Per Lane Mile Compared to Standards</li> <li>7. Use of Private Contractors for Highway Maintenance</li> </ol> <p>Some projects will require engineering consultants.</p>	<p>Construction issues identified by performance audits/evaluations in other states:</p> <ul style="list-style-type: none"> <li>-The state may be too generous in releasing liquidated damages retained to assure final completion of projects</li> <li>-The state designs may be faulty encouraging expensive change orders and supplemental agreements</li> <li>-Contracting for shorter road segments attracts fewer bidders</li> <li>-Fewer bidders mean that bids tend to be higher than state estimates</li> <li>-"Piecemealing" road segments into smaller contracts increases fixed costs for lump sum pay items such as "mobilization," "traffic control," and "clearing and grubbing."</li> <li>-"Piecemealing" contributes to developing of "territories," and bid rigging</li> <li>-"Unbalanced Bidding" by contractors, if not detected, will result in the state eventually having to pay the "low bidder" higher prices for quantities that were underestimated by designers.</li> </ul>

	Potential Topic	Feasibility Issues If Any	References
10	<p><b>Medicaid (10 of 21)</b> – there were several issues related to program operation/enhancement, i.e. use of IT for delivery of services, detection of fraud, and implementation of cost controls. A review of work and recommendations from Blue Ribbon Commissions and Task Forces that had been appointed in the past by the General Assembly or Department of Health and Human Services to address the same or similar concerns were mentioned as starting points for future reviews.</p>		<p>Also identified by House Members and by the Fiscal Research Division</p>
11	<p><b>Old and Obsolete Programs (3 of 21)</b> – the focus was identification of programs that had become unnecessary due to duplication or dysfunction in the operation of State government with the State Energy Office cited as an example. There was also interest in identifying the 20 oldest programs in State government for an assessment of their contribution to the State's operation. What might be the criteria for isolating dysfunctional programs and services – duplication, 20-year existence, and efficiency or lack thereof.</p>	<p>A major problem will be definition of the age of a program as most have been amended to accommodate needs that were not recognized when the program was originally enacted. However, an inventory of programs and whether they have "morphed" far beyond original premises could be productive.</p>	
12	<p><b>State Health Plan (2 of 21)</b> – the question posed: What is the cost effectiveness of the Plan?</p>	<p>This topic lends itself well to a program evaluation, which could compare North Carolina's program of coverage and services to other states and large public employers, identify best practices, and propose policy options.</p>	
13	<p><b>Alcohol Beverage Control (1 of 21)</b> – focused of issues related to policy and budget; also clarification needed in terms of the self-sufficiency of local boards; and determining the administrative, policy, and budgetary associations of local ABC boards with the Departments of Commerce and Crime Control and Public Safety/Alcohol Law Enforcement Division.</p>	<p>This topic lends itself well to a program evaluation, which could compare North Carolina's program with the regulatory approaches of other states, identify best practices, and propose policy options. North Carolina's program of using public employees to operate liquor stores may be uneconomical.</p>	<p>NCGA (1991) - Systems Design Group: State Law Enforcement Study; NCGA (1992) - Criminal Justice Review of 1991 Law Enforcement Study; and FRD (2007) - Justification Review of ALE/Department of Crime Control and Public Safety.</p>
14	<p><b>Secretary of State Functions (0 of 21)</b> – The members suggested that responsibilities could be distributed among the Departments of Revenue and Commerce and State Board of Elections (Lobbying). Although mentioned as an area of contention, it did not receive priority in the final selection.</p>	<p>This topic lends itself well to a program evaluation, which could compare North Carolina's program with the approaches of other states, identify best practices, and propose policy options.</p>	

	<b>Potential Topic</b>	<b>Feasibility Issues If Any</b>	<b>References</b>
15	<b>“Time to Complete Bachelor’s Degree” (0 of 21)</b> – mentioned graduation matriculation: What might be the State’s policy for graduation matriculation, as subsidizing undergraduate education now can extend well beyond 4 years. Although mentioned as an area of contention, it did not receive priority in the final selection.	This topic lends itself well to a program evaluation. A review could offer several policy options for legislative consideration to decrease the state’s cost of excess hours, including requiring that certain students pay for at least a portion of the cost of excess hours.	Reviews by program evaluators in Florida found that most students attending the state’s public universities graduate with credit hours in excess of graduation requirements, which increase state higher education costs. In Fiscal Year 2004-05, these excess hours cost the state \$62 million. Evaluators recommended
16	<b>Nursing Program/Education (0 of 21)</b> – demand is not being met for enrollment -- need to expand slots. Although mentioned as an area of contention, it did not receive priority in the final selection.		
	<b>TOPICS SUGGESTED BY APPROPRIATIONS TEAMS IN FISCAL RESEARCH DIVISION WITH ITEMS INCLUDED FROM THE RESEARCH DIVISION</b> (There is no priority assigned to the items within sub-groups)		
	<b>EDUCATION</b>		
17	<b>UNC - NCSU / Agricultural Research Service</b> Should state farms continue to be run by NCSU and the Department of Agriculture?		Potential cost savings
18	<b>UNC - NCSU / Agricultural Extension Service</b> What is future of Ag Extension programs in an urban state?		Potential cost savings
19	<b>UNC - All campuses</b> Does UNC have too much middle management?		Potential cost savings
20	<b>State Education Assistance Authority / UNC - UNC General Administration / All campuses</b> Can the state’s Student Financial Aid programs be reorganized and simplified?		Simplify administration - reinvest any savings back into aid programs
21	<b>UNC - All campuses</b> Is the UNC faculty productive in regard to teaching workload?		Potential cost savings
22	<b>UNC - UNC General Administration</b> Should the Enrollment Funding Model be revised?		Potential reduction in appropriations
23	<b>UNC - All campuses</b> Should UNC campuses be allowed to have Management Flexibility in their budget?		Potential to increase end of year reversions

	<b>Potential Topic</b>	<b>Feasibility Issues If Any</b>	<b>References</b>
24	<b>UNC - All campuses</b> Should campuses continue to receive 100% of Overhead Receipts?		Potential offset to General Fund expenditures
25	<b>Public Schools - State Board of Education</b> Does the State have an effective system for ensuring that teachers and administrators get the professional development they need?	Also proposed by the House GPAC members	Potential to centralize, standardize system of professional development. Potential to be more efficient with professional development funding.
26	<b>Public Schools - State Board of Education</b> Is the system of licensure, including "career status," fair, equitable, and based in research regarding teacher effectiveness?		Potential to restructure system to be more flexible, better match level of licensure or credential to qualifications that research shows to be associated with effectiveness (or "value") to the educational endeavor.
27	<b>Public Schools - State Board of Education, UNC-GA</b> Do University programs provide future teachers and administrators with the skills they need to be successful once in the public schools?		Potential to address teacher retention issues by ensuring that teachers and administrators are well prepared for the demands of their positions. Potential to be more efficient and effective in preparing these personnel. Potential for improving student achievement.
28	<b>Community Colleges - System-wide</b> Approval of new program offerings		Need to determine whether the current approval process ensures that: 1) colleges have adequate capacity to provide a quality program and 2) colleges do not unnecessarily duplicate programs in the same region.
29	<b>GENERAL GOVERNMENT</b> <b>Treasurer's Office - Retirement Division</b> Excessive use of contracts	From 2004 through June 2007, the Office will have paid contractors \$1.8 million. Except for investment experts and attorneys, most contracts are for brief periods and appear to be for individuals to perform public relations, document research, and clerical work	Is staff being best utilized to meet the needs of the division? Should the number of personnel contracts awarded be eliminated or the functions transferred to permanent staff? Should the division have such a "research" focus in the use of contract labor?

	Potential Topic	Feasibility Issues If Any	References
30	<b>Secretary of State - Corporations</b> Is the process to receive forms and payments most efficient and user friendly?		<p>Current system has inherent shortcomings, such as fee rate for on-line payment, that reduces the division's efficiency. The Secretary of State is required by GS 147-36(9) to maintain a Publications Division to compile data on the State's several governmental agencies and for legislative reference. Among its duties (see GS 147-54) is publication of the North Carolina Manual (biennial), a directory of state and county officials, an index of local legislation and other publications. The Division has been increasingly dilatory in publishing the required documents, and its publications contain many errors, at least in part because information is simply reproduced and not updated. The manual in particular is a fundamental historical record and reference tool and its publication is extremely far behind, with the 2003-2004 Manual not having been distributed until May 2006. The Manual contains a number of serious factual errors. For example, with respect to the 24th Amendment the U.S. Constitution (prohibiting a poll tax), the Manual on page 852 states that it has not been ratified by North</p>
31	<b>Department of Insurance</b> Regulatory Insurance Fee		<p>Should there be more oversight in setting annual fee amount and the accompanying reserves?</p>
32	<b>Revenue - Interstate Audit</b> Is the separate division necessary?		<p>As the backlog in outstanding auditing cases is lessened, this division should be examined for elimination and its functions transferred to the Audit division.</p>
33	<b>State Board of Elections</b>		<p>The review would examine the distribution of responsibilities between the county board of commissions, the county board of elections and the State Board of Elections. The organizational distribution of financial responsibility, coupled with the oversight responsibility, is something that has gotten some discussion in the recent past and raised some questions about the most efficient use of the tax dollars to provide the most reliable and accurate administration of the elections system.</p>
34	<b>ITS</b> Billing structure and competitiveness		<p>Should agencies be allowed more flexibility in IT services when ITS is more expensive than other service providers?</p>

	<b>Potential Topic</b>	<b>Feasibility Issues If Any</b>	<b>References</b>
	HEALTH and HUMAN SERVICES		
35	DMH/DD/SAS, DMA; also local mental health agencies State Mental Health System		This would look at the efficiency and effectiveness of the entire mental health, developmental disabilities, and substance abuse services system. It could involve a number of the other issues listed below, including use of Medicaid (a major part of the funding for the system) and looking at the state's use of local governments in the delivery system. It could study how the state has moved towards the goals of mental health reform.
36	Department-wide Use of Medicaid		This issue would involve looking at the efficiency and effectiveness of the use of Medicaid in other DHHS programs. It would involve looking at both programs in DHHS where Medicaid is a payer but might be able to be a larger payer if Medicaid were billed more effectively and at whether Medicaid should be located in the same Department as programs that it pays for.
37	Department-wide IT Projects		This issue would involve looking at the Department's handling of IT projects across the Department. DHHS IT projects have experienced a variety of long delays which can result in increasing the project cost.
38	Division of Social Services and Division of Aging and Adult Services DSS/Aging Budget		Currently the Adult Services portion of the budget managed by the Division of Aging and Adult Services is still located in the Division of Social Services. This issue would involve looking at how the moving of Adult Services to the Division of Aging has worked an whether or not any additional changes need to be made in order for the transfer to be complete and most effective.
39	Department-wide County/State Service Delivery Partnership		This issue would involve looking at the state's use of the counties in service delivery (local departments of social services, public health departments, etc...) to see if it is the most efficient and effective use of state dollars.
40	Divisions of Vocational Rehabilitation, Services for the Deaf and Hard of Hearing, and Blind Services Disability Divisions		This issue would involve looking at the Divisions of Vocational Rehabilitation, Services for the Deaf and Hard of Hearing, and Services for the Blind to see if there are any efficiencies to be gained in combining the functions of these Divisions and if there are any overlapping services or activities that can be combined.

	<b>Potential Topic</b>	<b>Feasibility Issues If Any</b>	<b>References</b>
41	Department-wide Rate Setting		This would look at the way that the Department sets policy, from policy bulletins to rules.
42	Department-wide Policy Setting		ALE's mission and purpose has expanded over time leading to intermittent enforcement of ABC laws and controlled substance laws due to other added functions. A significant portion of ALE agents' field duties are administrative and/or regulatory in nature, limiting the overall agency resources available for law enforcement duties and raising questions about the appropriateness of using for sworn law enforcement officers for all field activities.
43	<b>JUSTICE and PUBLIC SAFETY</b> <b>Crime Control &amp; Public Safety - Alcohol Law Enforcement</b> Determine if some or all of ALE's enforcement responsibilities be transferred to other law enforcement or regulatory agencies		Judicial officials assert that as a separate branch of government, they should have sole authority to execute their budget independently of the Executive Branch and that they should not have to submit budget revisions to the Executive Branch for approval. Such authority would allow AOC more flexibility to allocate their budget as needed.
44	<b>Judicial - AOC</b> Examine the Judicial Branch's budget execution authority as compared to that of the Executive and Legislative Branches.		Judicial officials contend that funding has not kept up with the annual growth in court filings and caseload, leading to an underfunded court system. Is the court system adequately funded? Are there alternative approaches for determining the appropriate level of funding for the courts? Are the funds budgeted to the Judiciary used in an effective and efficient manner?
45	<b>Judicial - AOC</b> Is the Court System adequately funded?		

	Potential Topic	Feasibility Issues If Any	References
46	<p><b>Juvenile Justice - Agency</b> Has Juvenile Justice implemented the major recommendations and directives in the 1998 Juvenile Justice Act</p>		<p>Juvenile Justice has launched a number of major initiatives but whether these changes are substantial and effective is difficult to determine. Major directives in the Act that should be reviewed include: 1. Whether DJJDP has funded community programs that use best/most effective practices? 2. Could the number of juvenile offenders in secure detention be further reduced? 3. Has DJJDP developed an effective juvenile information system? Another issue related to effectiveness is whether the new treatment methodology for secure detention is cost effective and in line with best practices. Answering these questions becomes even more important if proposed legislation to add 16 and 17 year olds to the juvenile system is ratified.</p>
47	<p><b>NATURAL and ECONOMIC RESOURCES</b></p>		<p>Non-profits have become an increasing percentage of the NER budget, many of them receiving large recurring budgets. The previous GPAC studied their use in the delivery of economic development services - perhaps this question should be raised again. Also, the old GPAC study recommended a goal of self-sufficiency for several non-profits - another recommendation to reconsider.</p>
48	<p><b>Commerce and DENR - Non-Profits</b> Funding and Reporting Requirements</p>		
49	<p><b>Biotechnology Center</b> Scope and Duplication</p>		<p>The Biotechnology Center is a non-profit entity that receives significant recurring funding from the State. The State also provides significant funds to the university and community college systems for biotech. GPAC could look at all three programs to determine what, if any, duplication exists.</p>
50	<p><b>DENR - Waste Management</b> Underground Storage Tanks; Solid Waste; Brown fields/Super Fund; Hazardous Waste</p>		<p>All of these issues are frequently discussed and analyzed at the legislature. These programs receive a mix of federal and state funding. A study of funding, staffing, and mission at the Division level and section level would be very useful.</p>
51	<p><b>DENR - Clean Water Management Trust Fund</b> Water and Sewer</p>		<p>Water and sewer funding is handled by at least three different entities. A comprehensive look at who and what is being funded would be very helpful to legislators and staff.</p>

	<b>Potential Topic</b>	<b>Feasibility Issues If Any</b>	<b>References</b>
52	DENR - State Revolving Funds Water and Sewer  (Commerce) - Rural Center		
53	Agriculture and Universities - Research Stations Operations and Maintenance		Several studies have questioned the role of the Department in providing research stations. There are currently 15 research stations and 3 farms operated by DACS. Should there be this many facilities? Should there be a cost-sharing arrangement between the DACS and the university system? Or should these stations be consolidated into the university system? DACS maintains the facilities, but all of the research is conducted by the universities.
54	Commerce - International Trade Offices		Commerce operates 6 international trade offices in foreign countries. GPAC may want to look at these offices to determine the need for their continued existence. What value do they add to the NC economy?
	<b>TRANSPORTATION</b>		
55	DMV Delivery of Vehicle Services (e.g. vehicle registration)		DMV has for years delivered many of its vehicle services through tag agents. DMV appears to be moving toward more agency delivery of some of these services. The review would examine the costs and benefits of various approaches to the delivery of these services.
56	Division of Highways Project Delivery		Accountability for project delivery at DOT has been fragmented and limited. The review would determine if management tools are in place for appropriate oversight, management control, and strategic direction.
57	Division of Highways Environmental Permits (Merger 01 Process)		DOT projects must receive numerous environmental permits. DOT works closely with the environmental agencies through the Merger 01 process but there is concern that environmental objectives are not being met at least cost and that DOT projects are unduly delayed

	<b>Potential Topic</b>	<b>Feasibility Issues If Any</b>	<b>References</b>
	<b>TOPICS SUGGESTED BY John Turcotte (There is no priority assigned to the items)</b>		
58	<b>Review of State Fiscal Planning, Budgeting, and Accountability</b>	<p>How does North Carolina's fiscal system compare with best practices in other states? Areas reviewed would include:</p> <ol style="list-style-type: none"> <li>1. Long-range economic and demographic forecasting</li> <li>2. Strategic planning</li> <li>3. Budgeting for Results</li> <li>4. Accountability</li> </ol>	
59	<b>Matching State Government Services and Activities with North Carolina Strategic Imperatives</b>	<p>The North Carolina Progress Board developed a number of high-level benchmarks for improving the overall well-being of citizens. This review would determine if state agency programs are aligned with those imperatives and are achieving results.</p>	
60	<b>Measuring Quality of Service Delivered by Window Clerks and Telephone Help Staff</b>	<p>This project would involve "ghost shoppers" who would pose as citizens needing routine services requiring standing in line, calling a telephone help line, or using a web site. The shoppers would not ask for unusual or special attention. The goal would be to determine how well citizens are served when making routine contact with state agencies. Sampling would be carefully done to provide sufficient reliability of results.</p>	
61	<b>Efficiency Review of State Publications</b>	<p>This project would identify best practices to eliminate wasteful printing and publication practices.</p>	