2017-2019

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT

MINUTES



JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT INTERIM COMMITTEE 2017-18

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT

MEMBERSHIP LIST

Sen. John Alexander, Jr., Co-Chair	John.Alexander@ncleg.net	919-733-5850	Room 625
Rep. George Cleveland, Co-Chair	George.Cleveland@ncleg.net	919-715-6707	Room 417A
Rep. Dennis Riddell, Co-Chair	Dennis.Riddell@ncleg.net	919-733-5905	Room 533
Rep. Mark Brody, Vice Chair	Mark.Brody@ncleg.net	919-715-3029	Room 2219
Rep. Elmer Floyd, Vice Chair	Elmer.Floyd@ncleg.net	919-733-5959	Room 1325
Sen. Tamara Barringer	Tamara.Barringer@ncleg.net	919-733-5653	Room 629
Sen. Don Davis	Don.Davis@ncleg.net	919-715-8363	Room 519
Sen. Rick Horner	Rick.Horner@ncleg.net	919-715-3030	Room 2106
Sen. Jeff Tarte	Jeff.Tarte@ncleg.net	919-715-3050	Room 623
Sen. Make Woodard	Mike.Woodard@ncleg.net	919-733-4809	Room 518
Rep. Carl Ford	Carl.Ford@ncleg.net	919-733-5881	Room 608
Rep. Stephen M. Ross	Stephen.Ross@ncleg.net	919-733-5850	Room 635
Rep. David R. Lewis, Advisory Member	David.Lewis@ncleg.net	919-715-3015	Room 2301
Rep. Larry Yarborough, Advisory Member	Larry.Yarborough@ncleg.net	919-715-0850	Room 1301
Perry Wester, Clerk	alexanderla@ncleg.net	919-733-5850	Room 625
Pamela Ahlin, Clerk	Clevelandla@ncleg.net	919-715-6707	Room 417A
Polly Riddell, Clerk	Riddellla@ncleg.net	919-733-5905	Room 533
Lisa Hollowell, Fiscal Research	lisah@ncleg.net	919-733-4910	
Cara Bridges, Fiscal Research	carab@ncleg.net	919-733-4910	
Chris Hearley , Fiscal Research	chrish@ncleg.net	919-733-4910	
Bill Patterson, Legislative Analysis	billp@ncleg.net	919-733-2578	
Amy Darden, Legislative Analysis	amyd@ncleg.net	919-733-2578	
Gayle Moses, Bill Drafting	gaylem@ncleg.net	919-733-6660	
Myra Torain, Bill Drafting	myrat@ncleg.net	919-733-6660	

NORTH CAROLINA GENERAL ASSEMBLY

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT
2017 – 2018 SESSION



Senator John Alexander
Chair



Representative George Cleveland
Chair



Representative Dennis Riddell
Chair



Representative Mark Brody
Vice chair



Representative Elmer Floyd
Vice chair



Senator Tamara Barringer



Senator Don Davis



Senator Rick Horner



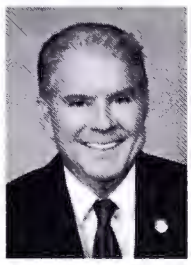
Senator Jeff Tarte



Senator Mike Woodard



Representative Carl Ford



Representative Stephen M. Ross



Representative David R. Lewis

Advisory Member



Representative Larry Yarborough

Advisory Member

ATTENDANCE

JOINT LEGISLATIVE OVERSIGHT COMMITTEE

ON GENERAL GOVERNMENT

2017-1018 Interim

DATES	10/3/2017	11/7/2017	12/5/2017	2/ 6/2018	4/10/2018										
ALEXANDER, JOHN CHAIR	x	x	x	x	x										
CLEVELAND, George CHAIR	x	x	x	x	x										
RIDDELL, Dennis CHAIR	x	x	x	EX	x										
BRODY, Mark VICE-CHAIR	x	x		x											
FLOYD, Elmer VICE-CHAIR	x	x	x	x	x										
BARRINGER, Tamara	x	x		x	x										
DAVIS, Don	x	x	x	x	x										
HORNER, RICK	x	x		EX	x										
TARTE, Jeff	EX	x	x	x	x										
WOODARD, Mike	EX			EX											
.															
FORD, Carl	x		x	x	x										
ROSS, Stephen	x	x	x	x	x										
LEWIS, David R. ADV. MEM	x	x		EX	x										
YARBOROUGH, Larry ADV. MEM	x	x	x	EX	x										

JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON GENERAL GOVERNMENT
October 3, 2017
Room 544 of the Legislative Office Building

The Joint Legislative Oversight Committee on General Government met on Tuesday, October 3, 2017 at 9:00 AM. The meeting was held in Room 544 of the Legislative Office Building. Senators present were Alexander, Barringer, D. Davis, and Horner. Senators Tarte and Woodard had an excused absence. House members present were Cleveland, Brody, Floyd, Ford, Lewis, Riddell, Ross, and Yarborough. Staff present included Bridges, Darden, Hearley, Hollowell, and Patterson. The Committee Clerk was Pamela Ahlin. Included with the Minutes are the list of the Sergeants at Arms and the Visitor Registration Log.

Rep. George G. Cleveland, Chair, presided.

Chris Hearley from the Fiscal Research Division prepared the committee for the merger updates and overviews.

Judge Julian Mann from the Office of Administrative Hearings and Human Relations Commission spoke first and gave updates of the renovation (Attachment #1). At the request of Rep. Floyd, Judge Mann offered a tour to the members of the committee when the renovation is complete. Currently the OAH & HRC logs their work hours into the Beacon system, and the original glitches have been worked out. Mr. Goins, director of the Civil Rights Division, confirmed that his division only investigates issues in state government. The EEOC function has not changed in any way.

Kim Strach, from NC State Board of Elections and Ethics Enforcement, spoke on her transition to the Dobbs Building and new responsibilities with the Ethics and Lobbying compliance (Attachment #2). She stated that her division has teams to work for Election Integrity, Investigation, and Electoral Support, and that those multiple teams ensure accuracy in elections. Rep. Brody asked about possible voter fraud investigation interruptions during the move and transition, and Strach said that their work to ensure election integrity continued unabated. Sen. D. Davis asked about service disruption, but Strach repeated that although the SBOE had had a year of challenges, services were not impacted. Sen. D. Davis asked questions about the IT

process. Strach said that security is more important than formerly recognized. Other concerns would be that there is no State Board of Elections, however, balanced against that is that the County Boards of Elections are intact with no issues. Sen. Barringer commented positively regarding the organization of the group being in teams, as opposed to a vertical structure. This is a current business standard, and she requested that we find ways to incentivize it, if we do not want the outdated system of a promotion with a pay raise. Rep. Floyd asked about campaign finance and IT. Strach replied that the current system is not compatible with a MAC computer. As far as the Legislative members' compliance on filing electronically, members are adjusting and compliant. Rep. Riddell thanked Strach and her agency for being nimble in the moves, adjustments, and challenges.

John Baldwin, Director of Administrative Services for the NC Industrial Commission, spoke next (Attachment #3). Rep. Floyd conveyed concern with the ease of contacting the Industrial Commission. Mr. Baldwin confirmed that his agency desires to be accessible to constituents. Sen. Alexander inquired about cost savings with the office consolidations. The numbers will trickle in with the financial sheets, Baldwin said. Sen. D. Davis inquired if any positions were lost in the consolidation. Baldwin said that they do not anticipate requiring additional resources. Charlton Allen, Chairman of the Industrial Commission, spoke next regarding the NC Department of Insurance. Sen. Alexander asked where penalties went. Mr. Allen stated that they were civil assets that were distributed to schools. He also stated that Worker's compensation claims were paid by the insurance company. In a discussion of statewide claims, the number includes 1/14 of the workers in NC. Mr. Allen said that even though the volume of the claims is great, most of them are a simple completion of forms. The complex cases move forward to a separate team. The game plan will not change if there is a transfer to the Department of Insurance. Rep. Cleveland stated that the phone contacts are listed on the website.

Lisa Hollowell from the Fiscal Research Division gave an overview of the October agency oversight topic which was the Local Government Finance Class. Following that, Greg Gaskins, Deputy Treasurer, and Sharon Edmundson, the Director of Fiscal Management gave a status update on the Pilot Program (Attachments #4-6). Edmundson stated that the goal was to coach a unit of government facing a fiscal challenge. To fulfill that mission, 144 visits were made to 106 units of government this year. Rep. Cleveland asked if government units had the option of using the program. Gaskins stated that if the unit of government was a chronic offender, they could be directed to use the program. Sen. D. Davis stated that he was troubled that 11 out of 13 counties in eastern NC needed help. Gaskins stated that eastern NC has lost industry, jobs, and population. That puts pressure on utilities, as they become non-sustaining. Sen. D. Davis asked about the mandatory training and if results or progress are measured. Gaskins replied that community colleges were having a successful pilot program. As more community colleges come on board, there will be better results. There is a lack of qualified staff in smaller cities and counties. Sen. D. Davis said we should continue along this path to achieve quality and uniformity in systems. Sen. Horner asked about the violations and compliances, and how anyone is informed. Edmundson said the list is public, and the counties should be aware. Rep. Cleveland stated that the financial officer is aware and notifies the county commissioners. Rep. Ford stated that often in the annexation of municipalities, there is often a cooking of the books

and the facts are hidden. Gaskins replied that there are 3 categories with an issue requiring improvement. Rep. Floyd requested information on Edgecombe city and county, since he felt they were struggling with a new interim mayor. Edmundson clarified what constituted difficulty for the cities and counties who weren't managing: fund balance dangerously low; enterprise fund was underwater (negative working capital); and with internal controls so poor they did not function well. Sen. D. Davis asked how the legislature could oversee local governments and set parameters to reduce negative situations. Gaskins stated that there is a national trend to move from rural to urban. Currently there are not enough courses available for everyone, so the cities and counties that are in trouble are the ones targeted for improvement.

Cara Bridges from Fiscal Research Division had a team give updates from the Department of Administration. Mr. McGorty and Mr. Hefren from PED gave an update on the measurability assessment (Attachment #7). A report on the DOA is due on March 30, 2018. Sen. Alexander asked about which firm was doing the work. Rep. Cleveland asked if there would be more than one firm assessing the DOA. Hefren stated that they are going to partner with a select vendor and identify issues which will save the state money. We have to compare the DOA to the private sector and find the best methodology to assist us in creating a high functioning agency. Cost is approximately $ 150,000.00. Rep. Riddell wanted to know how many assessors returned the RFQ and what the standards were for the applicants. Hefren said that 6 qualified assessors had responded. The two phases are: to determine the measurability of the DOA; and to draft and enact legislation toward a more efficient outcome.

The Department of Administration group of Real Property Utilization spoke next (Attachment #8). Walton, the Director of State Property, and Deputy Secretary Edwards spoke and answered the questions. Walton stated that they have info on 899 locations in NC that have real property. Rep. Riddell asked about the participation rate and if it needs to be encouraged in some way. Sen. Alexander asked how DOT has so many leases and so much space. Walton said that the agency requests space from the DOA. Sen. Alexander asked about the terms of the leases and wanted to know about the cost per square foot. Walton replied that leases are for 5 years. There was a discussion regarding the efficiency of our current leasing. Should we move government agencies to cheaper spaces, and consider options such as Big Box stores, which are closing with the rise of Amazon, and online retail? PED may have to evaluate this idea. Hefren said they take every opportunity to save. Rep. Cleveland asked if Boards and Commissions are exempt from the processes of the Real Property Utilization work. Walton said that they are exempt, just like the NC Real Estate Commission, since those commissions pay their own bills. Rep. Cleveland wanted to know about any public reports. Sen. D. Davis asked about any efficiency studies. Mr. Riddle, from Surplus Property, spoke about the heavy volume of resale in NC (Attachments # 9-11). Sen. Horner asked if buying from surplus property was required. Riddle stated that they had no authority over public county schools, although other entities were required to check with them. Sen. Horner asked is they used Gov.deals and Riddle said they do not. Sen. Alexander wanted to know if countries bought our surplus, and Riddle said yes, and that they were required to pay for the item and its shipping cost before it was shipped.

There being no further business, the meeting was adjourned by the Chair at 12 PM.

Rep. George G. Cleveland
Presiding

Pamela Ahlin, Committee Clerk

Joint Legislative Oversight Committee on General Government
October 3, 2017; 9:00 AM
LOB 544
Agenda

Chairs
Rep. George Cleveland, presiding
Sen. John Alexander
Rep. Dennis Riddell

Chairs' Opening Comments
Committee Members' Comments and Discussion

Merger Updates and Overviews	Chris Hearley, FRD
Office of Administrative Hearings and Human Relations Commission	Judge Julian Mann III, OAH Director and Chief Administrative Law Judge,
State Board of Elections, Ethics, and Lobbying Compliance	Kim Strach, NC State Board of Elections and Ethics Enforcement
NC Industrial Commission Overview NC Department of Insurance	John Baldwin, Director of Administrative Services Charlton Allen, Chairman, Industrial Commission
Agency Oversight Topic for October Local Government - Finance Class Pilot Program Status/Update	Lisa Hollowell, FRD Greg Gaskins, Deputy Treasurer Sharon Edmundson, Director, Fiscal Management
Department of Administration Updates	Cara Bridges, FRD
Measurability Assessment	Kiernan McGorty, PED Chuck Hefren, PED
Department of Administration Real Property Utilization	Tim Walton, Director of State Property Deputy Secretary Mark Edwards
Surplus Property (State and Federal)	Robert Riddle, Surplus Property Director

NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

September 13, 2017

MEMORANDUM

TO: Members, Joint Legislative Oversight Committee on General Government
FROM: Rep. George G. Cleveland, Co-Chair
Rep. Dennis P. Riddell, Co-Chair

SUBJECT: Meeting Notice

The **Joint Legislative Oversight Committee on General Government** will meet at the following time:

DAY	DATE	TIME	LOCATION
Tuesday	October 3, 2017	9:00 AM	544 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting http://www.ncleg.net/graphics/downtownmap.pdf.

If you are unable to attend or have any questions concerning this meeting, please contact Pamela Ahlin at clevelandla@ncleg.net.

cc: Committee Record _X_
Interested Parties _X_

ATTACHMENT # 1

STATE OF NORTH CAROLINA
OFFICE OF ADMINISTRATIVE HEARINGS

Mailing address:
6714 Mail Service Center
Raleigh, NC 27699-6700

Street address:
1711 New Hope Church Rd
Raleigh, NC 27609-6285

Status Report
to the
Joint Legislative Oversight Committee on General Government

Re: Merger of the Human Relations Commission within the Civil Rights Division in the North Carolina Office of Administrative Hearings

September 29, 2017

I. Background

In 2017, the General Assembly approved a Type I transfer of the Human Relations Commission (HRC) from the North Carolina Department of Administration (DOA) to the Civil Rights Division (CRD) within the North Carolina Office of Administrative Hearings (OAH) effective July 1, 2017. The General Assembly appropriated $50,000 to the OAH to renovate space within its existing office to accommodate the transfer of the HRC.

This report provides the status of:

- The building renovations;
- The transfer of HRC funding and positions to the OAH; and
- The merger of HRC within the CRD.

II. Status of Building Renovations

The HRC consists of seven (7) full-time staffed positions that require office space, furniture, and office equipment (printers, copiers, telephones, etc.) The HRC staff's computers and a projector will be transferred from DOA to OAH; however, no additional furniture or office equipment will be transferred. In addition to the seven (7) HRC positions, the General Assembly appropriated funds in the FY 2017-18 CRD budget for one (1) additional Civil Rights Investigator position effective January 1, 2018. As the OAH building is currently configured, there are not sufficient offices to accommodate eight (8) additional staff.

Upon notification of the legislative approval of the transfer of the HRC to OAH, staff worked diligently with the building owner to develop a building renovation plan to create eight (8) additional office spaces. Judge Julian Mann, the Director and Chief Administrative Law Judge of OAH, approved the building renovation plan on August 18, 2017, and architectural drawings of the proposed renovations on August 30, 2017. Because the building is occupied, construction will be done on weekends and electrical and HVAC during the week. It is anticipated construction will commence on October 14, 2017 and be completed over four to five weekends. (See attached NC Office of Administrative Hearings Building Renovation Flowchart, and architectural drawings of the proposed building renovations.)

III. Status of Transfer of HRC Funds and Positions to CRD

The HRC budget has been certified in OAH's budget in July certified reports. Funds and Centers have been set up in the North Carolina Accounting System (NCAS) to record the expenses and revenues for the HRC within OAH.

In August, the HRC's positions and employees were transferred from DOA to OAH in the Office of the State Controller (OSC) Integrated HR/Payroll System.

As of September, all HRC expenses except Department of Information Technology (DIT) bills (telephone, email, calendaring, PC service charges) are being paid from OAH's budget. Once the building renovations are completed and the employees are physically relocated to OAH, OSC will move the balances from DOA to OAH.

DOA officials have informally agreed to continue housing the HRC staff until the renovations are completed at OAH and the employees are relocated.

IV. Status of HRC Merger within the CRD

There are several areas of focus regarding the transition of the HRC within the CRD. Some areas have been completed while others remain in various stages of development.

Following is a status report of items currently being addressed by CRD Director Lamont Goins:

Administrative

Tasks Completed

- Updated OAH and DOA websites informing the public of the transfer of the HRC to OAH, and provided a link between the corresponding websites;

- Coordinating, managing and supervising work activities of HRC and CRD by spending time in both locations to review work, approve decisions in cases and authorize payments to vendors;
- Updated OAH email system to include HRC on internal communications;
- Developed transitional letterhead for use by HRC;
- Established protocol for HRC staff to request OAH state vehicle;
- The HRC has been incorporated within the CRD organizational structure and chart (See attached CRD Organizational Chart);
- Established protocol for subpoena document sign-off;
- Completed the annual audit with Housing & Urban Development (HUD) and met with HUD officials during the audit;
- Verified reconciliation report with HUD;
- Obtained access authorization for HEMS (HUD's Housing Enforcement Management System);
- Obtained copy of HUD contract.

Tasks Ongoing

- Renovation of the OAH building and physical relocation of the HRC staff to OAH;
- Learning and evaluating the core functions of the HRC;
- Learning the operations of housing enforcement under HUD and the contract provisions;
- Learning the HUD Housing Enforcement Management System (HEMS);
- Assessing HRC case production and performance;
- Reviewing and evaluating existing HRC policies, practices and procedures;
- Assessing housing and employment protocols within the new division for future changes and integration;
- Reevaluating intake function within the division;
- Planning for future reorganization of the division.

Personnel

Tasks Completed

- Completed transfer of HRC staff from DOA to OAH in OSC Integrated HR/Payroll System;
- Held a Meet & Greet Event at OAH with HRC, CRD & other OAH staff;
- Agency Director and Deputy Director met with HRC staff at DOA to welcome them to the OAH Family;
- Reviewed and approved staff work schedules;
- Monitoring and approving staff time in OSC Integrated HR/Payroll System;
- Established and approved goals for performance management;
- Established procedure for staff requesting leave.

Tasks Ongoing

- Resolving time issues for staff in OSC Integrated HR/Payroll System;
- Rewriting HRC Investigator position description for reclassification;
- Reclassification of HRC Intake position.

HRC Board of Commissioners

Tasks Completed

- Obtained updated list of HRC Board members;
- Met with DOA officials regarding current membership of HRC Board of Commissioners;
- Notified local Human Relations Commissions of the merger of HRC with CRD;
- Established communication with the Office of Boards & Commissions.

Tasks Ongoing

- Reestablish communication with the HRC Board of Commissioners;
- Coordinate ethics training for HRC Board of Commissioners;
- Develop a Power Point presentation for new Board members;
- Plan and convene meeting of the HRC Board of Commissioners at OAH.

V. Conclusion

Barring any unforeseen problems or other issues of concern during the OAH building renovation, it is anticipated the physical relocation of HRC staff to OAH will take place in November 2017. Once this is done, all phases of the Type I transfer will be complete.

This status report to the Joint Legislative Oversight Committee on General Government will be updated when all matters have been finalized. Should there be any questions or concerns in the interim, please do not hesitate to contact Chief Administrative Law Judge Julian Mann at 919-431-3019 or julian.mann@oah.nc.gov or Linda T. Worth, Deputy Director, at 919-431-3047 or linda.worth@oah.nc.gov

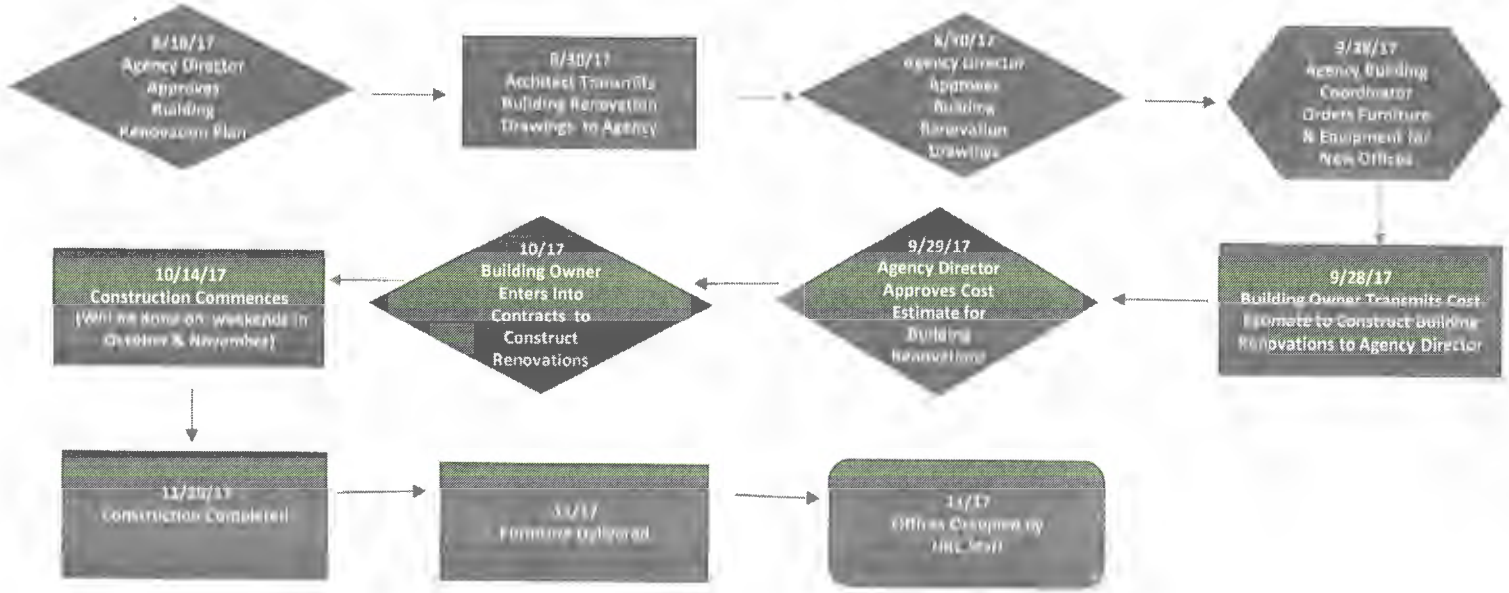
Attachments:

1) NC Office of Administrative Hearings Building Renovation Flowchart
2) NC Office of Administrative Hearings Architectural Drawings of Proposed Renovations
3) Civil Rights Division Organizational Chart

NC OFFICE OF ADMINISTRATIVE HEARINGS

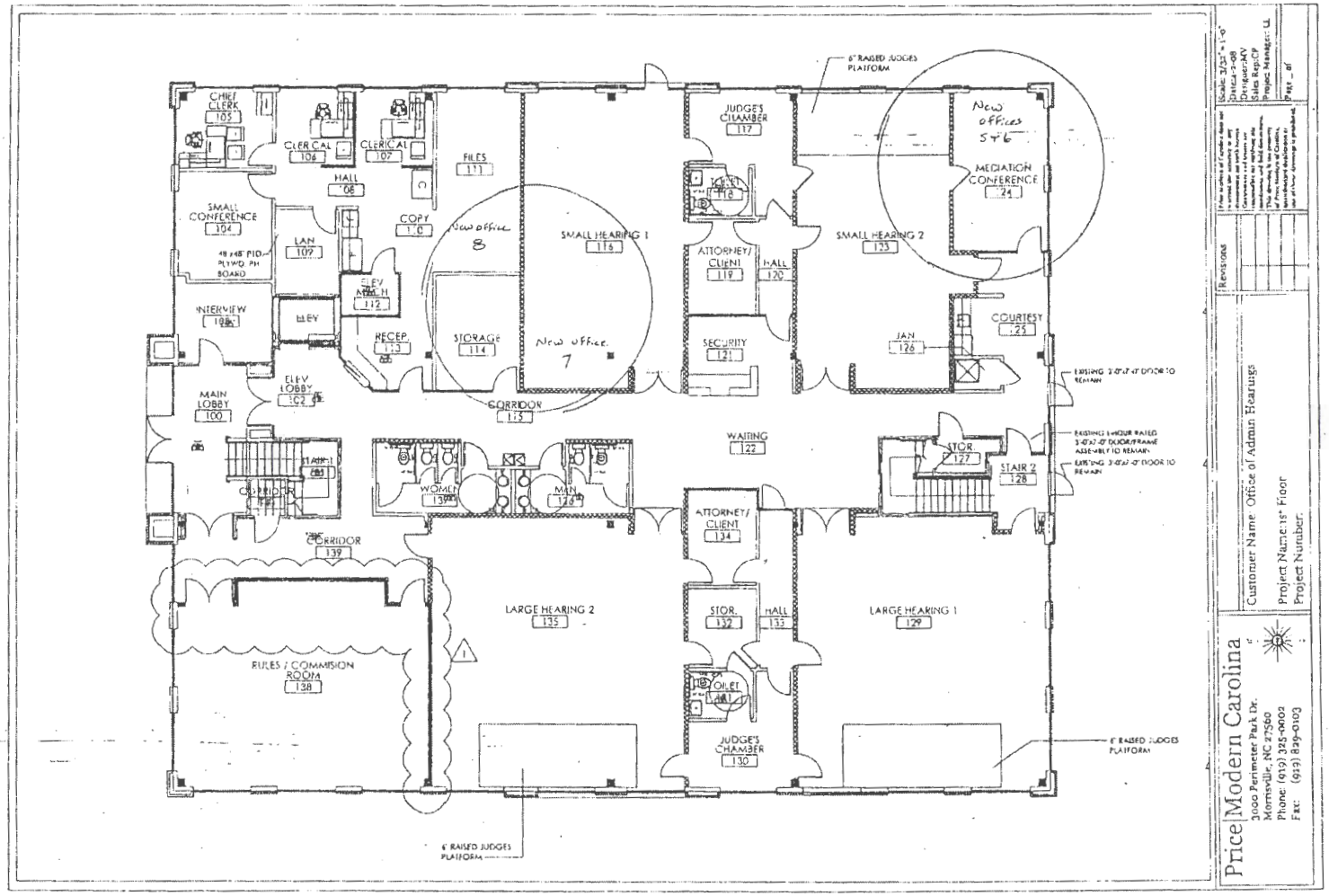
BUILDING RENOVATION FLOWCHART

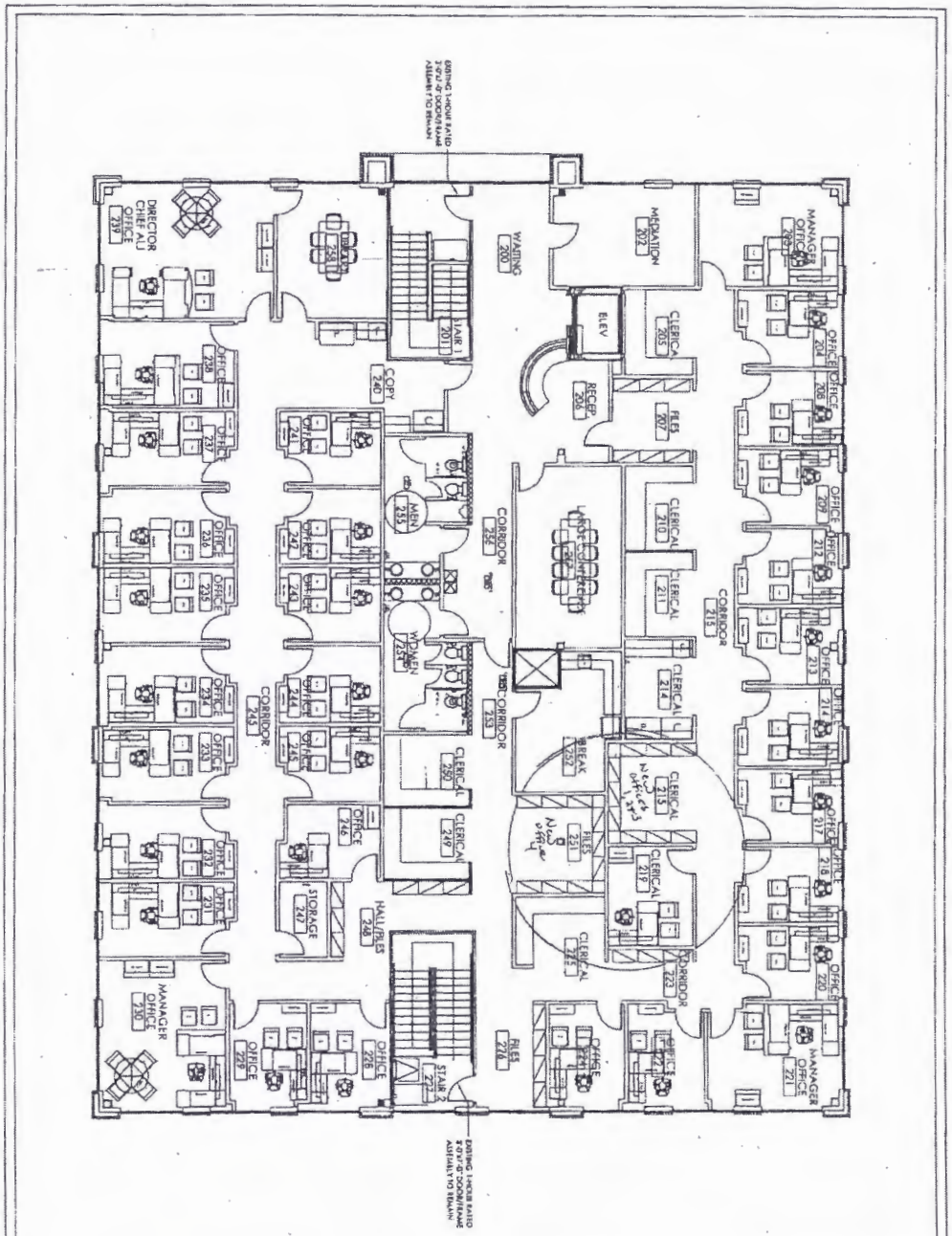
NC OFFICE OF ADMINISTRATIVE HEARINGS
BUILDING RENOVATION FLOWCHART



N C OFFICE OF ADMINISTRATIVE HEARINGS

ARCHITECTURAL DRAWINGS
OF
PROPOSED BUILDING RENOVATIONS


6" RAISED JUDGES PLATFORM
CHIEF CLERK 105
CLERICAL 106
CLERICAL 107
FILES 111
HALL 108
SMALL CONFERENCE 104
COPY 110
LAN 109
48"x48" PID PLYWD PH BOARD
INTERVIEW 103
ELEV
ELEV MECH 112
RECEP. 113
STORAGE 114
New office 8
New office 7
SMALL HEARING 1 116
JUDGE'S CHAMBER 117
TOILET 118
ATTORNEY/ CLIENT 119
HALL 120
SECURITY 121
New offices 5&6
MEDIATION CONFERENCE 124
SMALL HEARING 2 123
COURTESY 125
JAN 126
EXISTING 3'-0"x7'-0" DOOR TO REMAIN
MAIN LOBBY 100
ELEV LOBBY 102
CORRIDOR 115
WAITING 122
EXISTING 1-HOUR RATED 3'-0"x7'-0" DOOR/FRAME ASSEMBLY TO REMAIN
EXISTING 3'-0"x7'-0" DOOR TO REMAIN
STOR. 127
STAIR 2 128
CORRIDOR
WOMEN 139
MEN 140
ATTORNEY/ CLIENT 134
CORRIDOR 139
LARGE HEARING 2 135
STOR. 132
HALL 133
LARGE HEARING 1 129
FILES / COMMISION ROOM 138
TOILET
JUDGE'S CHAMBER 130
6" RAISED JUDGES PLATFORM
6" RAISED JUDGES PLATFORM
Price|Modern Carolina
3000 Perimeter Park Dr.
Morrisville, NC 27560
Phone: (919) 325-0900
Fax: (919) 859-0103
Customer Name: Office of Admin Hearings
Project Name:1st Floor
Project Number:
Revisions
Scale: 3/32" = 1'-0"
Drawn By: MV
Checked By: MV
Sales Rep: CP
Project Manager: LL
Sheet of



Price|Modern Carolina
3000 Perimeter Park Dr.
Morrisville, NC 27560
Phone: (919) 325-0002
Fax: (919) 829-0103

Customer Name: Office of Admin Hearings

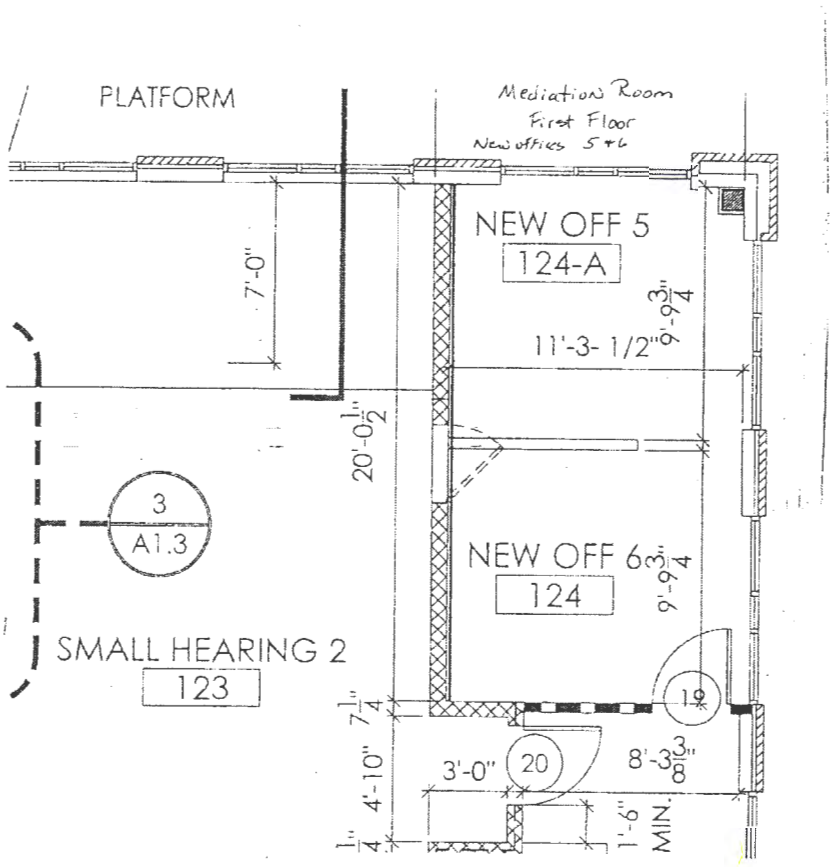
Project Name: 2nd Floor
Project Number:

Revisions

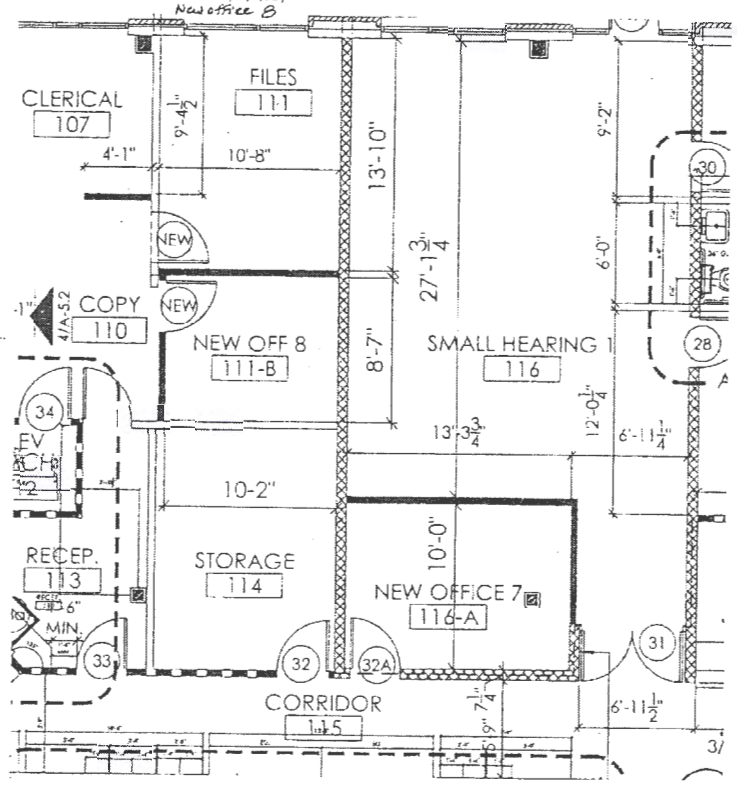
Price Modern of Carolina does not warrant the accuracy of any dimensions on this drawing. Contractors and trades are responsible for verifying site conditions and field dimensions. This drawing is the property of Price Modern of Carolina, unauthorized duplication or use of these drawings is prohibited.

Scale: 3/32"= 1'-0"
Date:4-9-08
Designer:MV
Sales Rep:CP
Project Manager: LL

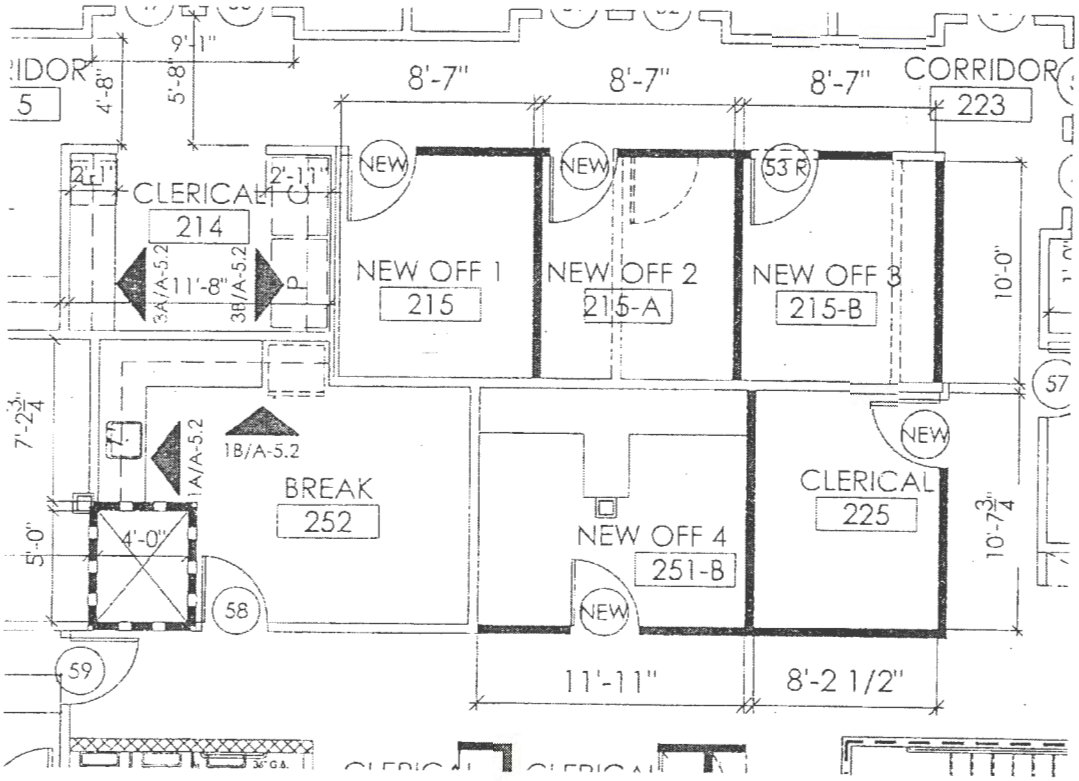
Page _ of _


PLATFORM
Mediation Room
First Floor
New offices 5 + 6
NEW OFF 5
124-A
NEW OFF 6
124
SMALL HEARING 2
123
7'-0"
11'-3- 1/2"
9'-9 3/4"
20'-0 1/2"
3
A1.3
7 1/4"
4'-10"
3'-0"
20
8'-3 3/8"
1'-6" MIN.
1/4"

Clerks office
First Floor
New office 8



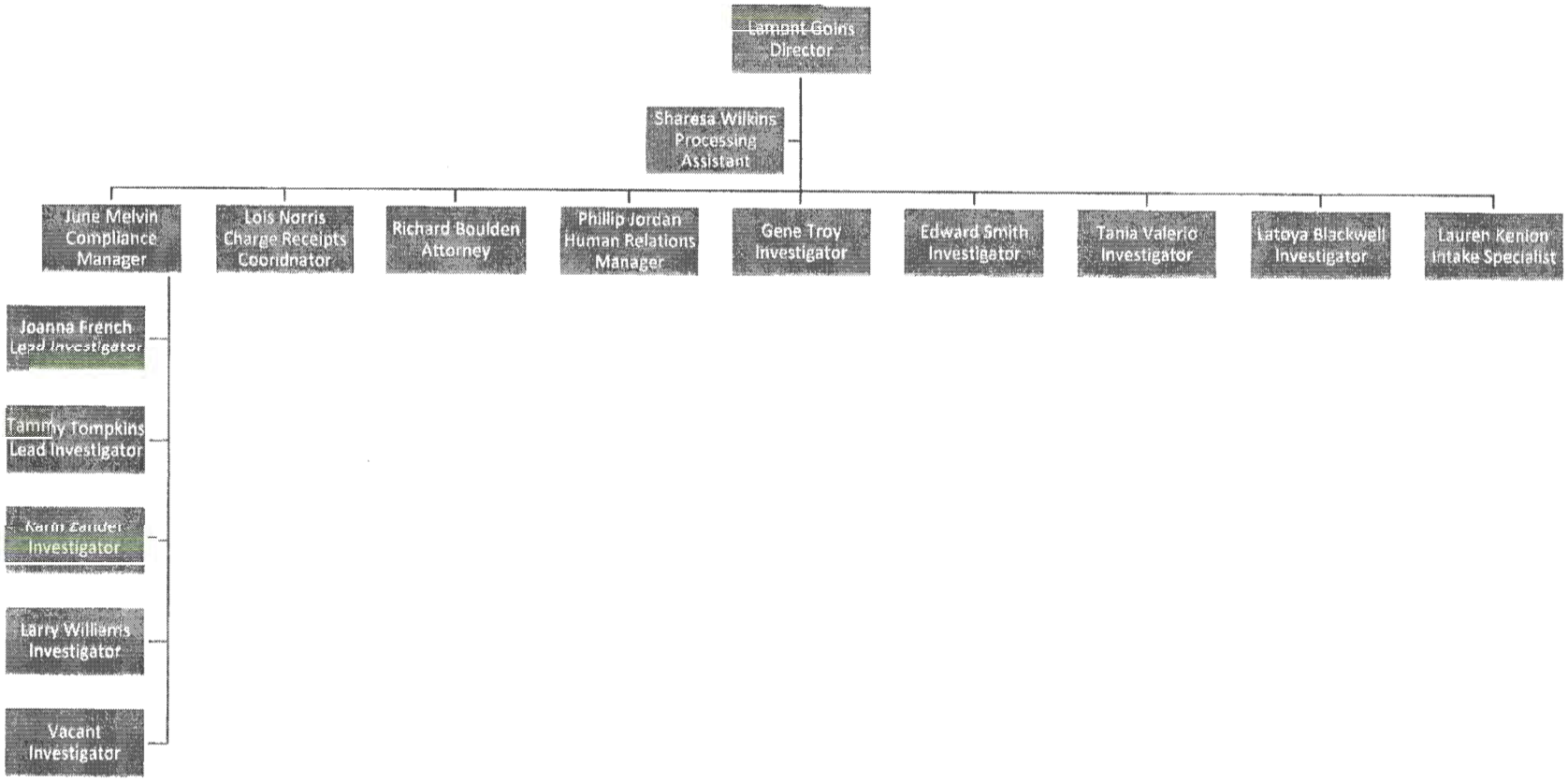
Small Hearing 1
New office 7



2nd Floor
New offices 1, 2, 3 + 4

CIVIL RIGHTS DIVISION
ORGANIZATIONAL CHART

CIVIL RIGHTS DIVISION



ATTACHMENT # 2

The Joint Legislative Oversight Committee on General Government

North Carolina Bipartisan State Board of Elections and Ethics Enforcement

Merger Status and Progress Report

Legal Status of the Merger

Legislation and Litigation Timeline

TIMELINE

December 16, 2016	**S.L. 2016-125 becomes law** (*merger effective date: January 1, 2017*)
December 30	Wake Superior Court judge temporarily stays merger
February 9, 2017	Court of Appeals lifts stay; **Elections & Ethics merged**
February 14	Supreme Court reinstates stay of merger; **Elections & Ethics unmerged**
March 17	3-judge panel permanently enjoins merger under S.L. 2016-125

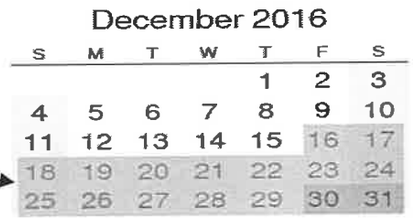
April 25, 2017	**S.L. 2017-6 becomes law** (*merger effective date: May 1*)
April 28	Wake Superior Court judge temporarily stays merger
June 1	Three-judge panel dismisses Governor's challenge to law; **Elections & Ethics merged**
June 20	Supreme Court prohibits action on "unimplemented portions" of S.L. 2017-6; **Elections & Ethics remain merged but without board members**; merger of Lobbying (Secretary of State) put on hold
September 1	Supreme Court orders 3-judge panel to enter new order addressing basis for dismissal and merits of case
October 31	Deadline for 3-judge panel to enter new order

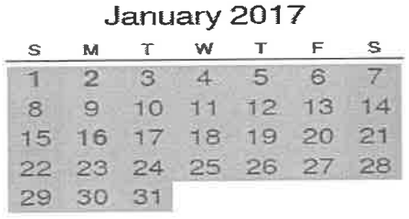


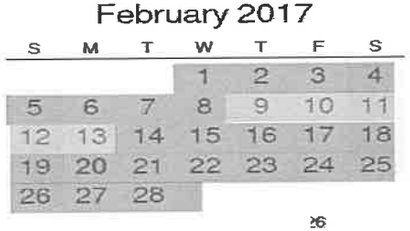
What has this meant for progress?



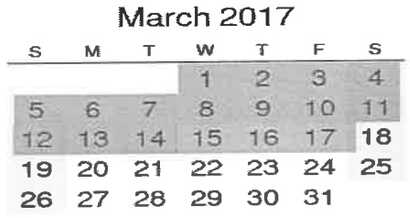
-Meetings with Ethics ED, Chair and Ethics Staff
- Provided overview materials to prospective Board members on current and future responsibilities related to elections and campaign finance.







Statewide Training for county board election officials. **Opened conference as the State Board of Elections and Ethics Enforcement and closed as the State Board of Elections.**



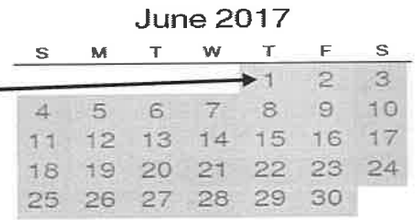




Merger implementation paused

New law takes effect

Implementation begins...

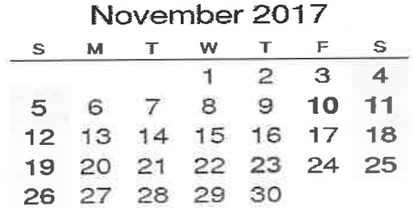












Board/Commission Member Status

December 2016

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

January 2017

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

February 2017

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28				

March 2017

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	

April 2017

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30						

May 2017

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

June 2017

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

July 2017

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

August 2017

S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

September 2017

S	M	T	W	T	F	S
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30

October 2017

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

November 2017

S	M	T	W	T	F	S
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

Separate Boards

Ethics Commissioners

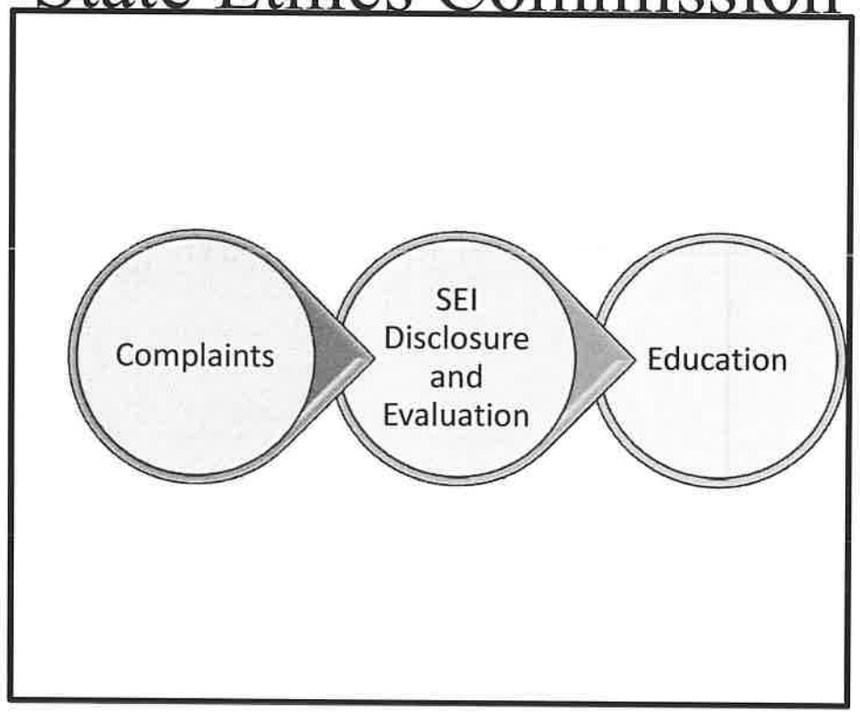
No Board

What does it look like?

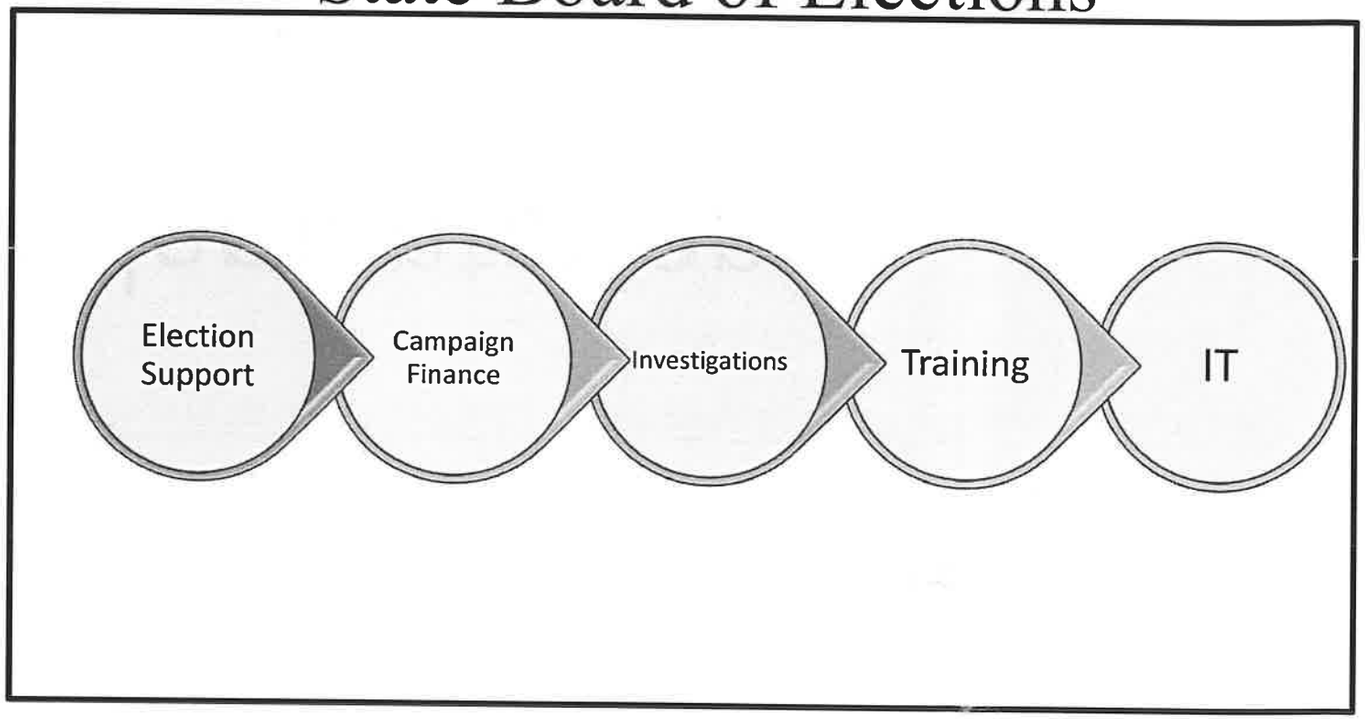
Implementation

Where we started:

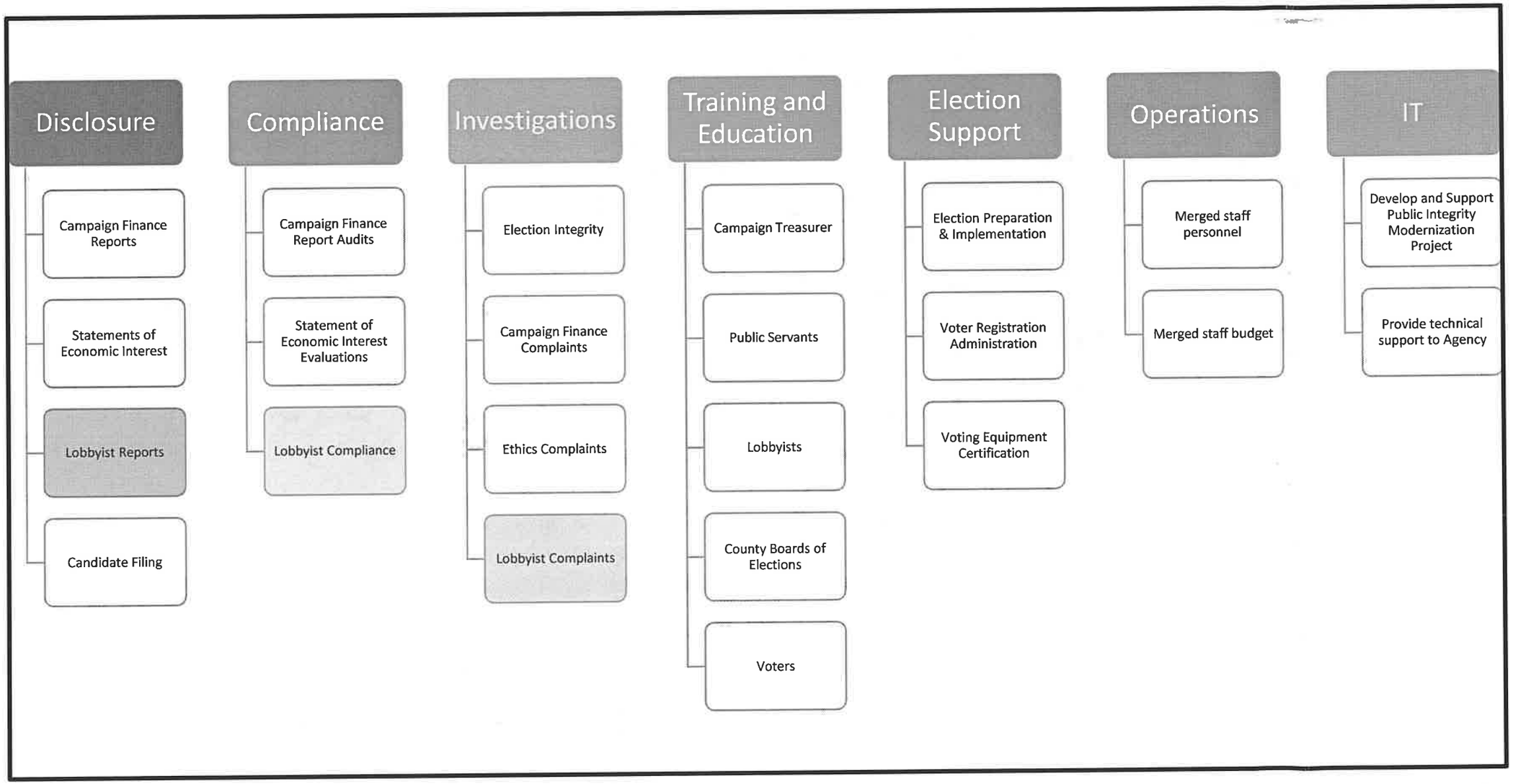
State Ethics Commission



State Board of Elections



Where we are:


Disclosure
Campaign Finance Reports
Statements of Economic Interest
Lobbyist Reports
Candidate Filing
Compliance
Campaign Finance Report Audits
Statement of Economic Interest Evaluations
Lobbyist Compliance
Investigations
Election Integrity
Campaign Finance Complaints
Ethics Complaints
Lobbyist Complaints
Training and Education
Campaign Treasurer
Public Servants
Lobbyists
County Boards of Elections
Voters
Election Support
Election Preparation & Implementation
Voter Registration Administration
Voting Equipment Certification
Operations
Merged staff personnel
Merged staff budget
IT
Develop and Support Public Integrity Modernization Project
Provide technical support to Agency

Where we live:

June 2017

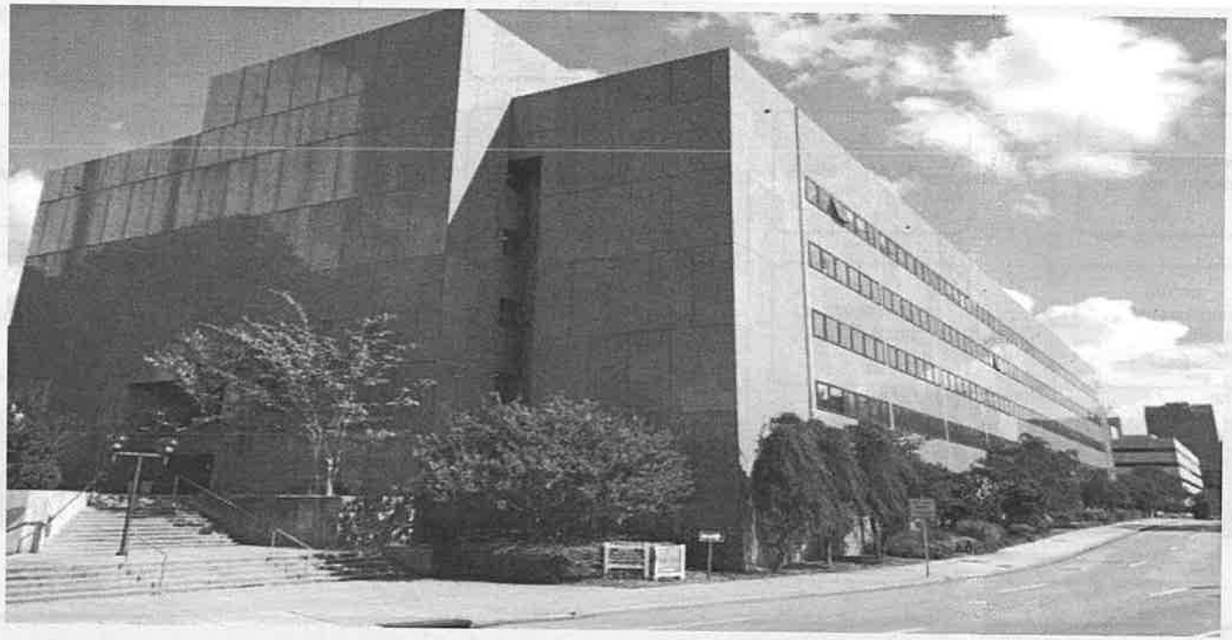
S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

July 2017

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

August 2017

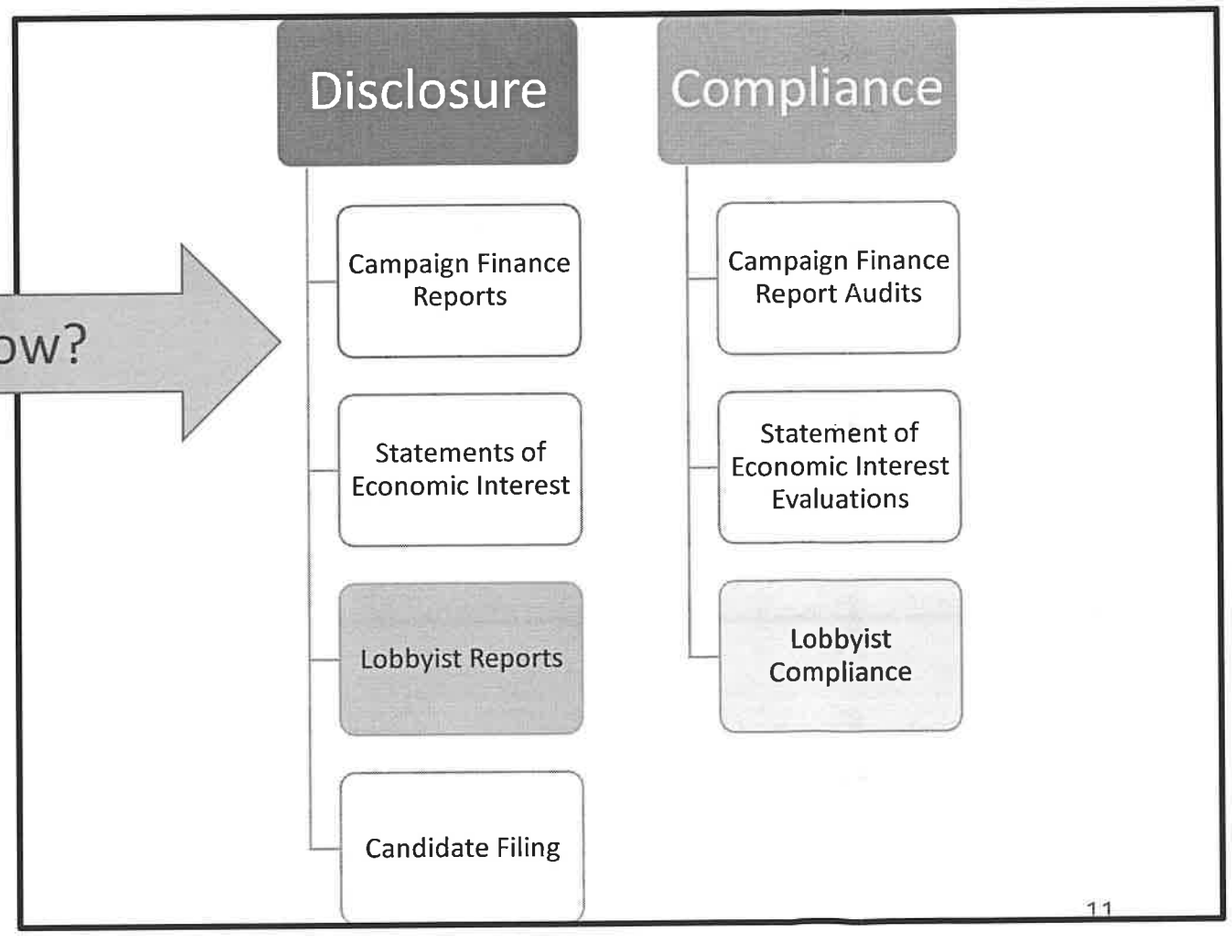
S	M	T	W	T	F	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		



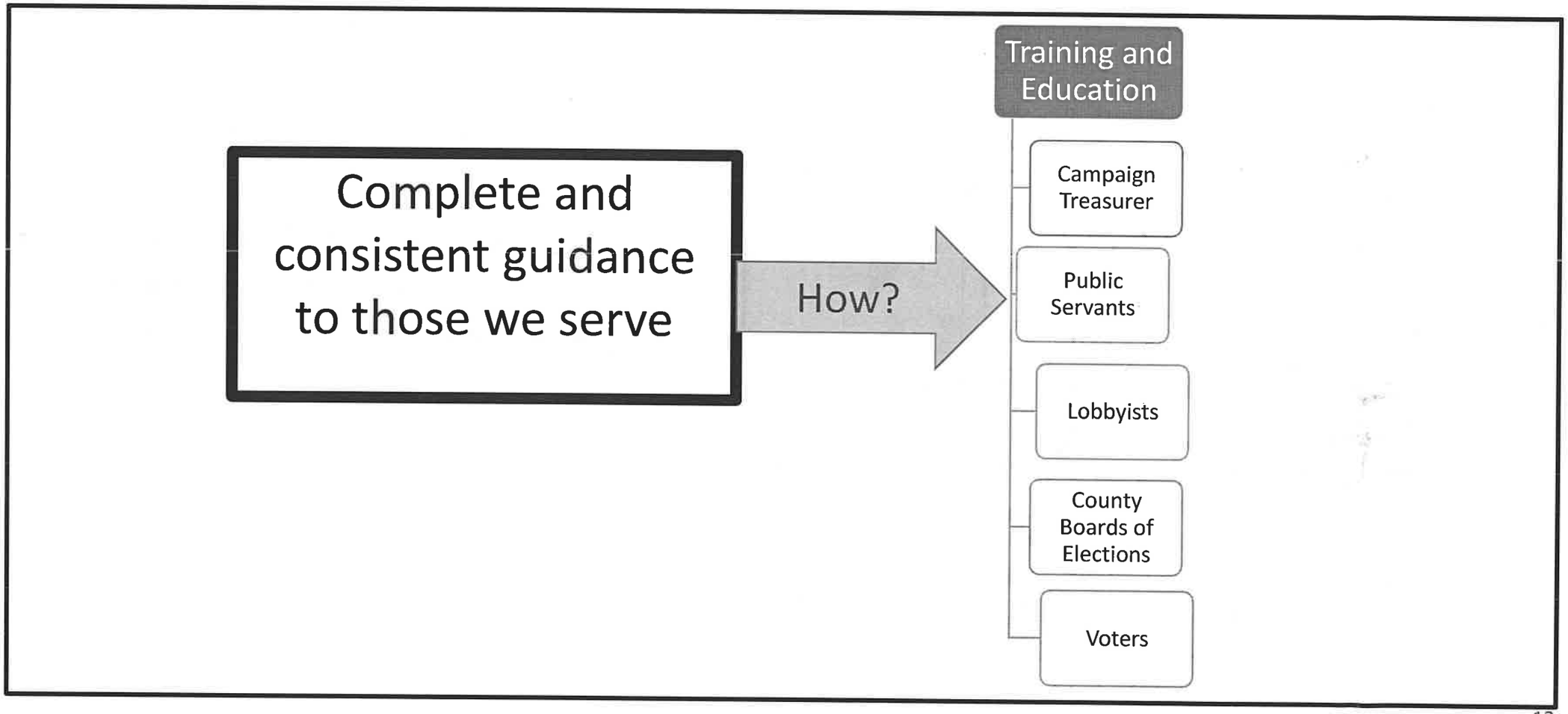
What we are accomplishing:

Timely, efficient, consistent processing/audit/review of disclosures

How?



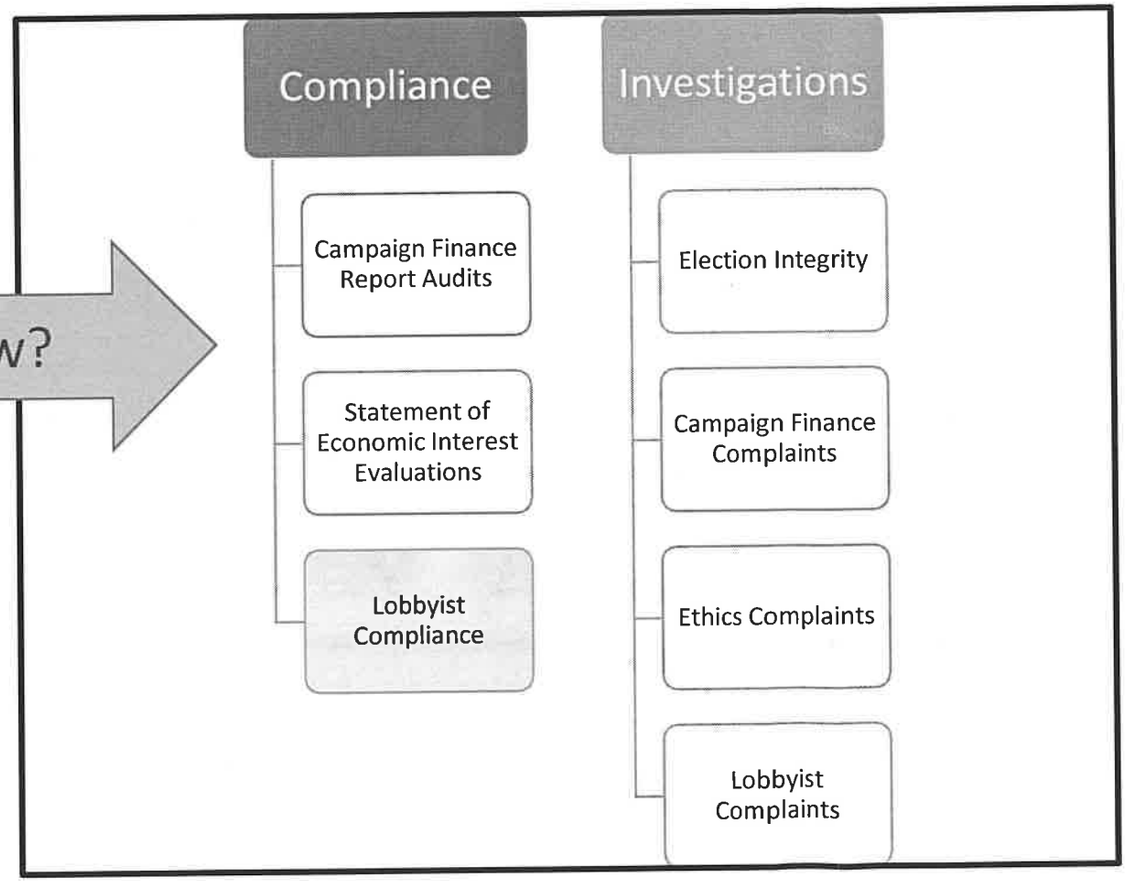
What we are accomplishing:



What we are accomplishing:

Complete and Consistent complaint/investigation resolution

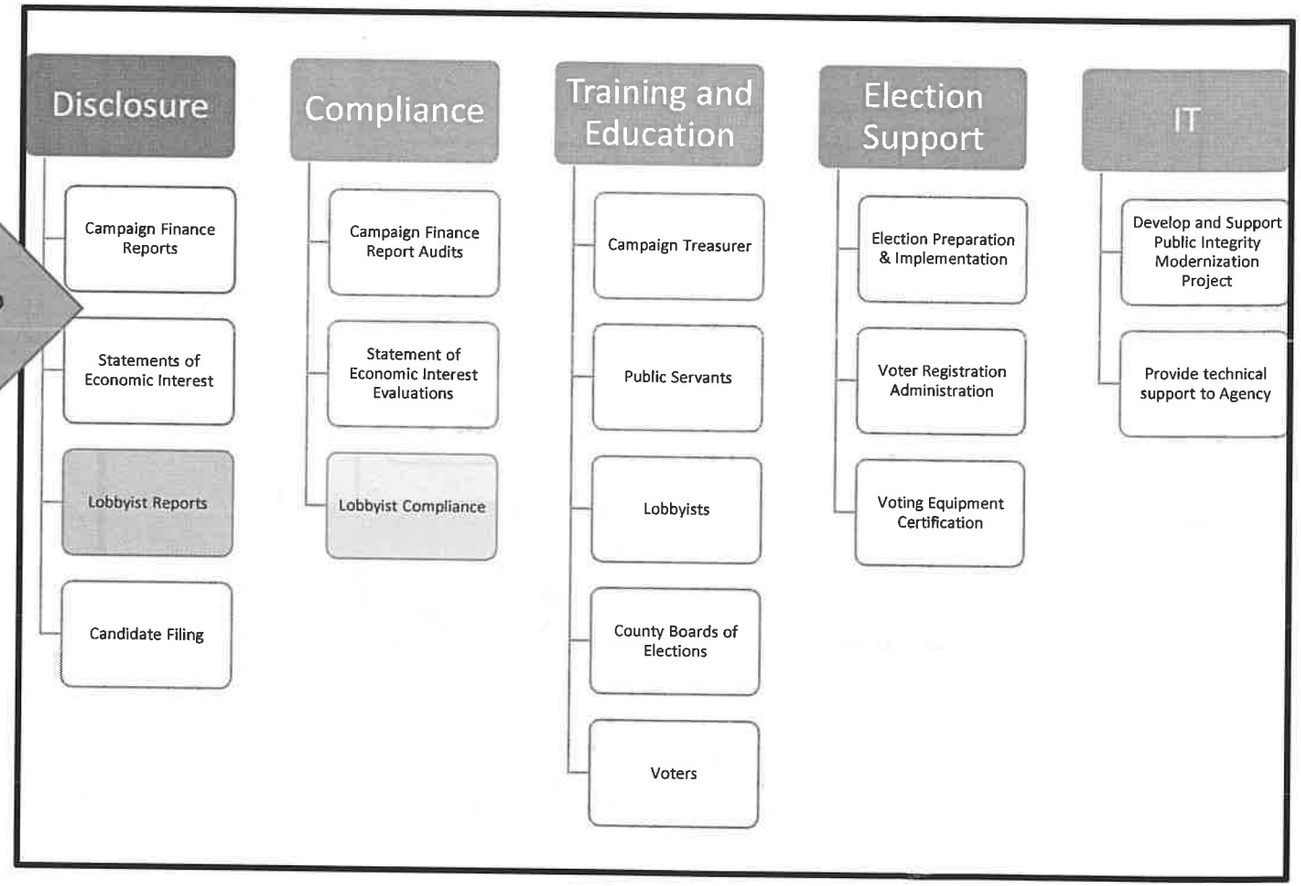
How?



What we are accomplishing:

Improving the compliance experience

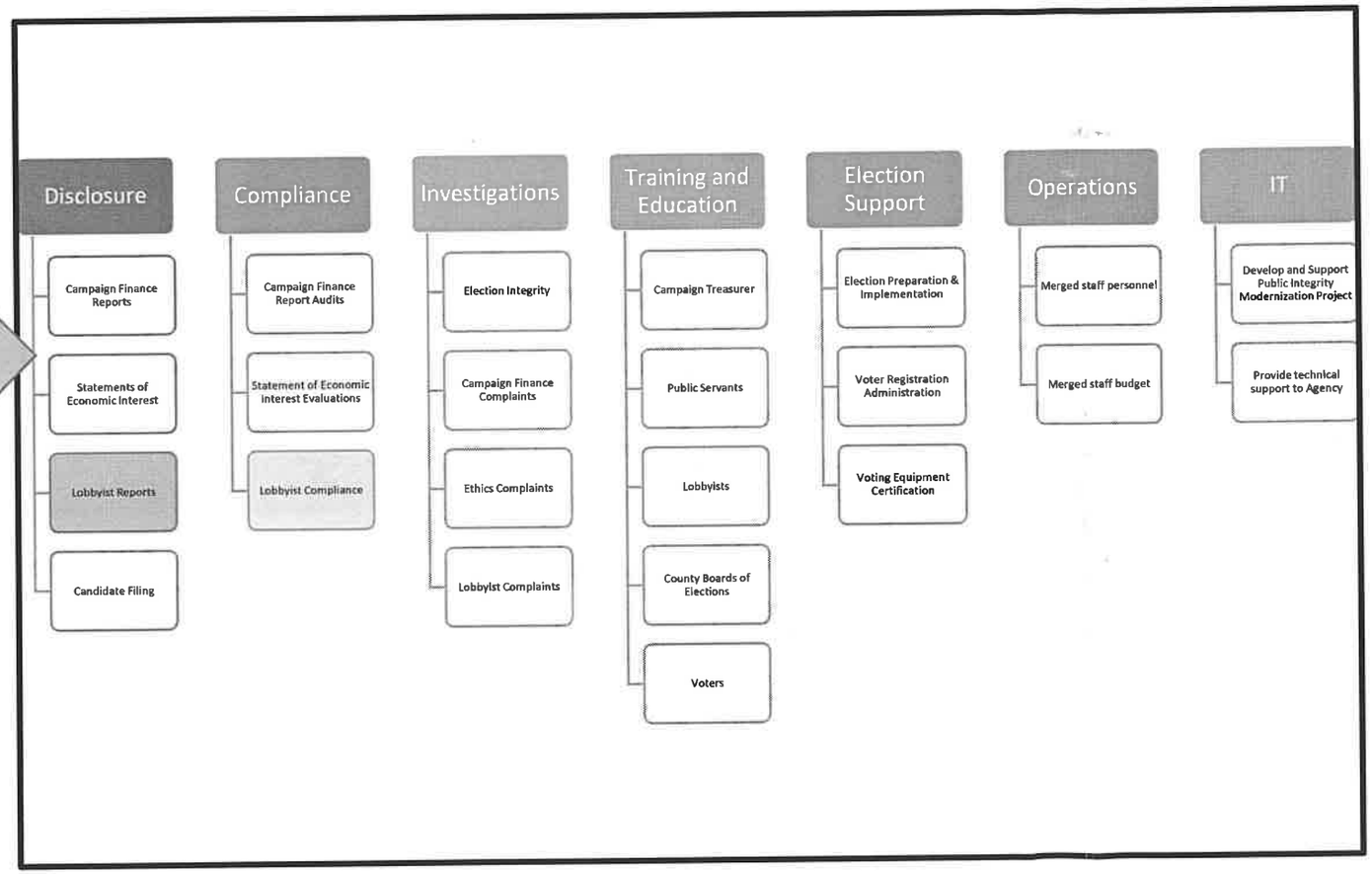
How?



What we are accomplishing:

Ensuring accurate, secure and accessible elections

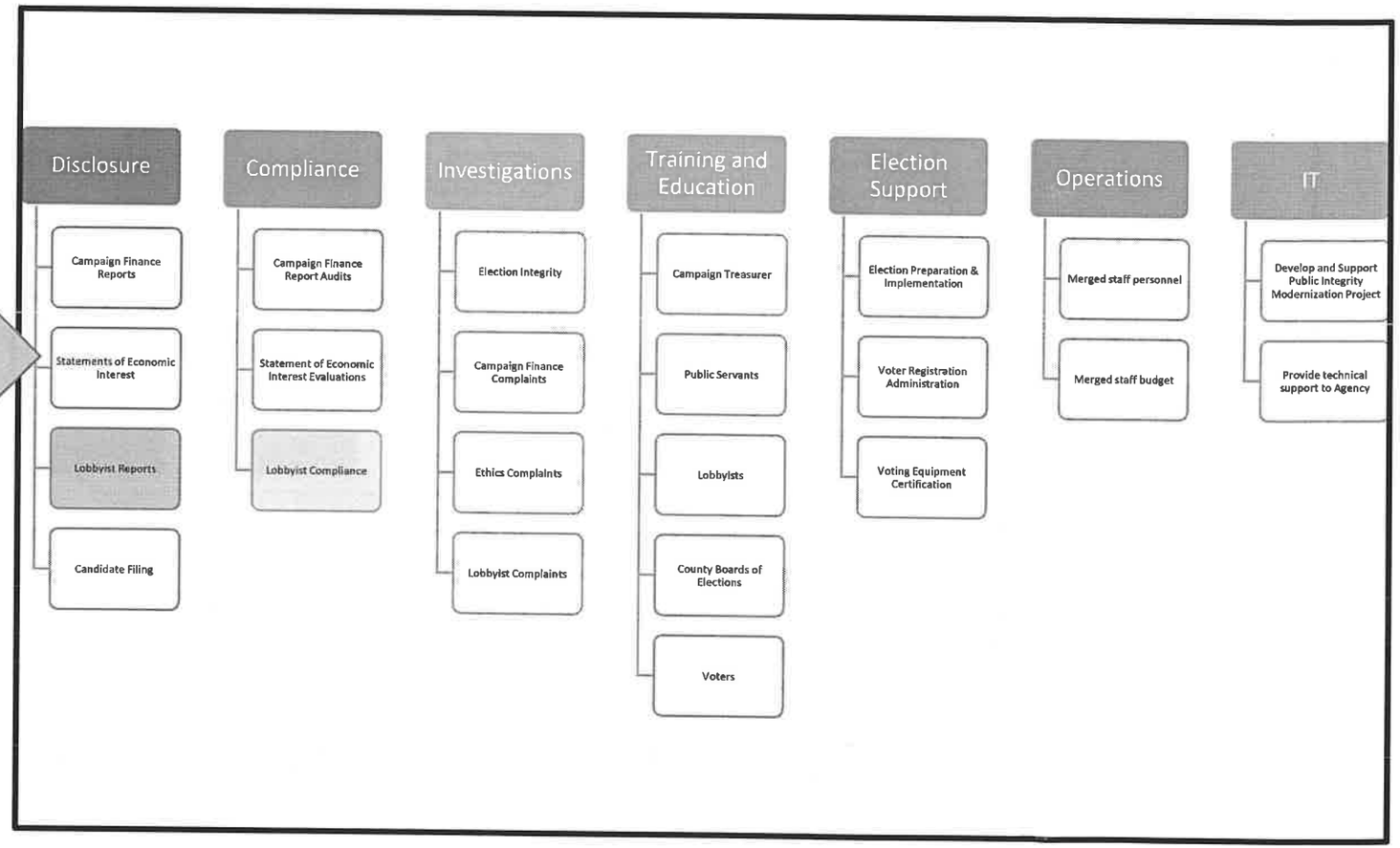
How?



What we are accomplishing:

Providing the public and voters better data and public information

How?



This is our goal:



NORTH CAROLINA
State Board of Elections & Ethics Enforcement

Please do not hesitate to contact us with any questions.

(919) 814-0700

ATTACHMENT # 3

NC DEPARTMENT OF INSURANCE
MIKE CAUSEY • COMMISSIONER

TRANSFER OF INDUSTRIAL COMMISSION TO NC DEPARTMENT OF INSURANCE



Transfer of Industrial Commission to NC Department of Insurance:

- S.L. 2017-57 §15.19A transferred the Industrial Commission to DOI effective July 1, 2017.
- DOI, the Industrial Commission, Commerce, OSBM and the State Controller's Office are targeting November 1, 2017 for complete budget transition.

What has happened since 7/1/17:

- Industrial Commission and DOI leadership have met, and have designated smaller working groups with the Department of Commerce, OSBM and the State Controller for specific areas (ex. HR, Budget).
- DOI staff is currently providing administrative services, which were previously performed by the Department of Commerce, in the areas of Human Resources, Budget, and Communications. DOI Internal Audit services will be offered.
- Ongoing communication with Information Technology staffs – remain independent but look for shared technology opportunities and efficiencies.
- Regional Office Consolidation – Industrial Commission Elizabethtown Office has been consolidated with DOI Wilmington; and Industrial Commission staff in Charlotte will be consolidating with DOI Charlotte.

PRESENTATION TO THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT

Charlton L. Allen, Chairman

North Carolina Industrial Commission

October 3, 2017

Industrial Commission Overview: By the Numbers

- Roughly 153 positions
  - 6 Commissioners
  - 21 Deputy Commissioners
  - 8 Special Deputy Commissioners
  - 12 Sections and Divisions
- Approximately $14M operating budget for FY 2016-17 with additional costs, such as Tort Claims and Compensation to Persons Erroneously Convicted of Felonies

Industrial Commission Overview: Current Commissioners

- Charlton L. Allen, Chairman
- Yolanda K. Stith, Vice-Chairman
- Philip A. Baddour, III
- Linda Cheatham
- Christopher C. Loutit
- Tammy R. Nance

Industrial Commission Overview: Commissioners' Current Terms

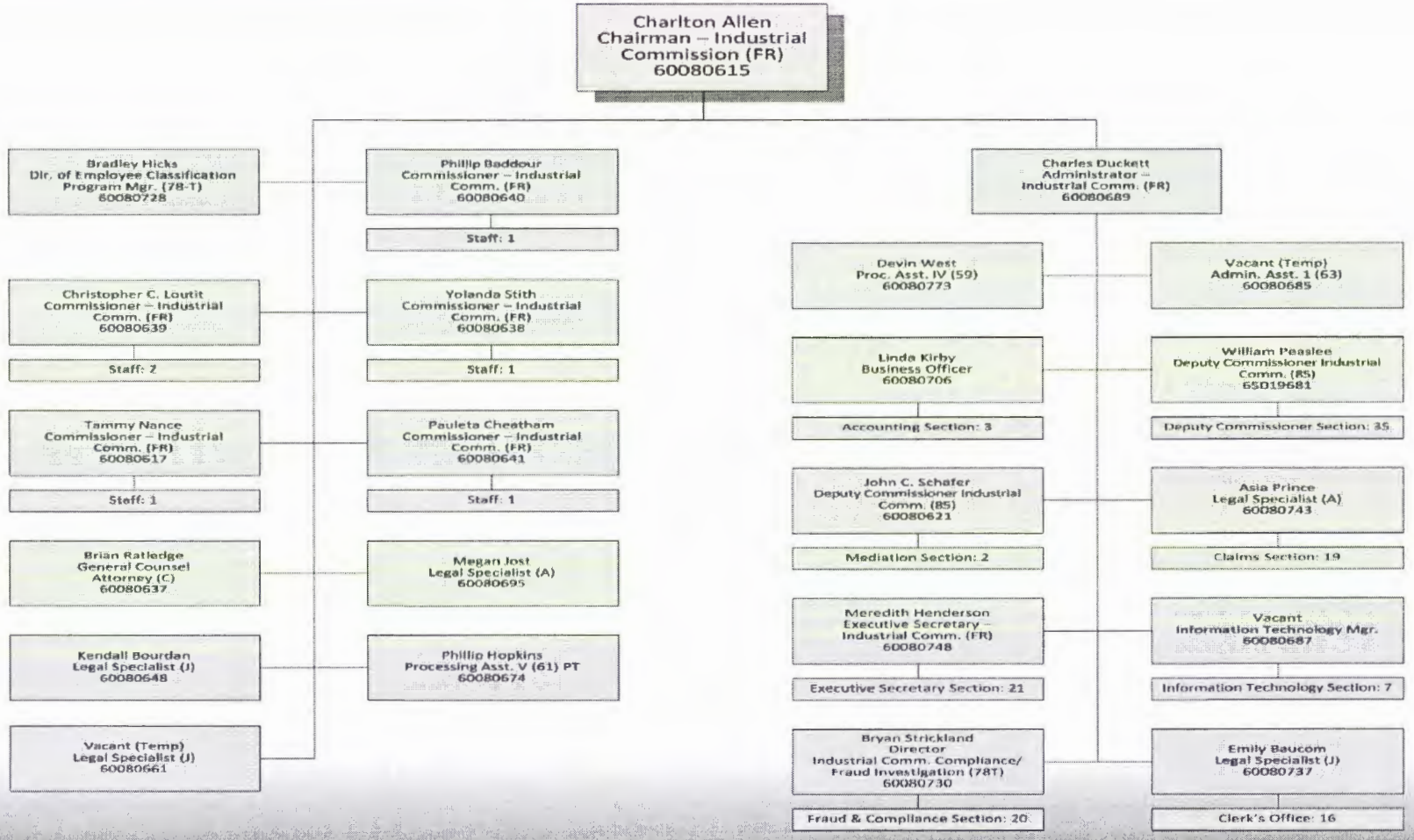
- Charlton L. Allen, Chairman
  - Commissioner term expires in 2020
  - Four year term as Chairman expires on December 29, 2020
- Yolanda K. Stith, Vice-Chairman
  - Commissioner term expires in 2025
  - Four year term as Vice-Chairman expires on December 29, 2020
- Philip A. Baddour, III
  - Commissioner term expires in 2023
- Linda Cheatham
  - Commissioner term expires in 2022
- Christopher C. Loutit
  - Commissioner term expires in 2021
- Tammy R. Nance
  - Commissioner term expires in 2018

Industrial Commission Overview: Deputy Commissioners

- Session Law 2014-100 amended N.C. Gen. Stat. § 97-79(b) to make Industrial Commission Deputy Commissioners subject to appointment to six-year terms.
- The Deputy Commissioners are appointed by the Chairman of the Industrial Commission.

Industrial Commission Overview: Deputy Commissioners

- All Deputy Commissioners at the Industrial Commission will be up for reappointment between 2021 and 2023.
  - 17 terms expire between February 2021 and February 2022
  - 1 term expires in June 2022
  - 2 terms expire in December 2022
  - 1 term expires in 2023


Charlton Allen
Chairman – Industrial Commission (FR)
60080615
Bradley Hicks
Dir. of Employee Classification Program Mgr. (78-T)
60080728
Phillip Baddour
Commissioner – Industrial Comm. (FR)
60080640
Staff: 1
Christopher C. Loutit
Commissioner – Industrial Comm. (FR)
60080639
Staff: 2
Yolanda Stith
Commissioner – Industrial Comm. (FR)
60080638
Staff: 1
Tammy Nance
Commissioner – Industrial Comm. (FR)
60080617
Staff: 1
Pauleta Cheatham
Commissioner – Industrial Comm. (FR)
60080641
Staff: 1
Brian Ratledge
General Counsel
Attorney (C)
60080637
Megan Jost
Legal Specialist (A)
60080695
Kendall Bourdan
Legal Specialist (J)
60080648
Phillip Hopkins
Processing Asst. V (61) PT
60080674
Vacant (Temp)
Legal Specialist (J)
60080661
Charles Duckett
Administrator – Industrial Comm. (FR)
60080689
Devin West
Proc. Asst. IV (59)
60080773
Vacant (Temp)
Admin. Asst. 1 (63)
60080685
Linda Kirby
Business Officer
60080706
William Peaslee
Deputy Commissioner Industrial Comm. (85)
65019681
Accounting Section: 3
Deputy Commissioner Section: 35
John C. Schafer
Deputy Commissioner Industrial Comm. (85)
60080621
Asia Prince
Legal Specialist (A)
60080743
Mediation Section: 2
Claims Section: 19
Meredith Henderson
Executive Secretary – Industrial Comm. (FR)
60080748
Vacant
Information Technology Mgr.
60080687
Executive Secretary Section: 21
Information Technology Section: 7
Bryan Strickland
Director
Industrial Comm. Compliance/ Fraud Investigation (78T)
60080730
Emily Baucom
Legal Specialist (J)
60080737
Fraud & Compliance Section: 20
Clerk's Office: 16

Industrial Commission Overview: Mission

- The North Carolina Industrial Commission is a quasi-judicial agency of the State of North Carolina created by the General Assembly in 1929
- The Industrial Commission administers:
  - The North Carolina Workers' Compensation Act
  - The Tort Claims Act
  - The Law Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act
  - The Childhood Vaccine-Related Injury Compensation Program
  - The Compensation to Persons Erroneously Convicted of Felonies
  - Previously adjudicated claims under the Eugenics Asexualization and Sterilization Compensation Program

Industrial Commission Overview: By the Numbers (FY16/17)

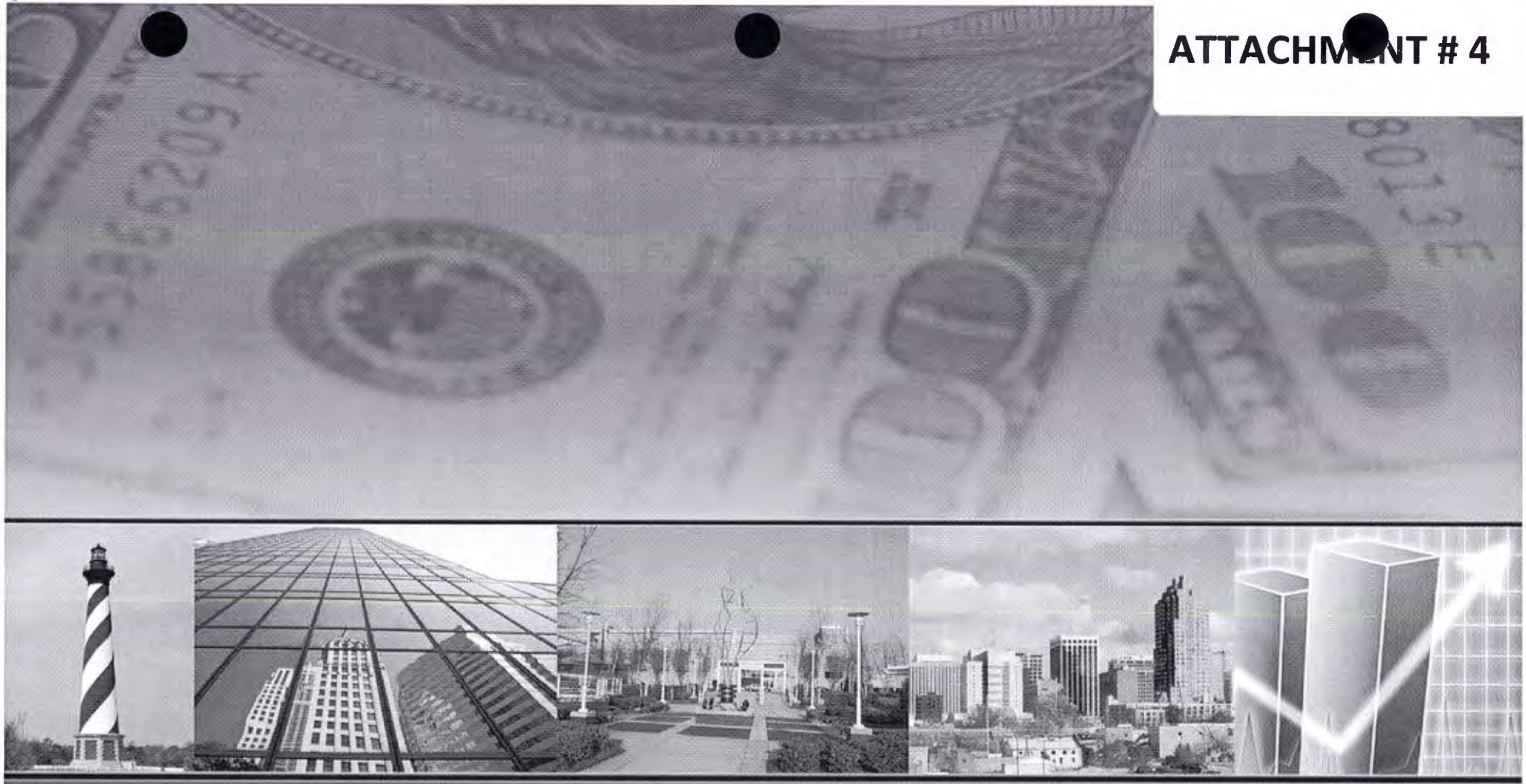
- Workers' Compensation Claims Filed: 64,767
- State Tort Claims Filed: 587
- Orders Issued on Medical Motions: 2,636
- Orders on Compromise Settlement Agreements: 11,848
- Deputy Commissioner Workers' Compensation and Tort Hearings Held: 1,728
- Cases Appealed to the Full Commission: 424

- Cases Referred to Mediation: 9,884
- Mediation Settlement Rate: 73.81%

Industrial Commission Overview: By the Numbers (FY16/17)

- Fraud Cases Reported: 3,317
- Insurance Compliance Investigations: 5,311
- Penalty and Contempt Matters Resolved at the Deputy Commission Level: 895
- Penalties Collected: $2,088,371

ATTACHMENT # 4



State and Local Government Finance Division

Assisting Local Governments

October 3, 2017

North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

Trouble in River City!?!
(or What's up with NC UAL Governments!)

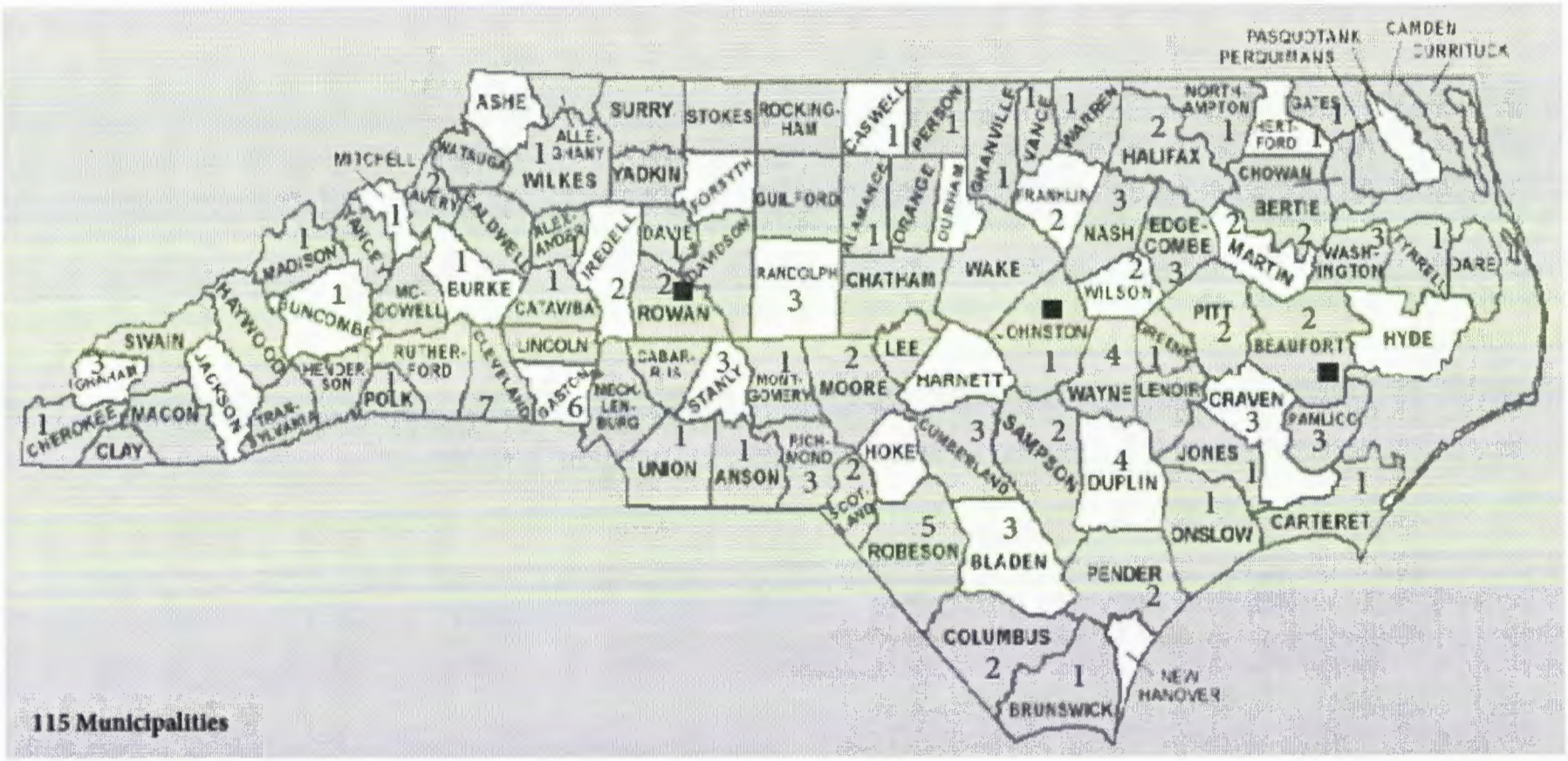
- We've got "Trouble but…
- What we've learned…
- What we're doing…
- What we may need…

COACH Team a Success

- COACH team has made 144 visits to 106 different units of government in 14 months
- Extremely well received
  - Units on UAL improved enough to be considered for debt approval
  - Unit staff look to team for guidance and assistance; gained trust of some of most vulnerable units
  - Team has integrated their work with other staff responsibilities, freeing up other resources

North Carolina Local Government Units Currently on Unit Assistance List

Based on Audited Financial Statements as of June 30, 2016



Troubled Counties (13):

Anson	Martin	Vance
Edgecombe	Northampton	Warren
Greene	Robeson	Washington
Hoke	Scotland	
Hyde	Tyrrell	

Other Entities (4):

Albemarle Regional Library
Elizabeth City-Pasquotank Airport Authority
Stanly Water and Sewer Authority
Yadkin Water and Sewer Authority

■ campuses where course was offered

8/01/17

Three pilot classes

- Beaufort Community College, Washington Campus
  - 20 students registered
  - 19 completed class
  - 6 units represented
- Johnston Community College, Smithfield Campus
  - 13 students registered
  - 12 completed class
  - 8 units represented
- Rowan-Cabarrus Community College, Salisbury Campus
  - 17 students registered
  - 16 completed the class
  - 12 units represented

Interesting Observations and Feedback:

- One county sent its entire finance department along with at least one board member and used the class as a team building opportunity by having lunch and learn sessions outside of class to work on assignments
- One student stated that "every week he learned something new that his unit was doing wrong"
- At least one student paid for the class out of pocket
- Several students drove over an hour each way to attend including a mayor that drove 90 minutes each way

Next Steps

- Class material is now available to all 57 colleges
- Many have expressed interest in offering later on this year or in Spring, 2018; SLGFD staff helping to promote class via our contacts with local governments
- Continue to focus on attendance by UAL units' staff
- Students have expressed interest in more in-depth, hands-on classes in investing, budgeting and governmental accounting
- NCCC interested in partnering with us long-term; possibly developing curriculum courses that could lead to a certificate or degree program

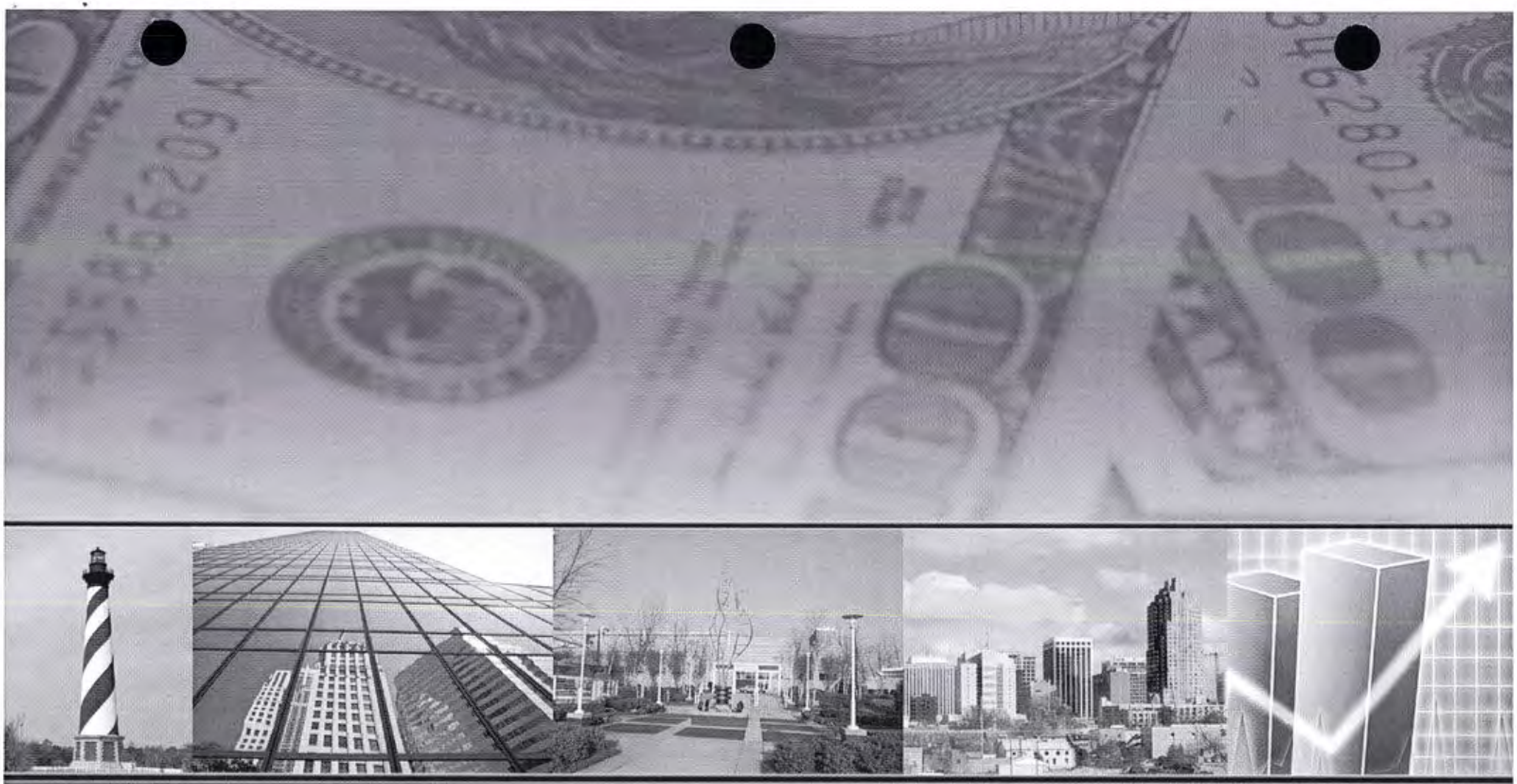


Providing small class training that is available regionally and after hours is very sought after by local governments.

FAIR BLUFF/FAIRMONT PROJECT



Sources:
Environmental Finance Center at the UNC School of Govern



Thank You!

Together we can build and maintain a fiscally strong and prosperous North Carolina.

www.NCTreasurer.com

North Carolina Department of State Treasurer
State and Local Government Finance

Learn. Invest. Grow. Prosper.

COURSE DESCRIPTION

This course is an overview of the basics of local government finance in North Carolina from a very practical perspective. It is not a "debit and credit" accounting course nor does it assume you have a formal accounting education or background. Rather, this course will introduce you to the basic job functions that are typically housed in the Finance Department, with more attention given to those that are found in smaller governments. This course also will tie those functions back to the requirements for all local governments found in the NC General Statutes, primarily the Local Government Budget and Fiscal Control Act (G.S. 159 Article 3).

Units of Study

1. Introduction to Local government finance
    a. GS 159 – overview of each section; this will not delve into the detailed nuances of the statutes as much as it will make students aware that there is a statutory basis for what they are required to do, and how their role fits in the context of the overall structure of the government.
    b. Role of LGC and its responsibilities and authority
2. Overview of structure of local government – again a high level overview
    a. Mayor/council or Manager/Council – municipalities
    b. County governance structure
    c. Role of elected leaders and status as employees
    d. Role of staff
    e. Unit attorney
3. Overview of governmental accounting
    a. Why governmental and not "regular" accounting?
    b. What are internal controls and why are they so important?
    c. Basic reporting structure – government wide and fund reporting
    d. Financial reporting – who are users
4. Annual audit – from the government's perspective
    a. What is an audit? What it is not.
    b. What is finance officer's role?
    c. Ownership of financial report and records
    d. Role of the independent auditor
    e. Role of the board
    f. Compliance auditing – what is it and why it is required
    g. Auditor selection and contracting process with example of RFP

5. Practical review of role of finance officer
    a. Key records to be maintained/records retention policies, need for
    b. Providing information to elected officials and others, brief discussion of public records to make them aware of statutory requirements and encourage them to check with their unit attorney
    c. Segregation of duties and internal control systems with examples of who does what in a 1 or 2 person finance office
6. Pre-audit function
    a. Chart of Accounts and file structure
    b. Basics of developing chart of accounts
    c. How to set up your files so you can find what you need
7. Budget development, adoption and amendment process
    a. Calendar and other legal requirements
    b. Estimating revenues and expenditures including revenue sources and various restrictions on those, including a discussion on where to get information
    c. Direction from board and input from department heads, if applicable
    d. What budget officer will need from finance (if FO is not preparing budget)
    e. How and when do I amend the budget
    f. What about grant funded projects?
    g. Multi-year budgets – how do they work?
    h. Budget as a policy document
    i. What internal controls are involved in budget management?
    j. What is the difference between a budget ordinance and working detail of budget?
    k. Case study – preparing a budget
8. Cash and Investment basics/Receipts and Disbursements
    a. Banking relationships – include best practices
    b. Credit cards/p-cards, including necessary policies and documentation
    c. Daily deposit and other internal controls, including reconciliations and documentation – how to reconcile and how to properly document work and policies
    d. Investment alternatives – brief overview
    e. A/R and A/P functions including policies and internal control features and documentation
    f. Payroll – basic plus brief overview of ORBIT/LEOSSA, including policies and documentation
    g. Grant cash management, 3 day rule
    h. Escheats

9. Basic purchasing and contracting
    a. Formal bidding requirements - overview
    b. Informal bidding requirements – overview
    c. Bidding or not bidding services, suggested documentation
    d. Purchasing and pre-audit
    e. Internal controls in purchasing, contracting and disposal of assets
    f. Best practices
    g. Conflicts of interest
    h. Property disposal
10. Utility financial management
    a. Billing and collecting including overview of legal issues, collection policies, deposit policies
    b. Internal controls in utility management
    c. Rate setting basics and overview of resources
    d. Water auditing basics and overview of resources
11. Capital assets - overview
    a. Maintenance
    b. Record-keeping including depreciation
    c. Inventory control
12. Issuing debt - overview
    a. Legal requirements/restrictions
    b. Practical discussion of various debt instruments
    c. LGC approval process
13. Basic system management
    a. Basic security measures
    b. Need for internal controls
14. Utilizing what you have learned
    a. Communicating and interacting with your board
    b. Putting this knowledge into practice
    c. Discussion on resources

COURSE OBJECTIVES AND MAJOR ASSIGNMENTS

Student Learning Outcomes:
At the completion of this course, you will have:

1. Identified the key components of the Local Government Budget and Fiscal Control Act and the impact of those components on your day-to-day work.
2. Discussed the importance of adhering to properly adopted local government budget that is legally binding.
3. Discussed the importance of internal controls that are integrated into daily workflow to help maintain the integrity of the accounting records and protect staff.

4. Identified best practices for major areas of workflow and discussed how you might implement those in your day-to-day work.
5. Identified the multiple sources of authoritative information available to you.

Major Assignments

1. Each week there is a journal assignment to help you document not only what you have learned but how you might apply it in your role at your government. At the end of the course you should have a usable document to assist you in making improvements in your workplace.
2. Each week has reading assignments of material that speaks directly to the module that has been assigned. This material is either provided to you or you are given the links to websites where the materials reside.
3. There are additional module specific assignments as follows:
    a. Module 4 – The Annual Audit from the Government's Perspective – draft an RFP for audit services
    b. Module 5 – A Practical Review of the Role of the Finance Officer – draft a contract control policy
    c. Module 6 – The Chart of Accounts – draft a simple chart of accounts
    d. Module 7 – Budget Development, Adoption, and Amendment – draft two budgets
    e. Module 8 – Cash and Investment Basics, Receipts and Disbursements – complete a bank reconciliation, complete an LGC 203 form and COLL 91, and evaluate your unit's cash and investments
    f. Module 10 – Utility Financial Management – discussion forum assignment on customer service policies
    g. Module 12 – Overview of Debt Issuance - case study on the financing mechanisms available and the required approval processes; assignment on interest calculations

REQUIRED COURSE MATERIALS

You will need a current version of Adobe Reader and access to Microsoft Excel. There are no addition course materials required for this course.

Grading Scale

This is a non-credit course. Successful completion will be measured by attendance and completion of 80% of the course assignments.

COURSE SCHEDULE

Instructors will set the pace for the course. The modules are designed such that roughly one per week should be completed. However, certain modules will likely take more than one week and some will take less.

Hello students! Here is our tentative schedule for the course. For more specific details, consult your "Calendar" or look at the "Assignments" under any module.

14 Modules

Module	Assignments	Due Dates
Module 1 - Introduction	Reading, Writing, Journal, Quiz	
Module 2 – Overview of Structure of Local Government in NC	Reading, Journal, Quiz	
Module 3 – Overview of Governmental Accounting and Reporting	Reading, Journal, Quiz	
Module 4 – The Annual Audit from the Local Government's Perspective	Reading, Writing, Journal, Quiz	
Module 5 – Practical Review of the Role of the Finance Officer	Reading, Writing, Journal (2), Quiz	
Module 6 – Chart of Accounts	Reading, Writing, Journal	
Module 7 - Budgeting	Reading, Writing, Journal, Quiz	
Module 8 – Cash and Investments, Receipts and Disbursements	Reading, Writing, Journal, Quiz	
Module 9 – Basic Purchasing and Contracting	Reading, Journal, Quiz	
Module 10 – Utility Financial Management	Reading, Discussion Forum, Journal, Quiz	
Module 11 – Capital Assets	Reading, Journal, Quiz	
Module 12 – Issuing Debt-An Overview	Reading, Case Study, Computation, Journal, Quiz	

Module 13 – Basic System Management and Internal Controls	Reading, Journal, Quiz	
Module 14 – Utilizing What You Have Learned	Reading, Discussion Forum, Journal, Quiz	

ATTACHMENT # 6

Unit Assistance List as of August 1, 2017

As Reported for Fiscal Year Ended June 30, 2016

Local Government	County (For Municipalities)	2016 Audit Not Received as of 8/01/17	Internal Control Issues [1]	Financial Issues General Fund [2]	Financial Issues Water/Sewer Fund [3]	On Unit Assistance List for FYE 6/30/2015
Albemarle Regional Library		Y				
Andrews	Cherokee County			Y	Y	Y
Anson County						
Arapahoe	Pamlico County	Y				
Askewville	Bertie County	Y				Y
Atkinson	Pender County		Y		Y	Y
Ayden	Pitt County		Y			Y
Bakersville	Mitchell County				Y	Y
Bath	Beaufort County		Y	Y		Y
Bayboro	Pamlico County		Y			Y
Belhaven	Beaufort County		Y	Y	Y	Y
Belmont	Gaston County		Y			
Bessemer City	Gaston County					
Bethel	Pitt County		Y	Y	Y	Y
Beulaville	Duplin County		Y	Y		Y
Boardman	Columbus County					Y
Bogue	Carteret County		Y			
Boiling Springs	Cleveland County					
Bolton	Columbus County			Y	Y	Y
Bunn	Franklin County		Y			Y
Candor	Montgomery County			Y		Y
Casar	Cleveland County		Y			Y
Castalia	Nash County	Y				Y
Cherryville	Gaston County		Y	Y		Y
Clarkton	Bladen County					Y
Columbia	Tyrrell County		Y			
Cove City	Craven County		Y			Y
Creswell	Washington County		Y		Y	Y
Crossnore	Avery County				Y	
Dallas	Gaston County		Y			
Dobbins Heights	Richmond County					Y
Dover	Craven County		Y		Y	Y
Earl	Cleveland County					
East Arcadia	Bladen County		Y			
East Laurinburg	Scotland County	Y				Y
East Spencer	Rowan County				Y	Y
Edgecombe County			Y		Y	Y
Elizabeth City-Pasquotank Co. Airport						
Ellerbe	Richmond County		Y		Y	Y
Elm City	Wilson County		Y		Y	Y
Eureka	Wayne County		Y		Y	Y
Falcon	Cumberland County		Y			
Fontana Dam	Graham County		Y			Y
Franklinton	Franklin County		Y			Y
Fremont	Wayne County		Y	Y		Y
Gatesville	Gates County					

As Reported for Fiscal Year Ended June 30, 2016

Local Government	County (For Municipalities)	2016 Audit Not Received as of 8/01/17	Internal Control Issues [1]	Financial Issues General Fund [2]	Financial Issues Water/Sewer Fund [3]	On Unit Assistance List for FYE 6/30/2015
Glen Alpine	Burke County		Y			
Godwin	Cumberland County		Y	Y	Y	
Greene County			Y			Y
Greenevers	Duplin County				Y	Y
Grover	Cleveland County					Y
Hassell	Martin County		Y			Y
Hemby Bridge	Union County	Y				Y
Hoffman	Richmond County		Y			Y
Hoke County		Y				Y
Hot Springs	Madison County		Y		Y	Y
Hyde County			Y			Y
Kenansville	Duplin County					Y
Kings Mountain	Cleveland County		Y			
Kingstown	Cleveland County					Y
Lake Santeetlah	Graham County		Y			Y
Landis	Rowan County		Y			
Laurinburg	Scotland County		Y			Y
Locust	Stanly County				Y	Y
Long View	Catawba County		Y	Y		Y
Love Valley	Iredell County		Y			Y
Lowell	Gaston County				Y	
Macclesfield	Edgecombe County	Y				Y
Magnolia	Duplin County		Y		Y	
Marietta	Robeson County		Y			
Martin County					Y	
Maysville	Jones County		Y	Y	Y	Y
Milton	Caswell County		Y		Y	Y
Mocksville	Davie County		Y			Y
Morven	Anson County	Y				Y
Navassa	Brunswick County				Y	Y
Newland	Avery County		Y			Y
Norlina	Warren County	Y				
North Topsail Beach	Onslow County			Y		
Northampton County		Y				Y
Norwood	Stanly County	Y				
Oriental	Pamlico County	Y				Y
Parkton	Robeson County				Y	Y
Pikeville	Wayne County		Y		Y	
Pinetops	Edgecombe County					Y
Plymouth	Washington County		Y	Y	Y	Y
Polkville	Cleveland County					Y
Powellsville	Bertie County	Y				Y
Princeville	Edgecombe County	Y				Y
Randleman	Randolph County		Y			Y
Ranlo	Gaston County	Y				
Rennert	Robeson County		Y			Y
Richfield	Stanly County	Y				Y
Robbins	Moore County	Y				Y

Unit Assistance List as of August 1, 2017

As Reported for Fiscal Year Ended June 30, 2016

Local Government	County (For Municipalities)	2016 Audit Not Received as of 8/01/17	Internal Control Issues [1]	Financial Issues General Fund [2]	Financial Issues Water/Sewer Fund [3]	On Unit Assistance List for FYE 6/30/2015
Robbinsville	Graham County		Y		Y	Y
Robersonville	Martin County			Y		Y
Robeson County			Y			Y
Ronda	Wilkes County		Y		Y	Y
Roper	Washington County		Y	Y	Y	Y
Roseboro	Sampson County		Y			Y
Rowland	Robeson County		Y		Y	Y
Roxboro	Person County					Y
Saint Pauls	Robeson County				Y	
Scotland County			Y			Y
Scotland Neck	Halifax County	Y				Y
Seaboard	Northampton County		Y	Y		Y
Seagrove	Randolph County					Y
Selma	Johnston County		Y			Y
Seven Springs	Wayne County		Y	Y		Y
Sharpsburg	Nash County					Y
Sims	Wilson County					Y
Spring Hope	Nash County					
Spring Lake	Cumberland County		Y			Y
Staley	Randolph County		Y			
Stanly Water & Sewer Authority					Y	
Stem	Granville County		Y	Y		
Surf City	Pender County		Y		Y	Y
Tar Heel	Bladen County					Y
Taylorsville	Alexander County			Y		
Taylortown	Moore County		Y		Y	Y
Troutman	Iredell County				Y	
Tryon	Polk County		Y	Y		Y
Turkey	Sampson County		Y		Y	
Tyrrell County			Y			Y
Vance County			Y		Y	
Vanceboro	Craven County		Y		Y	Y
Walstonburg	Greene County		Y	Y	Y	Y
Warren County			Y			
Washington County				Y		
Weldon	Halifax County		Y			
Woodfin	Buncombe County		Y			
Yadkin Valley Sewer Authority			Y			Y

Unit Assistance List as of August 1, 2017

As Reported for Fiscal Year Ended June 30, 2016

Local Government	County (For Municipalities)	2016 Audit Not Received as of 8/01/17	Internal Control Issues [1]	Financial Issues General Fund [2]	Financial Issues Water/Sewer Fund [3]	On Unit Assistance List for FYE 6/30/2015

Footnotes:

1 For more information about internal controls requirements and best practices, please see Section 80 - Internal Controls, Department of State Treasurer Policy Manual for Local Governments, which can be accessed using the link below:

https://www.nctreasurer.com/slg/Policies%20Manual/80InternalControl.pdf

2 For more information about fiscal matters related to the General Fund, please see our annual statistical reports on fund balance and tax collections for municipalities and counties:

Memo 2017-14 for counties: https://www.nctreasurer.com/slg/Memos/2017-14.pdf

Memo 2017-15 for municipalities: https://www.nctreasurer.com/slg/Memos/2017-15.pdf

3 For more information about fiscal matters related to municipal water and/or sewer operations, please see our annual statistical report on municpal water and sewer operations, which can be accessed using the link below:

https://www.nctreasurer.com/slg/Memos/2017-17.pdf

4 Does not include schools or charter schools or entities with FYEs other than June 30

ATTACHMENT # 7

Measurability Assessments & Efficiency Study of the Department of Administration

A presentation to the Joint Legislative Oversight Committee on General Government

October 3, 2017

Kiernan McGorty & Chuck Hefren, Principal Program Evaluators

Program Evaluation Division | North Carolina General Assembly

2 Ways PED Evaluates State Programs

- **Evaluations (since 2007)** – in-depth studies of existing state programs to determine effectiveness and efficiency
- **Measurability Assessments (2017) – brief** assessments of existing & **new** state programs to determine whether they are well-designed, well-managed & collect the performance information necessary to inform future inquiries into effectiveness and efficiency

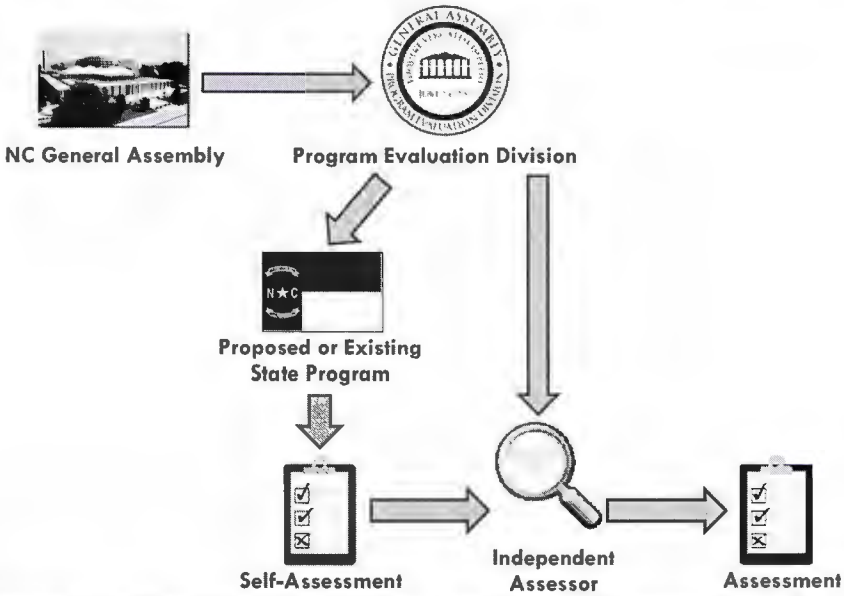
Program Evaluation Division | North Carolina General Assembly 2

Measurability Assessment Program

Measurability Assessment Act of 2016

- A measurability assessment is an independent evaluation of a program's progress on 14 indicators
- PED responsible for establishing standards for conducting and reporting measurability assessments

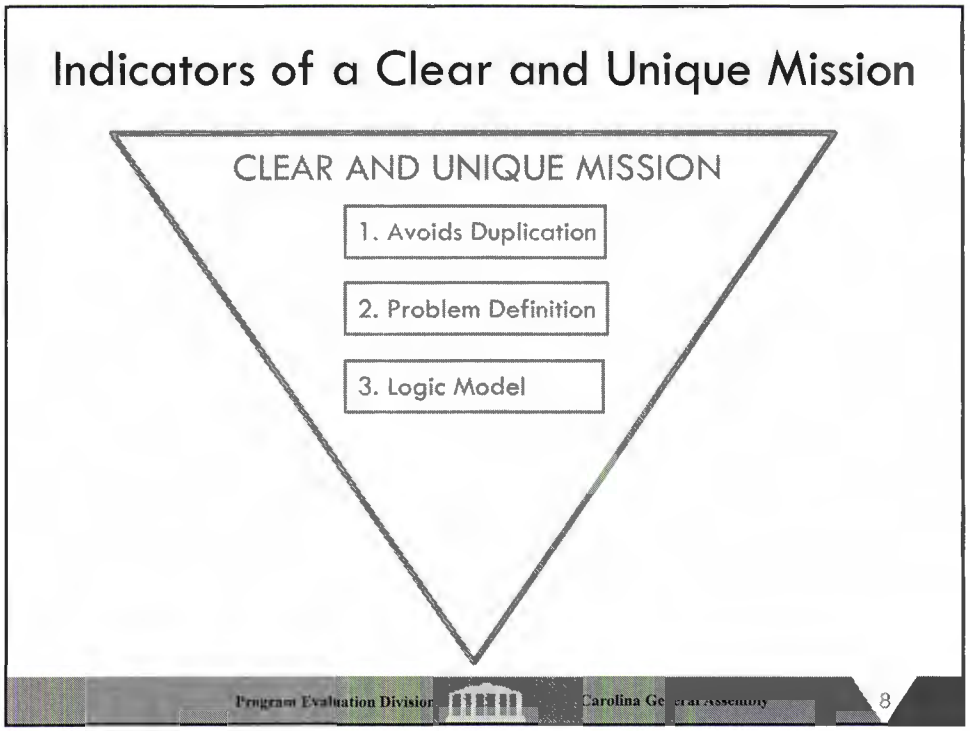
Measurability Assessment Process

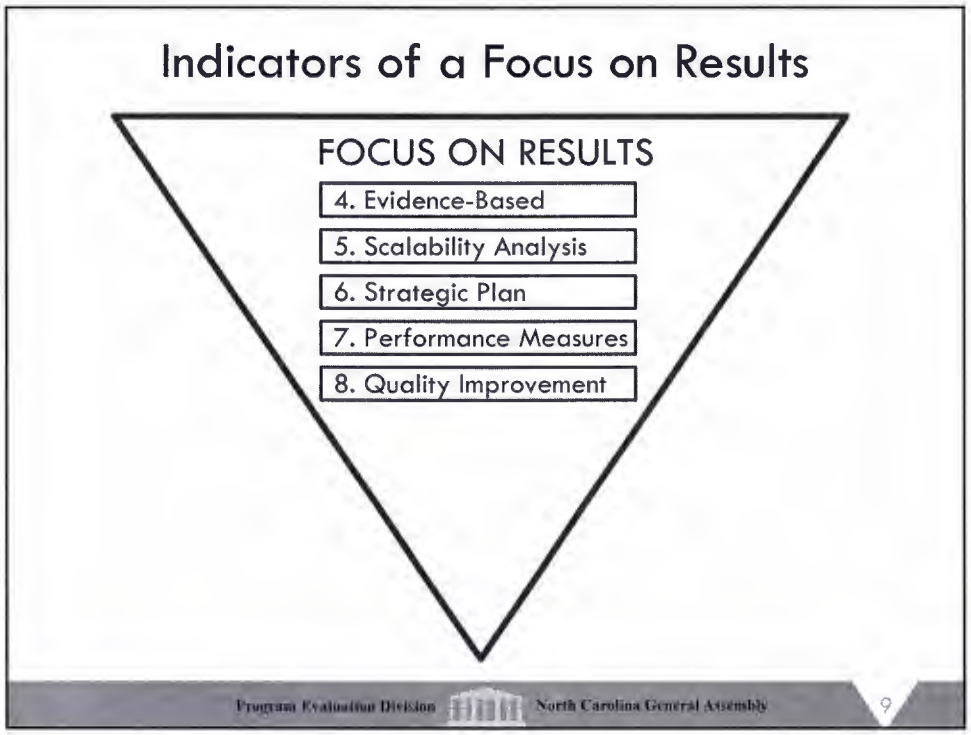


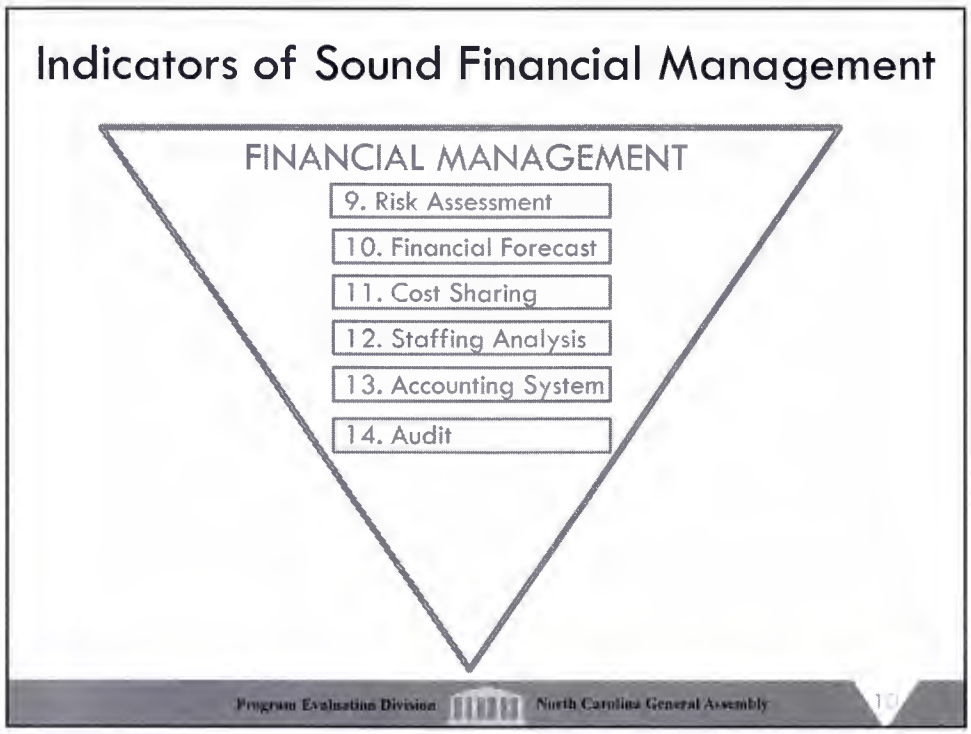
Measurability Assessment Documents

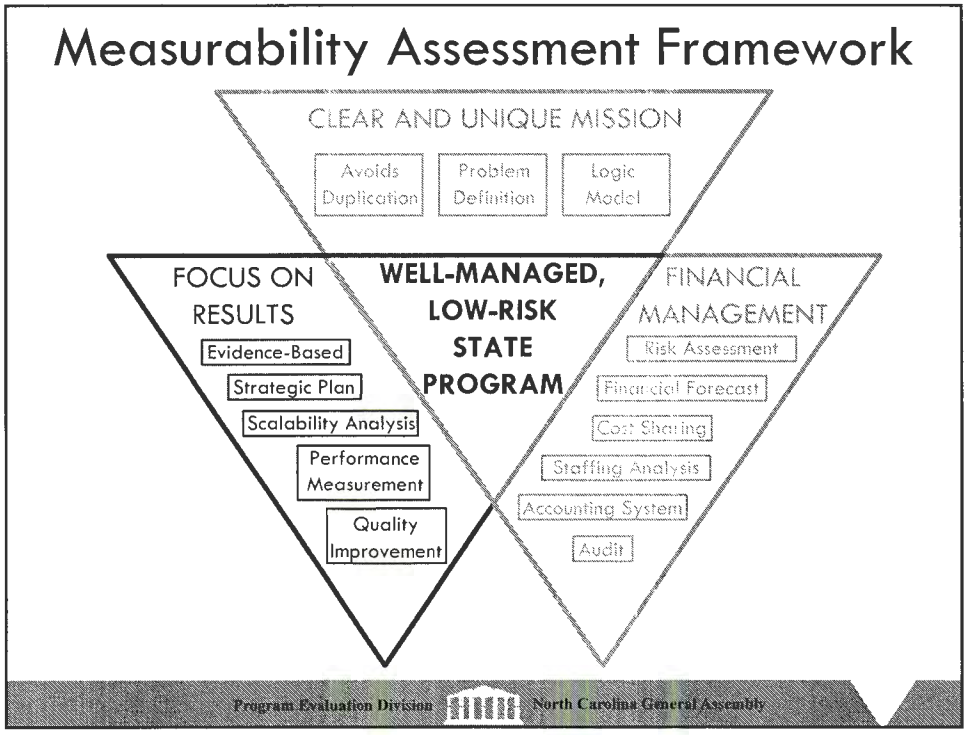
- RFQ for independent assessors
- Tools for performing assessments
  - Measurability Assessment Guidebook
  - Self-Assessment Form
  - Measurability Assessment Form

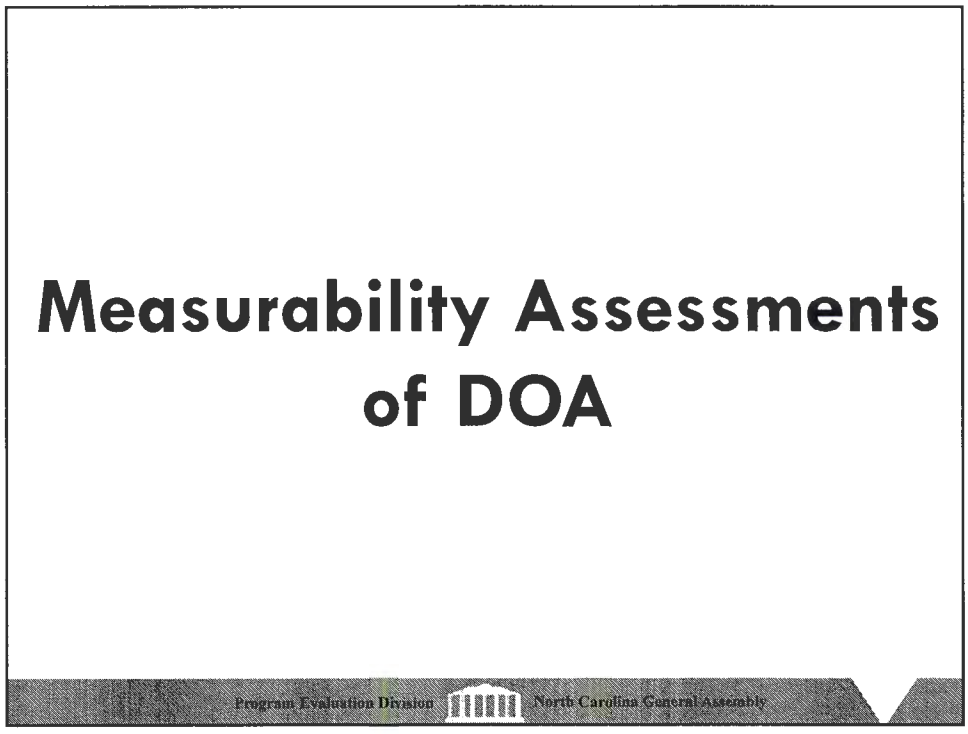

Characteristics of Well-Managed, Low-Risk Programs
CLEAR AND UNIQUE MISSION
WELL-MANAGED, LOW-RISK STATE PROGRAM
FOCUS ON RESULTS
SOUND FINANCIAL MANAGEMENT
Program Evaluation Division


Indicators of a Clear and Unique Mission
CLEAR AND UNIQUE MISSION
1. Avoids Duplication
2. Problem Definition
3. Logic Model
Program Evaluation Division
8


Indicators of a Focus on Results
FOCUS ON RESULTS
4. Evidence-Based
5. Scalability Analysis
6. Strategic Plan
7. Performance Measures
8. Quality Improvement
Program Evaluation Division
North Carolina General Assembly
9


Indicators of Sound Financial Management
FINANCIAL MANAGEMENT
9. Risk Assessment
10. Financial Forecast
11. Cost Sharing
12. Staffing Analysis
13. Accounting System
14. Audit
Program Evaluation Division
North Carolina General Assembly
10


Measurability Assessment Framework
CLEAR AND UNIQUE MISSION
Avoids Duplication
Problem Definition
Logic Model
FOCUS ON RESULTS
Evidence-Based
Strategic Plan
Scalability Analysis
Performance Measurement
Quality Improvement
WELL-MANAGED, LOW-RISK STATE PROGRAM
FINANCIAL MANAGEMENT
Risk Assessment
Financial Forecast
Cost Sharing
Staffing Analysis
Accounting System
Audit
Program Evaluation Division
North Carolina General Assembly


Measurability Assessments of DOA
Program Evaluation Division
North Carolina General Assembly

12 DOA Programs

- Commission of Indian Affairs
- Council for Women & Youth Involvement
- Facility Management
- Historically Underutilized Businesses
- Mail Service Center
- Motor Fleet Management
- Division of Non-Public Education
- Purchase and Contract
- State Construction Office
- State Parking
- State Property Office
- State Surplus Property Agency

Project Status

Past	Present	Future
• Engaged DOA July 24 • Received DOA's self-assessments Sept 12	• Making follow-up requests to DOA • Conducting measurability assessments in-house	• Expect to publish assessments in mid-December

- Find weekly status updates on our website

Efficiency Study of DOA

Study Directive

- Consult with State Auditor to identify DOA programs and activities that, with changes, may produce cost savings
- Utilize results of measurability assessments to identify cost-saving opportunities
- May utilize contracted services to assist in identifying potential cost savings
- State Auditor shall review draft findings and recommendations and provide written response to be included in final report
- Final report due March 30, 2018

Project Status

- July 24: Measurability Assessment Team meeting with DOA
- July 31: Meeting with State Auditor
- Sept 12: DOA measurability self-assessments submitted
- Sept 29: DOA Efficiency Team meeting with DOA

Evaluation Plan

- Both PED and outside consultants will identify opportunities for cost savings
- PED will review proposed cost-saving alternatives and issue contracts for business solution development
- PED and consultants will present preliminary results to State Auditor for review and feedback
- Final report with State Auditor comments will be presented by March 30, 2018


GENERAL ASSEMBLY
PROGRAM EVALUATION DIVISION
LOQUERE VERITATEM IMPERIO
JUNE 14, 2007
Program Evaluation Division
North Carolina General Assembly
9

ATTACHMENT # 8

North Carolina
Department of Administration

Roy Cooper, Governor

Machelle Sanders, Secretary

MEMORANDUM

To: Chairman George Cleveland, Joint General Government Oversight Committee
Chairman Dennis Riddell, Joint General Government Oversight Committee
Chairman John Alexander, Joint General Government Oversight Committee
Fiscal Research Division Staff, General Government Team

From: Secretary Machelle Sanders

Date: September 29, 2017

Re: Updated Report on Real Property Utilization

Please see the Addendum to our June 1, 2017 report on Real Property Utilization by State Property Office at the NC Department of Administration. This report has been updated to reflect additional agency response. Please contact Legislative Liaison, Katie Stanley at (919) 807-2425 or katie.stanley@doa.nc.gov if there are questions.

REAL PROPERTY UTILIZATION REPORT

Pursuant to SB 747, in December 2016, the Department of Administration distributed new space standards to all State agencies regarding State-owned and leased office space. Attached were the procedures to be enacted to measure the utilization of State-owned and leased office space. In addition, the Department of Administration asked those agencies to evaluate the current utilization of occupied space (agency self-assessment) by using the procedures provided by the Department of Administration, which sought to identify *unoccupied* or *unused* office/workstation space. Agencies responded with data on 899 locations for 5.62 million square feet of office space. For those agencies completing the self-analysis, the resultant agency self-assessments indicate a high level of utilization of both State-owned and leased space. The Department of Administration also made unannounced site visits to the various agency locations and found a high degree of space utilization. This report will address those results as well as the Department's plan for moving forward to utilize and enforce the new space standards while ensuring maximum utilization of State-owned and leased office space.

I. Office Space

The State of North Carolina owns or leases many different types of real property. This report will focus **only** on office space, since it represents a high percentage of the State's portfolio of real estate.

A. State Owned

The Department of Administration has traditionally assigned and managed most State-owned space in the Government Center but **not** State-owned space on University Campuses, Hospitals, Welcome Centers in State Parks, space on the Dix Campus, Prisons, Museums, Department of Transportation and Division of Motor Vehicle locations, Aquariums, the North Carolina Zoo, etc.

B. Leased

The State maintains 698 office and warehouse acquisition leases (90% office) representing **4.71 million** net square feet. The Department of Administration delegates to agencies the ability to execute leases no more than 3 years in length and no more than $5,000 in annual rent. Authority to execute acquisition leases up to $25,000 annually and no more than three years in length, has been granted to the Department of Health and Human Services, Department of Public Safety and Department of Agriculture and Consumer Services. Some Universities (through the UNC Board of Governors, Medical Family Practice Plan and UNC Hospitals) are not subject to the Department of Administration oversight in certain property transactions. A number of Boards and Commissions are likewise exempt.

II. Utilization

A. Agency Self-Assessment

In order to prepare a utilization plan, the Department of Administration has requested that agencies conduct a self-assessment of State-owned and leased space occupied by each agency to determine the existing vacancy in the office space. If an office or workstation was unoccupied, but the particular job was still funded, the space was not counted as vacant. All agencies have some degree of flux associated with staff leaving their jobs and others being hired. Agencies were not asked to re-program space since that would require a more detailed analysis by an architect to review all codes and occupancy issues involved. While all agencies did not respond to the self-assessment request, those that did responded with data for **899** different locations representing **5,621,912** square feet of State-owned and leased office space.

The results of the agency self-assessment are as follows:

Reported by Agency	# State Owned	# Leases	Total Locations	Combined NSF	Combined NSF Utilized	Usage ratio by Agency
ACS	80	46	126	268,678	266,450	0.992
Bds & Commissions	0	7	7	46,906	46,606	0.994
DEQ	4	18	22	434,106	413,854	0.953
DHHS	2	147	149	1,151,675	1,078,816	0.937
DOA	1	0	1	18,134	17,654	0.974
DOC	0	49	49	345,245	344,253	0.968
DOT	364	73	437	2,653,578	2,303,380	0.868
DPS	0	95	95	470,986	467,489	0.993
EIG	0	3	3	1,548	1,548	1.00
OSC	0	1	1	42,475	42,475	1.00
State Auditor	1	4	5	34,364	34,364	1.00
State Treasurer	0	1	1	97,667	88,789	0.909
Sec. of State	1	2	3	56,550	55,142	0.975
Totals	453	446	899	5,621,912	5,150,820	

B. Unannounced Site Visits

Pursuant to SB 747, the Department of Administration, State Property Office made unannounced site visits to State-owned or leased facilities occupied by the various State agencies. The Department of Administration identified office/workstation vacancies but did not attempt to re-program space since that would require a more detailed analysis by an architect to review all code and occupancy issues involved.

The results of the unannounced site visits are as follows:

SPO INSPECTED (May 2017)	# State Owned	# Leases	Total Locations	Combined NSF	Combined NSF Utilized	Avg. Usage Ratio
Totals & Averages	16	13	29	964,286	934,564	0.969

C. Combined Results of Agency Self-Assessments and SPO inspections

In summary, the State Property Office inspections and the Agency's self- reporting efforts generated the following overall results:

Overall Properties Reported or Inspected	Total NSF	Total NSF utilized	Avg.Usage Ratio
928	6,586,198	6,085,384	0.924

III. New Space Standards

Currently in both State-owned and leased office space, there are more hard-wall offices than workstation environments. The Department of Administration's objective is to reverse this trend, to a more modern standard with a higher percentage of workstations as compared to offices. The number and size of offices will be reduced and the workstation standard shall be 64 square feet. This modification should increase space efficiency throughout the portfolio. It should be noted however, that as density increases, there will be a need for larger areas for "circulation" of staff occupants and additionally a need for more parking spaces per SF of office space.

Adherence to such criteria may limit the quantity of buildings suitable for lease. Some agencies, especially "public facing" agencies, will maintain their unique needs. Guidelines and requirements from HIPAA, the IRS and other such operational mandates will ultimately shape the changes which can be feasibly made to an agency's specific office footprint.

IV. Utilization Plan

A. State-Owned Space

As existing office space is renovated or as new space is constructed, the design of the spaces will use the new space standards wherever possible.

B. Leasing

The new space standards will be utilized in the "Request For Proposals" for all new advertising. (Larger leases over $25,000 annually or over 3 years in length). However, all factors (including moving costs) will be considered before enacting a relocation from existing spaces.

C. Other Plans

The Department of Administration will request and review site specific utilization plans for the various agencies and universities for space not traditionally managed by the Department.

D. Communicating Vacancy

The Department of Administration will inform all State agencies of their new responsibility to contact the Department of Administration any time vacancy at its State-owned or leased office space equals or exceeds 10%, for **any** reason. The State Property Office will investigate and, if appropriate, make efforts to "back-fill" and utilize the vacant space with another State agency. Every opportunity to implement the new space standards will be carefully evaluated for use in these types of space analysis.

E. New Metrics

The Department of Administration will work to develop the "square foot per employee" benchmark for State-owned and leased office space to assist in measuring the efficiency of the use of space.

F. Additional Unannounced Site Visits

The Department of Administration will continue to make un-announced site visits to buildings in the Government Center on an annual basis and additional site visits to other State sites as required.

1

North Carolina
Department of Administration

Division of Surplus

October 3, 2017

Robert Riddle, Division of Surplus Director

Machelle Sanders, Secretary

2

The Federal Surplus Property Agency

- Mission
  - Secure federal property for the state of North Carolina and make it available to state agencies, public entities and qualified non-profits on a cost reimbursement basis.
  - Federal Surplus operates as an internal service fund (receipt supported) at zero cost to the state.

3

Item Information

Item Control Number: 36422372160001 Screening Date: September 06, 2017
Item Name: FLOOR SCRUBBER
Item Description: THIS LOT CONSISTS ON 4EA INTELLIBOT FLOOR SCRUBBERS FROM OUR HOUSEKEEPING DEPARTMENT. PICTURES ARE UPLOADED TO SITE. PICK-UPS ARE FROM MONDAY-THURSDAY 0800-1500

FSC/National Stock Number: 7910
Quantity Available: 1 LOT Quantity Requested:
Original Unit Acquisition Cost: $102,794.00
Total Acquisition Cost: $102,794.00
Agency Bureau: 3600 - Department of Veterans Affairs
Fair Market Value:
Condition: Repairable
Make/Manufacturer's Name: INTELLIBOT
Part Number:
Model:
Date of Manufacture:
Hazardous: No
Demilitarization: No

Item Photos





Item Location

VA CHIEF A&MMS (573/90D)
VA MEDICAL CENTER
1601 SW ARCHER ROAD
[redacted], FL-32608-1197

DLA Site Storage Location

Point of Contact

Reporting Agency: VA CHIEF A&MMS (573/90D)
Name: DWAYNE SURRAY
Phone: 352-275-4219
Fax: 352-376-7400
Email: DWAYNE.SURRAY@VA.GOV
CC Email: DERRELL.MIMS@VA.GOV

Custodian

4





5



6



7

Federal Distribution Map – FY16-17



8



9



10



The State Surplus Property Agency

- Mission:

Our Statutory mandate is to manage the disposition of all state-owned personal property through transfers, trade-ins, recycling, disposals, and sales. We provide the audit trail of disposition services to our client agencies and other governmental units on a cost reimbursement basis.

The State Surplus Property Agency

- Business Units
  - Recycling
  - Vehicles
  - General Property
  - Admin

Directories

WebTrends Marketing Lab

	Path To Directory	Visits	Hits
1.	http://www.ncstatesurplus.com/SSP-SealedBid	52,027	15,729,865
2.	http://www.ncstatesurplus.com/ssp	20,381	493,022
3.	http://www.ncstatesurplus.com/	8,192	33,633
4.	http://www.ncstatesurplus.com/SSP-SealedBidWS	93	1,625,063
45.	http://www.ncstatesurplus.com/sitecore	1	4
	Total	-	**17,893,429**

Items 1–45 of 45

Registered Bidder Map



15

powerhouse RECYCLING 1-855-MYECYCLE

SIMS METAL MANAGEMENT

INTERSTATE BATTERIES Outrageously Dependable

D.H. GRIFFIN Companies

Colony TIRE & SERVICE

NOBLE OIL SERVICES

FOSS RECYCLING

ENCORE RECYCLING

RMR

KILLY'S TIRES
Jesús Fernández
919 609 3975
716 East Broad Street
Fuquay-Varina, NC
27526

REEDER PALLET CO INC.
SERVING OUR CUSTOMERS SINCE 1989

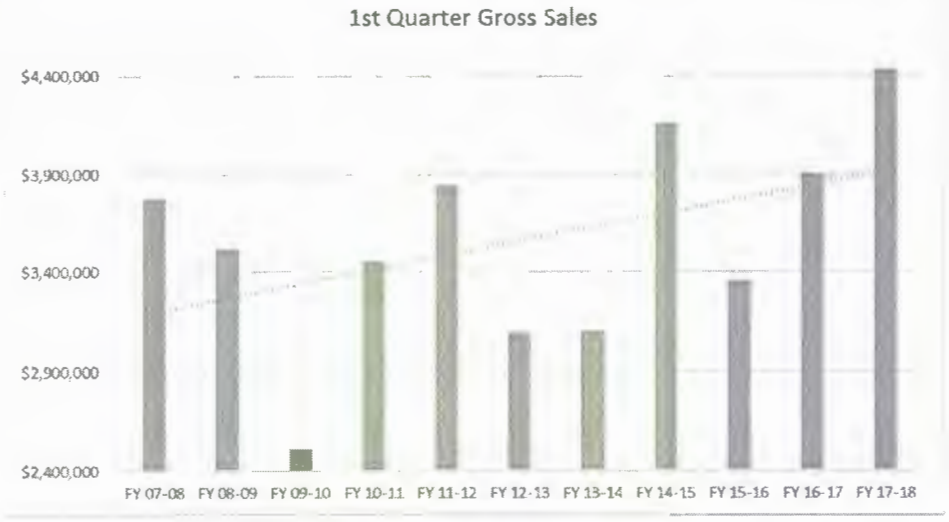
BIMCO
BILTMORE IRON & METAL CO., INC.

HOLMES IRON & METAL

16

10 Year Recap

07-17 $3,472,229 (old system average)
17-18 $4,433,783 (new system)



Fiscal Year 16-17 Fact Sheet

- 40,068 items entered into State Surplus inventory system in FY 16-17
  - 34,944 transferred, reutilized, recycled or sold
  - 1,990 currently in inventory
  - 3,134 (slightly less than 10%) added in error, not received, returned to agency
- Inventory turn rate (3 measures – averages)
  - .91 days (less than a day) Entered by agency till surplus staff acknowledge the entry
  - 8.1 days from entry till received in our warehouse
  - 16.03 days from received till invoiced
- Vehicles
  - 3191 State Owned Vehicles Sold
  - 2953 Vehicles Seized

DIVISION OF SURPLUS
Fiscal Year 2016-2017

ATTACHMENT # 10

Federal Surplus Property System

FIRE & RESCUE	
ANSON RESCUE SQUAD INC	$1,817.00
ARRINGTON VOLUNTEER FIRE DEPT.	$695.00
BELVOIR VOLUNTEER FIRE DEPT. INC.	$16.00
BENHAVEN EMERGENCY SERVICE, INC	$464.00
BETHEL COMMUNITY FIRE PROTECTION	$752.00
BLOUNTS CREEK VOLUNTEER FIRE	$180.00
BUCKHEAD VOLUNTEER FIRE	$10.00
BULLOCK VOL FIRE DEPT.	$337.00
BUNN RURAL FIRE ASSOCIATION INC	$250.00
CALYPSO VOLUNTEER FIRE DEPARTMENT	$6,750.00
CAROVA BEACH VOLUNTEER FIRE &	$2,000.00
CHERRY MT V F D	$50.00
CREEDMOOR VOLUNTEER FIRE DEPT	$166.00
DAVIE VOLUNTEER FIRE DEPT. INC.	$213.00
DENVER VOLUNTEER FIRE DEPT	$1,002.00
EAST HOWELLSVILLE VFD	$75.00
EAST LINCOLN FIRE DEPT	$370.00
EASTERN WAKE FIRE-RESCUE DEPT.	$450.00
EDEN RESCUE SQUAD	$327.00
ENGELHARD VOLUNTEER FIRE	$654.00
FALKLAND VOLUNTEER FIRE DEPT	$55.00
FOUR OAKS V F D	$300.00
GATES COUNTY RESCUE SQ., INC.	$800.00
GRACE CHAPEL VOLUNTEER FIRE DEPT	$1,032.00
GRAYS CREEK VFD TWENTY-FOUR	$754.00
GRIFTON RESCUE SQD	$257.00
HATTERAS FIRE PROTECTIVE ASSOC	$2,832.00
HENDERSON CO. RESCUE SQUAD	$890.00
ICKORY GROVE VFD,INC OF BLADEN CO.	$50.00
INGS CREEK VOL FIRE DEPT.	$104.00
LAKE LOGAN - CECIL V F D	$14,464.00
LAUREL SPRINGS VFD	$160.00
LOVELADY V F D	$500.00
MADISON - ROCKINGHAM RESCUE SQUAD	$4,862.00
NEWTON CONOVER RESCUE SQUAD INC.	$540.00
NORTH EAST VOL FIRE DEPT.	$6,058.00
NORTHEAST GUILFORD V F D	$5,944.00
OAK GROVE VOL FIRE DEPT	$792.00
PEMBROKE RESCUE SQUAD	$600.00
PIEDMONT TRIAD AMBULANCE & RESCUE	$540.00
RICHMOND COUNTY RESCUE SQUAD	$40.00
SANOCA FURAL FIRE DISTRICT	$972.00
SEMORA VOL FIRE DEPT	$50.00
SHARPE POINT VOLUNTEER FIRE DEPT.	$917.00
SHILOH-COLUMBIA VFD	$115.00
SKYLAND FIRE AND RESCUE CORP.	$356.00
SNOW CAMP VOL FIRE DEPT.	$497.00
SOUTH EDGECOMBE RURAL FIRE	$1,138.00
SPOUT SPRINGS EMEGENCY SERV INC.	$96.00
STOKES-ROCKINGHAM VOLUNTEER FIRE	$6.00
STONEY POINT FIRE DEPT	$5,104.00
STONY POINT VOLUNTEER FIRE	$170.00
TYRRELL VOLUNTEER FIRE DEPT., INC.	$3,848.00
WARRENSVILLE VOL FIRE & RESCUE	$710.00
WEST BUNCOMBE V F D	$485.00
WEST MOUNT V F D	$664.00
WILBAR V F D	$482.00
BOY SCOUTS	
BOY SCHOUTS OF AMERICA PACK 353	$6.00
BOY SCOUT OF AMERICA, TROOP 392	$60.00
BOY SCOUTS OF AMERICA TROOP 118	$647.00
BOY SCOUTS OF AMERICA TROOP 413	$267.00
BOY SCOUTS OF AMERICA TROOP 5	$117.00
BOY SCOUTS OF AMERICA TROOP 59	$1,543.00

BOY SCOUTS OF AMERICA TROOP 711	$292.00
BOY SCOUTS OF AMERICA TROOP 8	$32.00
BOY SCOUTS OF AMERICA TROOP 835	$1,900.00
BOY SCOUTS OF AMERICA, PACK 19	$405.00
BOY SCOUTS OF AMERICA, TROOP 11	$250.00
EAST CAROLINA COUNCIL INC B S A	$7,478.00
OCCONEECHEE COUNCIL OF B S A	$4,541.00
EDUCATION	
BARTON COLLEGE	$195.00
BEAUFORT COUNTY COMM COLLEGE	$450.00
CABARRUS CO BD OF ED	$16,917.00
CARDINAL GIBBONS HIGH SCHOOL	$11,530.00
CHARLES B AYCOCK HIGH SCHOOL	$231.00
DUKE UNIVERSITY	$9,929.50
DURHAM TECHNICAL COMMUNITY	$3,710.00
ENVISION SCIENCE ACADEMY	$3,870.50
FRANKLIN CO BD OF ED	$81.50
JOHNSTON CO BD OF ED	$227.00
MOUNT OLIVE COLLEGE INC	$1,248.00
NEUSE CHARTER SCHOOL OF JOHNSTON	$125.00
NORTHHAMPTON CO BD OF ED	$14,663.00
PENDER CO BD OF ED	$1,340.00
PITT COMMUNITY COLLEGE	$5,760.00
REACHING ALL MINDS ACADEMY	$1,359.00
SHAW UNIVERSITY	$4,065.00
ST ANDREWS PRESBYTERIAN COLLEGE	$80.00
VANCE CO BD OF ED	$305.00
WAKE CHRISTIAN ACADEMY INC	$241.00
WAKE CO BD OF ED	$12,611.00
WAYNE CO BD OF ED	$7,646.00
LOCAL GOVERNMENT	
CITY OF ALBEMARLE	$100.00
CITY OF ELIZABETH CITY	$3,000.00
CITY OF FAYETTEVILLE	$3,181.00
CITY OF GOLDSBORO	$5,060.50
CITY OF HAMLET	$1,528.00
CITY OF LAURINBURG	$145.00
CITY OF LUMBERTON	$3,300.00
CITY OF ROANOKE RAPIDS	$685.00
CITY OF SOUTHPORT	$1,042.00
COUNTY OF ALEXANDER	$170.00
COUNTY OF BERTIE	$2,690.00
COUNTY OF BLADEN	$1,624.00
COUNTY OF BRUNSWICK	$105.00
COUNTY OF CLEVELAND	$900.00
COUNTY OF COLUMBUS	$10.00
COUNTY OF CUMBERLAND	$25.00
COUNTY OF EDGECOMBE	$4,085.00
COUNTY OF GATES	$3,505.00
COUNTY OF JOHNSTON	$301.00
COUNTY OF JONES	$1,864.00
COUNTY OF LINCOLN	$360.00
COUNTY OF MARTIN	$6,505.00
COUNTY OF MITCHELL	$3,739.00
COUNTY OF MOORE	$2,545.00
COUNTY OF NEW HANOVER	$9,279.00
COUNTY OF NORTHAMPTON	$11.00
COUNTY OF PERSON	$205.00
COUNTY OF RANDOLPH	$150.00
COUNTY OF ROBESON	$3,600.00
COUNTY OF ROCKINGHAM	$8,805.00
COUNTY OF RUTHERFORD	$90.00
COUNTY OF SCOTLAND	$6,000.00
COUNTY OF TYRRELL	$11,048.00
COUNTY OF WASHINGTON	$664.00
COUNTY OF WAYNE	$1,640.00
ONSLOW WATER & SEWER AUTHORITY	$1,250.00
THE VILLAGE OF CLEMMONS	$245.00
TOWN OF ATLANTIC BEACH	$1,835.00
TOWN OF BLADENBORO	$575.00
TOWN OF BUNN	$100.00

TOWN OF CARY	$70.00
TOWN OF ELIZABETHTOWN	$2,400.00
TOWN OF FAIRMONT	$13,676.00
TOWN OF FARMVILLE	$5,370.00
TOWN OF HILLSBOROUGH	$1,500.00
TOWN OF LILESVILLE	$98.00
TOWN OF MACCLESFIELD	$60.00
TOWN OF MARS HILL	$5,020.00
TOWN OF MAXTON	$625.00
TOWN OF PILOT MOUNTAIN	$3,662.00
TOWN OF ROWLAND	$2,660.00
TOWN OF RUTHERFORDTON	$4,093.00
TOWN OF SCOTLAND NECK	$646.00
TOWN OF SEVERN	$24.00
TOWN OF TARBORO	$3,566.00
TOWN OF TAYLORSVILLE	$250.00
TOWN OF TROUTMAN	$3,500.00
TOWN OF WADESBORO	$88.00
TOWN OF WHITE LAKE	$1,035.00
TOWN OF WILLIAMSTON	$243.00
TOWN OF WINTERVILLE	$17,250.00
TOWN OF ZEBULON	$40.00
WHITE LAKE BLADEN COUNTY WATER	$3,010.00
STATE GOVERNEMENT	
DEPT OF THE SECRETARY OF STATE	$10.00
NC DEPT OF ADMINISTRATION	$4,014.50
NC DEPT OF AGRICULTURE & CONSUMER	$12,062.50
NC DEPT OF COMMERCE	$50.00
NC DEPT OF CULTURAL RESOURCES	$1,952.00
NC DEPT OF TRANSPORTATION	$680.00
NC. DEPT OF HEALTH & HUMAN SERVICES	$199.00
NC DEPT PUBLIC SAFETY	$36,853.00
NC RAILWAY MUSEUM	$19,412.00
COMMUNITY GROUPS	
BAPTIST CHILDRENS HOMES OF N C	$3,089.00
BLACK PHILLIPS AMERICAN LEGION	$153.00
CAPITAL CITY YOUNG MARINES	$350.00
DAVIDSON COUNTY YOUNG MARINES	$113.00
PERSON COUNTY GROUP HOMES INC	$4,765.00
PLEASANT HILL VIETNAM AVIATION	$39.00
SHEPERDS ARE MEDICAL CLINIC	$322.00
SINCLAIR CONTRACTING	$205.00
SNOW CAMP HISTORICAL DRAMA	$250.00
SOUTHLIGHT HEALTHCARE	$100.00
TARBORO COM OUTREACH INC	$215.00
WYANE OPPORTUNITY CENTER INC	$160.00
SMALL BUSINESS ADMINISTRATION	
RDU PAVING INC	$9,200.00
RESCUE EXTRICATION	$8,568.00
SIB GENERAL CONTRACTORS, LLC	$3,100.00
GRAND TOTAL	$454,599.00

ATTACHMENT # 11

State Surplus Property System

Agency	Total Sales	Handling Fee (Fee 8%)	Net Sales
Administrative Office of the Courts	$15,446.28	$1,235.70	$14,210.58
Appalachian State University	$77,940.22	$6,235.22	$71,705.00
Board - Elections	$1,303.00	$104.24	$1,198.76
Board - Examiners of Elec.Cont.	$18,410.51	$1,472.84	$16,937.67
Board - Licensing Gen Contract	$405.00	$32.40	$372.60
Board of Education-Asheville City	$1,701.44	$136.12	$1,565.32
Board of Education-Beaufort County	$1,564.81	$125.18	$1,439.63
Board of Education-Brunswick County	$9,331.85	$746.55	$8,585.30
Board of Education-Buncombe County	$4,472.09	$357.77	$4,114.32
Board of Education-Burke County	$3,931.17	$314.49	$3,616.68
Board of Education-Caldwell County	$5,890.15	$471.21	$5,418.94
Board of Education-Catawba County	$2,175.81	$174.06	$2,001.75
Board of Education-Chapel Hill-Carr	$6,217.85	$497.43	$5,720.42
Board of Education-Clinton City	$417.58	$33.41	$384.17
Board of Education-Craven County	$217.90	$17.43	$200.47
Board of Education-Cumberland Co	$32,177.51	$2,574.20	$29,603.31
Board of Education-Davidson County	$7,740.80	$387.04	$7,353.76
Board of Education-Davie County	$3,599.99	$180.00	$3,419.99
Board of Education-Duplin County	$9,350.99	$748.08	$8,602.91
Board of Education-Durham Public	$2,882.46	$230.60	$2,651.86
Board of Education-Henderson County	$1,357.97	$108.64	$1,249.33
Board of Education-Hickory City	$3,823.46	$305.88	$3,517.58
Board of Education-Johnston County	$3,209.45	$256.76	$2,952.69
Board of Education-Lexington City	$6,932.55	$554.60	$6,377.95
Board of Education-Lincoln County	$7.17	$0.57	$6.60
Board of Education-Martin County	$1,400.00	$112.00	$1,288.00
Board of Education-Nash-Rocky Mount	$588.94	$47.12	$541.82
Board of Education-New Hanover	$2,873.99	$229.92	$2,644.07
Board of Education-Onslow County	$8,417.35	$673.39	$7,743.96
Board of Education-Orange County	$2,358.19	$188.66	$2,169.53
Board of Education-Randolph County	$6,384.71	$510.78	$5,873.93
Board of Education-Robeson County	$1,853.20	$148.26	$1,704.94
Board of Education-Rockingham Co	$496.24	$39.70	$456.54
Board of Education-Rowan-Salisbury	$20,064.69	$1,605.18	$18,459.51
Board of Education-Sampson County	$1,122.10	$89.77	$1,032.33
Board of Education-Surry County	$2,783.29	$222.66	$2,560.63
Board of Education-Thomasville City	$1,600.92	$128.07	$1,472.85
Board of Education-Union County	$1,227.39	$98.19	$1,129.20
Board of Education-Wake County	$98,392.63	$7,871.41	$90,521.22
Board of Education-Washington Co.	$13,620.00	$1,089.60	$12,530.40
Board of Education-Wayne County	$5,700.00	$456.00	$5,244.00
Board of Education-Yadkin County	$152.91	$12.23	$140.68
City of New Bern	$604.77	$48.38	$556.39
City of Raleigh	$662,177.55	$52,974.20	$609,203.35
City of Salisbury	$112.35	$8.99	$103.36
City of Wilmington Fleet Mgmt	$168.65	$13.49	$155.16
College of the Albemarle	$6,678.76	$534.30	$6,144.46
Comm. College - Alamance	$6,282.11	$502.57	$5,779.54
Comm. College - Asheville-Buncombe	$4,774.16	$381.93	$4,392.23
Comm. College - Beaufort County	$19,036.67	$1,522.93	$17,513.74
Comm. College - Bladen	$585.96	$46.88	$539.08
Comm. College - Blue Ridge	$395.13	$31.61	$363.52
Comm. College - Brunswick	$1,365.01	$109.20	$1,255.81
Comm. College - CaldwellCommCollege	$22,227.08	$1,778.17	$20,448.91
Comm. College - Cape Fear	$8,259.64	$660.77	$7,598.87
Comm. College - Carteret CC	$15,405.28	$1,232.42	$14,172.86
Comm. College - Catawba Valley	$22,173.69	$1,773.90	$20,399.79
Comm. College - Central Carolina	$21,521.80	$1,721.74	$19,800.06
Comm. College - Central Piedmont	$13,599.67	$1,087.97	$12,511.70
Comm. College - Cleveland Comm Col	$1,229.09	$98.33	$1,130.76
Comm. College - Craven Comm College	$2,755.34	$220.43	$2,534.91
Comm. College - Davidson County	$6,703.86	$536.31	$6,167.55
Comm. College - Durham Technical	$3,811.86	$304.95	$3,506.91
Comm. College - Edgecombe	$6,192.68	$495.41	$5,697.27
Comm. College - Fayetteville Tech.	$30,068.90	$2,405.51	$27,663.39

Comm. College - Forsyth Technical	$12,174.79	$973.98	$11,200.81
Comm. College - Guilford Tech.	$2,920.57	$233.65	$2,686.92
Comm. College - Halifax	$511.98	$40.96	$471.02
Comm. College - Haywood	$11,907.45	$952.60	$10,954.85
Comm. College - Isothermal	$6,372.03	$509.76	$5,862.27
Comm. College - James Sprunt	$10,529.89	$842.39	$9,687.50
Comm. College - Johnston	$21,177.35	$1,694.19	$19,483.16
Comm. College - Lenoir	$69.55	$5.56	$63.99
Comm. College - Martin	$1,788.58	$143.09	$1,645.49
Comm. College - Mayland	$2,375.00	$190.00	$2,185.00
Comm. College - McDowell Tech.	$363.91	$29.11	$334.80
Comm. College - Mitchell	$38.47	$3.08	$35.39
Comm. College - Montgomery	$9,688.58	$775.09	$8,913.49
Comm. College - Nash	$148.67	$11.89	$136.78
Comm. College - Pamlico	$225.12	$18.01	$207.11
Comm. College - Piedmont	$1,042.01	$83.36	$958.65
Comm. College - Pitt	$2,113.53	$169.08	$1,944.45
Comm. College - Randolph	$20,729.09	$1,658.33	$19,070.76
Comm. College - Richmond	$797.49	$63.80	$733.69
Comm. College - Roanoke-Chowan	$2,398.90	$191.91	$2,206.99
Comm. College - Rockingham - #872	$2,766.05	$221.28	$2,544.77
Comm. College - Rowan-Cabarrus	$5,150.75	$412.06	$4,738.69
Comm. College - Sampson	$2,803.52	$224.28	$2,579.24
Comm. College - Sandhills	$3,232.09	$258.57	$2,973.52
Comm. College - South Piedmont	$6,642.61	$531.41	$6,111.20
Comm. College - Southwestern #882	$4,662.58	$373.01	$4,289.57
Comm. College - Stanly Comm College	$34,788.81	$2,783.10	$32,005.71
Comm. College - Surry	$15,670.25	$1,253.62	$14,416.63
Comm. College - Tri-County	$3,478.39	$278.27	$3,200.12
Comm. College - Vance-Granville	$112.01	$8.96	$103.05
Comm. College - Wake Technical	$27,318.64	$1,365.93	$25,952.71
Comm. College - Wayne	$13,342.00	$1,067.36	$12,274.64
Comm. College - Wilkes	$933.90	$74.71	$859.19
Comm. College - Wilson	$9,649.46	$771.96	$8,877.50
Commission - USS NC Battleship	$4,937.36	$394.99	$4,542.37
Commission - Wildlife Resources	$286,344.53	$22,907.56	$263,436.97
County of Currituck	$66.30	$5.30	$61.00
County of Forsyth	$45.95	$3.68	$42.27
County of Harnett-Garage	$16.45	$1.32	$15.13
County of Lee	$70,505.77	$5,640.46	$64,865.31
County of Montgomery	$8,422.18	$673.77	$7,748.41
County of Pender	$466.96	$37.36	$429.60
County of Wake	$662,086.60	$52,966.93	$609,119.67
County of Wilson	$241.35	$19.31	$222.04
Dept. of Administration	$3,018,172.31	$241,453.78	$2,776,718.53
Dept. of Agriculture	$562,011.69	$44,960.94	$517,050.75
Dept. of Commerce	$11,834.38	$946.75	$10,887.63
Dept. of Environmental Quality	$279,506.18	$22,360.49	$257,145.69
Dept. of Information Technology	$1,174.88	$93.99	$1,080.89
Dept. of Insurance	$14,386.12	$1,150.89	$13,235.23
Dept. of Justice	$9,912.42	$792.99	$9,119.43
Dept. of Labor	$3,150.37	$252.03	$2,898.34
Dept. of Military & Veteran Affairs	$485.46	$38.84	$446.62
Dept. of Natural & Cultural Res	$296,650.06	$23,732.00	$272,918.06
Dept. of Public Instruction	$55,813.18	$4,465.05	$51,348.13
Dept. of Public Safety	$4,449,000.45	$355,920.04	$4,093,080.41
Dept. of Revenue	$10,345.20	$827.62	$9,517.58
Dept. of Revenue - USUB	$406.24	$406.24	$0.00
Dept. of Secretary of State	$557.35	$44.59	$512.76
Dept. of State Treasurer	$447.00	$35.76	$411.24
Dept. of Transportation	$2,053,873.77	$164,309.90	$1,889,563.87
DHHS-Black Mtn Ctr-Neuro-Med TC	$2,246.49	$179.72	$2,066.77
DHHS-Broughton Hospital	$9,428.23	$754.26	$8,673.97
DHHS-Caswell Center	$42,954.38	$3,436.35	$39,518.03
DHHS-Central Administration	$365.87	$29.27	$336.60
DHHS-Central Reg Hosp-JUH-1260	$5,768.52	$461.48	$5,307.04
DHHS-Cherry Hospital	$16,346.58	$1,307.73	$15,038.85
DHHS-Disability Determination	$2,269.00	$181.52	$2,087.48
DHHS-Div.of Vocational Rehab.	$5,093.36	$407.47	$4,685.89
DHHS-Division of Public Health	$15,557.77	$1,244.62	$14,313.15
DHHS-Health Service Regulation	$13,760.23	$1,100.82	$12,659.41

DHHS-J Iverson Riddle/W Carolina Ct	$3,305.15	$264.41	$3,040.74	
DHHS-Julian F Keith ADATC	$2,089.70	$167.18	$1,922.52	
DHHS-Longleaf Neuro-Med Treatmt Ctr	$217.05	$17.36	$199.69	
DHHS-MENTAL HEALTH/DD/SAS	$174.00	$13.92	$160.08	
DHHS-Murdoch Center	$20,617.11	$1,649.37	$18,967.74	
DHHS-OBerry Center	$1,814.48	$145.16	$1,669.32	
DHHS-Property & Const-Dorothea Dix	$5,131.17	$410.49	$4,720.68	
DHHS-Services for the Blind and	$40,118.22	$3,209.46	$36,908.76	
DHHS-SOCIAL SERVICES	$1,070.01	$85.60	$984.41	
East Carolina University	$268,463.59	$21,477.09	$246,986.50	
ECU-Jenkins Cancer Center	$27,033.00	$810.99	$26,222.01	
Electricities Of NC	$1,134.32	$90.75	$1,043.57	
Elizabeth City State University	$4,664.93	$373.19	$4,291.74	
Fayetteville State University	$23,383.27	$1,870.66	$21,512.61	
Federal Surplus-TSA Property	$64,513.28	$32,256.64	$32,256.64	
GENERAL ASSEMBLY	$1,280.00	$102.40	$1,177.60	
NC A & T STATE UNIVERSITY	$32,794.69	$2,623.58	$30,171.11	
NC Central University	$28,483.77	$2,278.70	$26,205.07	
NC Housing Finance Agency	$342.00	$27.36	$314.64	
NC School of Science & Mathematics	$4,417.23	$353.38	$4,063.85	
NC State Ports Authority	$118,535.89	$9,482.87	$109,053.02	
NC State University	$478,302.41	$38,264.19	$440,038.22	
North Carolina Education Lottery	$297.50	$23.80	$273.70	
Office of Community Colleges System	$383.00	$30.64	$352.36	
Office of Education Services	$13.00	$1.04	$11.96	
Office of the Governor	$205.00	$16.40	$188.60	
Office of the State Controller	$3,485.01	$278.80	$3,206.21	
Public Trans-Caswell Co Area Trans	$25,000.00	$2,000.00	$23,000.00	
Public Trans-Columbus County Trans	$1,777.77	$142.22	$1,635.55	
Public Trans-Tar River Transit	$17,748.77	$1,419.90	$16,328.87	
RDU Airport Authority	$144,066.61	$11,525.33	$132,541.28	
SHP-Evidence Weapons	$9,025.00	$722.00	$8,303.00	
Spout Springs Emergency Services	$2.35	$0.19	$2.16	
SSPA - General Sales	$439,158.03	$439,158.03	$0.00	
Town of Cary	$13.00	$1.04	$11.96	
Town of Chapel Hill	$220.40	$17.63	$202.77	
Town of Garner	$45,565.52	$3,645.24	$41,920.28	
Town of Holly Springs	$19,497.71	$1,559.82	$17,937.89	
Town of Knightdale	$341.00	$27.28	$313.72	
Town of Matthews	$35.85	$2.87	$32.98	
Town of Zebulon	$7,142.33	$571.39	$6,570.94	
UNC-Asheville	$2,989.12	$239.13	$2,749.99	
UNC-Chapel Hill	$387,497.31	$30,999.78	$356,497.53	
UNC-Charlotte	$66,498.80	$5,319.90	$61,178.90	
UNC-Greensboro	$8,632.28	$690.58	$7,941.70	
UNC-Healthcare	$2,599.76	$129.99	$2,469.77	
UNC-Hospitals	$280.00	$22.40	$257.60	
Unclaimed Property Escheat Program	$49,077.58	$0.00	$49,077.58	10%
UNC-Pembroke	$74,769.19	$5,981.54	$68,787.65	
UNC-School of The Arts	$7,899.44	$631.96	$7,267.48	
UNC-TV	$36,927.40	$2,954.19	$33,973.21	
UNC-Wilmington	$58,485.30	$4,678.82	$53,806.48	
Western Carolina University	$17,475.82	$1,398.07	$16,077.75	
WINSTON-SALEM STATE UNIVERSITY	$12,383.60	$990.69	$11,392.91	
Sub-Total	***$15,968,429.89***	***$1,705,030.97***	***$14,263,398.92***	
Outside - Surplus Retail/Yard Sales				
Chapel Hill Carrboro Schools	$1,206.00	$96.48	$1,109.52	
Elizabeth City State University	$1,873.00	$149.84	$1,723.16	
East Carolina University	$27,249.78	$2,179.98	$25,069.80	
Ashville-Buncombe Community College	$958.00	$76.64	$881.36	
ECU book sale	$2,914.52	$233.16	$2,681.36	
NC State University	$149,850.62	$11,988.05	$137,862.57	
Appalachian State	$25,457.76	$2,036.62	$23,421.14	
UNC Chapel Hill	$336,568.24	$26,925.46	$309,642.78	
UNC Greensboro	$6,569.00	$525.52	$6,043.48	
UNC School of the Arts	$15,553.10	$1,244.25	$14,308.85	
UNC Wilmington	$30,161.50	$2,412.92	$27,748.58	
Sub-Total	***$598,361.52***	***$47,868.93***	***$550,492.59***	

NCDOT Auctions					
Shelby NC - July 27, 2016		$1,717,100.00	$51,383.26	$1,665,716.74	3%
Wilson NC - October 19, 2016		$1,663,457.00	$49,839.06	$1,613,617.94	3%
Carthage NC - March 29, 2017		$2,020,748.84	$60,622.47	$1,960,126.37	3%
	Sub-Total	***$5,401,305.84***	***$161,844.79***	***$5,239,461.05***	
	Grand Total	***$21,968,097.25***	***$1,914,744.69***	***$20,053,352.56***	

Annual Report

Fiscal Year 2017

(JULY 1, 2016 - JUNE 30, 2017)



Industrial Commission

LETTER FROM THE CHAIRMAN



On behalf of my fellow Commissioners, the Deputy Commissioners, and the dedicated employees of the North Carolina Industrial Commission, it is my pleasure to issue this Annual Report for FY 2016-17.

The Industrial Commission was established in 1929 to adjudicate and administer the North Carolina Workers' Compensation Act. In 1949, the Industrial Commission was also given authority by the General Assembly to adjudicate and administer the North Carolina State Tort Claims Act.

Additional matters within our jurisdiction include the Law Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act, the Childhood Vaccine-Related Injury Compensation Program, and Compensation to Persons Erroneously Convicted of Felonies. The Industrial Commission also adjudicated and administered claims under the Eugenics Asexualization and Sterilization Compensation Program.

My goal as Chairman is to ensure the Commission maintains the highest levels of fairness and impartiality throughout the adjudicatory process; ensure the Commission is a good steward of the resources entrusted to us; seek improvements and efficiencies where possible, and provide outstanding customer service.

The Industrial Commission demonstrated tremendous productivity and development in FY 2016-17 by continuing to refine best practices and undertaking new initiatives. I am confident that the workers' compensation system of our State, as well as other matters within our jurisdiction, will realize significant benefits as we continue to build upon these efforts.

Charlton L. Allen
Chairman
North Carolina Industrial Commission

NORTH CAROLINA INDUSTRIAL COMMISSION

Charlton L. Allen, Chairman
Yolanda K. Stith, Vice-Chairman

Philip A. Baddour, III, Commissioner
Linda Cheatham, Commissioner
Christopher C. Loutit, Commissioner
Tammy Nance, Commissioner

Charles Duckett, Chief Operating Officer
Meredith R. Henderson, Executive Secretary
William W. "Bill" Peaslee, Chief Deputy Commissioner
Emily Baucom, Clerk of the Industrial Commission
Bryan A. Strickland, Director of Compliance and Fraud Investigation
Bradley Hicks, Director of Employee Classification
Asia J. Prince, Director of Claims Administration

TABLE OF CONTENTS

A. North Carolina Industrial Commission—Overview including Statistics at a Glance, Full Commission Section, and Recommendations 4

B. Claims Administration Section 11

C. Office of the Clerk 15

D. Compliance and Fraud Investigative Division 18

E. Deputy Commissioner Section 21

F. Employee Classification Section 23

G. Executive Secretary's Office 25

Workers' Compensation Information Specialists 26

H. Information Technology Section 27

I. Mediation Section 28

J. Medical Fees Section 29

K. Medical Rehabilitation Nurses Section 30

L. Safety Education Section 31

North Carolina Industrial Commission – At a Glance Report for FY 2016-17

(JULY 1, 2016 – JUNE 30, 2017)

Workers' Compensation Claims Filed	64,767
Orders Issued on Medical Motions[1]	2,636
Deputy Commissioner Workers' Compensation and Tort Hearings Held[2]	1,728
Penalty and Contempt Matters Resolved at the Deputy Commissioner Level	895
Cases Appealed to the Full Commission[3]	424
Cases Referred to Mediation	9,884
Orders on Compromise Settlement Agreements[4]	11,848
Mediation Settlement Rate	73.81%
Forms 26A *Employer's Admission of Employee's Right to Permanent Partial Disability* received	6,501
Orders filed on Forms 24 *Application to Terminate or Suspend Payment of Compensation*	1,860
Orders filed on Forms 23 *Application to Reinstate Payment of Disability Compensation*	218
Cases Handled by the Medical Rehabilitation Nurses Section	219
Medical Bills Reviewed	625
Individuals Trained at Industrial Commission's Safety Education Courses	1,051
Fraud Cases Reported	3,317
Penalties Collected	$2,088,371

[1] Includes Medical Motions filed with the Deputy Commissioner Section and the Executive Secretary.
[2] Does not include Expedited Medical Motion hearings or Penalty and Contempt hearings.
[3] Includes workers' compensation cases, tort claims, Medical Motions, etc.
[4] Includes Compromise Settlement Agreements approved by the Executive Secretary, the Deputy Commissioner Section, and the Full Commission.

THE NORTH CAROLINA INDUSTRIAL COMMISSION

Mission Statement

The employees of the North Carolina Industrial Commission are committed to providing excellent customer service through the efficient administration of claims, facilitation of dispute resolution, fair and impartial adjudication of contested cases, careful application of the law, and prompt and courteous responsiveness to all stakeholders.

About the Commission

The North Carolina Industrial Commission is an agency of the State of North Carolina, created by the General Assembly in 1929 to adjudicate and administer the North Carolina Workers' Compensation Act. In 1949, the Industrial Commission was also given authority by the General Assembly to adjudicate and administer the Tort Claims Act. Additionally, the Industrial Commission is charged with efficiently adjudicating and administering the Law Enforcement Officers', Firemen's, Rescue Squad Workers' and Civil Air Patrol Members' Death Benefits Act; the Childhood Vaccine-Related Injury Compensation Program; claims under N.C. Gen. Stat. § 148-82 *et seq.* for Compensation to Persons Erroneously Convicted of Felonies; and, previously, claims under the Eugenics Asexualization and Sterilization Compensation Program.

The Full Commission consists of six Commissioners who are required by statute to devote their entire time to the duties of the Industrial Commission. The Commissioners are appointed by the Governor for staggered six-year terms, confirmed by the General Assembly, and take an oath prior to commencing work at the Commission. No more than three of the Commissioners can be representatives of employers and no more than three can be representatives of employees.

The Commissioners sit in panels of three to review appeals from decisions made by Deputy Commissioners located throughout the State to hear workers' compensation and tort claims cases. The Full Commission is the ultimate fact-finding body of the Industrial Commission and, therefore, only the findings of the Full Commission are deemed conclusive on appeal to the higher courts, if supported by the evidence.

Full Commission Section Summary for FY 2016-17

Appeals in Workers' Compensation and Tort Claims	393
Medical Motion Appeals	31
Total Appeals to Full Commission	424
Full Commission Orders (excluding Compromise Settlement Agreements)	434

Management and Operations

The Chairman of the Full Commission is, by statute, the Chief Executive Officer and Chief Judicial Officer of the Industrial Commission. The Chairman has the authority to direct and oversee the Industrial Commission and may delegate duties as needed for proper management of the Industrial Commission.

Major Activities and Initiatives

Expansion of Electronic Document Filing Portal ("EDFP")

The Industrial Commission continued its transition to an electronic filing system that originally started during FY 2015-16. The completion of the second phase resulted in a tremendous expansion in the range of document types, now more than 440, which are accepted via EDFP. This expansion has positively impacted efficiency for all stakeholders, in addition to increased productivity within the Commission due to the substantial decrease in scanning paper filings. Although EDFP presently does not accept Medical Motion filings, the Commission anticipates amending the rule again in the coming fiscal year to capture this class of documents which will further maximize efficiencies for all cases that come before the Commission.

Chairman's Initiative – The Opioid Task Force

In February 2017, Chairman Allen announced the creation of a Workers' Compensation Opioid Task Force to consider and recommend solutions addressing the intersection of the growing opioid epidemic and related issues which may arise in workers' compensation claims. The Commission's report to the General Assembly on April 1, 2016, regarding the potential use of a drug formulary in workers' compensation cases, shed light on the concerning nexus of opioid misuse and abuse originating from, or exacerbated by, workplace injuries.

In response to the spreading opioid epidemic, workers' compensation authorities in many other states have undertaken initiatives to address the crisis. Abuse of opioids and related drugs have a direct human and financial cost on injured workers and employers in North Carolina. Controlled substances, mostly opioids and related drugs, account for 28%-31% of all workers' compensation prescription drug costs. Opioid use in a workers' compensation case has been statistically shown to extend the period of disability, thus increasing the medical and indemnity costs.

The Opioid Task Force is working towards a multifaceted solution by collaborating with other State agencies and various stakeholders contributing unique perspectives from all levels of the workers' compensation system. In response to the legislative directive in Session Law 2017-203, the Opioid Task Force is developing rules and guidelines for the utilization of opioids, related prescriptions, and pain management treatment. Additional information regarding this Opioid Task Force can be found on the Commission's website.

Transition to the Department of Insurance

Session Law 2017-57, the Appropriations Act of 2017, became law at the close of FY 2016-17, and Section 15.19A outlined a transition for the Industrial Commission. Although our physical location will remain at the Dobbs Building for the foreseeable future, a legislative Type II transfer moved the Industrial Commission from the Department of Commerce to the Department of Insurance effective July 1, 2017. Not only will this provide the Industrial Commission with more autonomy and support, but this move also presents the opportunity to consolidate the duplication of services between two agencies with similar missions. Given that a logical synergy exists between the Industrial Commission's functions and structure and those of the Department of Insurance, we anticipate a smooth transition and nexus of our agencies' functions. We look forward to working with the Department of Insurance to make meaningful progress building upon our latest efforts to efficiently serve all employees, employers, insurers, carriers, and taxpayers in North Carolina.

Notable Legislation

House Joint Resolution 870

- The General Assembly confirmed the appointment of Philip A. Baddour, III, to a term as a Commissioner on the Industrial Commission. Commissioner Baddour was appointed to replace Outgoing-Commissioner Bernadine Ballance. His term statutorily began on May 1, 2017 and expires on April 30, 2023.

House Bill 26, Session Law 2017-124

- Section 1 is a clarifying amendment in response to the North Carolina Supreme Court's decision in *Wilkes v. City of Greenville* (No. 368PA15) on June 9, 2017. This legislation amends N.C. Gen. Stat. § 97-82(b) and clarifies that an injury not identified in an award arising out of N.C. Gen. Stat. § 97-18(b) or N.C. Gen. Stat. § 97-18(d) is not presumed to be causally related to the compensable injury. This clarifying amendment is effective prospectively and retroactively.
- Section 2 amends N.C. Gen. Stat. § 97-90(f) to clarify how the Commission handles fee disputes and the division of a fee between an employee's current and past attorneys of record. Under the statute as amended, in the event of a dispute, the Commission shall hear the dispute after the settlement agreement is approved such that the settlement agreement itself is not held up while the attorney fee dispute is resolved. Additionally, the Commission will now be able to disclose the total amount of the approved fee to all current and past attorneys involved in the fee dispute.

Senate Bill 489, Session Law 2017-150

- Section 1 of this legislation responds to issues in the business community with persons avoiding cancellation of an insurance policy by refusing to accept certified mail. This amendment establishes a rebuttable presumption for when a policy cancellation notice is presumed complete and effective.
- Sections 3 and 4 of this legislation clarify issues arising in response to the North Carolina Court of Appeals decision in *Bentley v. Jonathan Piner Construction, 790 S.E.2d 379, (No. COA16-62)*. This legislation, amending N.C. Gen. Stat. § 97-84, clarifies that, when a Deputy Commissioner assigned to a case leaves the Industrial Commission prior to the full adjudication of the pending matter, a different Deputy Commissioner may take over that matter and proceed to a complete determination and file a written opinion. This ensures a timely resolution of the issues and avoids duplicative hearings when the initial Deputy Commissioner leaves the Industrial Commission prior to the full resolution of a case. This amendment reflects a continued commitment to reaching swift resolutions for the parties as well as avoiding the unnecessary expenditures of State and Commission resources.

House Bill 229, Session Law 2017-102

- Section 15 of the General Statutes Commission Technical Corrections Bill amends N.C. Gen. Stat. § 97-25(f). This amendment allows medical motions and responses to be submitted to the Commission via "electronic means" rather than "electronic mail." This previous language precluded the Industrial Commission from including this filing in our transition to EDFP filing.
- This change to "electronic means" will allow the Commission statutory authority to engage in rulemaking to include medical motions in our e-filing rule, 04 NCAC 10A .0108.

Senate Bill 257, Session Law 2017-57

- *Section 15.17 Industrial Commission Service of Process*

- This amendment to N.C. Gen. Stat. § 97-86 clarifies the procedure for service of process of Full Commission decisions. Serving orders only by certified mail under the current statutory language is a costly and cumbersome means of providing litigants with the Commission's decision. The amendment will allow the Commission to move away from the costly registered mail requirement, and will realize significant cost saving to the State upwards of $200,000 per year. The amendment continues to allow any class of U.S. mail that is fully prepaid to allow for a smooth transition while the Commission establishes parameters for the use of electronic mail, as statutorily permitted now under this amendment. This amendment will modernize the Commission's procedures and ensure expedient service of process.

- *Section 15.18 Industrial Commission Litigation Expense Carryforward*
  - In this Section, the General Assembly appropriated funds to the Industrial Commission for various legal services and litigation-related expenses.

- *Section 15.19 Industrial Commission Case Management Systems*
  - This Section sets up gradual funding for a new case management system. This project will be funded through both receipts and appropriated funds over a four-year period, through June 30, 2021. In total, the Commission may retain $1.2 million in receipts and $3 million in appropriations ($750,000 for each fiscal year). The current Industrial Commission case management functions are spread across multiple outdated platforms and systems, leading to inefficient use of staff resources and providing no access for external users to review documents or actions pertaining to their cases. By obtaining a consolidated case management system, the Commission hopes to bring multiple internal functions together for improved efficiency and to allow external users to access their case data and documents. The Commission will work with the Department of Information Technology and other State agencies seeking case management solutions to find the most cost-effective means of meeting these needs.

- *Section 15.19A Transfer Industrial Commission to Department of Insurance*
  - Effective July 1, 2017, the Industrial Commission was transitioned, by a Type II transfer, from the Department of Commerce to the Department of Insurance.

House Bill 528, Session Law 2017-197

- Section 4.9 of this Budget Technical Corrections bill amends the language of Section 15.18(a) of the Appropriations Act, Session Law 2017-57, to more broadly designate the funds that the Industrial Commission can carry forward and designate for legal services.

Senate Bill 407, Session Law 2017-203

- The first part of this legislation addresses employee misclassification. In general, it statutorily codifies the current practice under Former-Governor McCrory's Executive Order 83. The Employee Classification Section, housed within the Industrial Commission, will continue to take meaningful steps to curtail the misclassification of workers.
- Section 4 of this legislation provides a legislative directive from the General Assembly to the Industrial Commission to engage in rulemaking to adopt rules and guidelines to curtail the misuse of opioids in the workers' compensation system. In so doing, the General Assembly waived the fiscal note requirement under the APA so that the rules and guidelines can be promulgated expeditiously.

- Section 5 of this legislation repeals N.C. Gen. Stat. § 97-81(c), which removes the report requirement of the Industrial Commission's Safety Section. This outdated provision was removed to reduce redundancy in our statutory regulations.

Rulemaking Update

Electronic Document Filing Portal

- The Commission engaged in permanent rulemaking to amend Rule 04 NCAC 10A .0108 as the Electronic Document Filing Portal's capacity was further developed. Notice of the amendment was published in the North Carolina Register on October 17, 2016. Following the permanent rulemaking procedures of the APA, the Commission adopted the rule on December 20, 2016. The Rules Review Commission approved the rule amendment at their January meeting. This rule, as amended, went into effect February 1, 2017.
- The Commission anticipates amending Rule 04 NCAC 10A .0108 again in the coming fiscal year in light of Section 15 of Session Law 2017-102. This section of the GSC Technical Corrections Bill of 2017 amended N.C. Gen. Stat. § 97-25(f) to allow medical motions and responses to be submitted to the Commission via "electronic means" rather than "electronic mail." The previous language precluded the Commission from including this class of documents in the first and second iterations of rulemaking.

Fees for Institutional Services

- The Commission proposed and adopted a temporary rule amending the workers' compensation medical fee schedule rule 04 NCAC 10J .0103 in light of the August 9, 2016 court decision in Surgical Care Affiliates, LLC v. North Carolina Industrial Commission, No. 16-CVS-0060 (Wake County Superior Court), which is pending appeal before the North Carolina Court of Appeals.
- Although the Rules Review Commission approved the temporary rule at their December meeting, a legal challenge to this temporary rule was filed in Wake County Superior Court. In a decision issued on March 21, 2017, the Wake County Superior Court determined that temporary rulemaking was not required under the circumstances, as a stay of the August 9, 2016 court decision sufficed to preserve the status quo. This matter is also currently pending on appeal to the North Carolina Court of Appeals.
- In conjunction with the temporary rule, the Industrial Commission began the process of permanent rulemaking for Rule 04 NCAC 10J .0103. Notice of the proposed rule amendment was published in the North Carolina Register on June 15, 2017. The Commission anticipates completion of the permanent rulemaking process for this rule change in the next fiscal year.

Recommendations

The following legislative recommendations are provided in accordance with N.C. Gen. Stat. § 97-78(e):

- Based on the difficult experiences of the Industrial Commission's fraud investigators, who are sworn law enforcement officers, the Industrial Commission recommends that the General Assembly adopt legislation clarifying the territorial and statutory authority of the Commission's Fraud Investigators. The fraud investigators need statewide jurisdiction and full law enforcement authority in order to safely and effectively carry out their investigations and other duties, consistent with the scope of authority of similar sworn officers.

- The Industrial Commission requests that the General Assembly modify the Deputy Commissioner salary structure set by N.C. Gen. Stat. § 97-79(b3) to conform to the terms of office. The current statutory formula for Deputy Commissioner salaries was instituted prior to the legislative change converting these offices to terms of six years, with a limit on the number of terms that may be served. Further, the Commission requests a modest statutory pay increase for a Deputy Commissioner serving as the Chairman's designated liaison for a regional office to reflect the increased job duties and responsibilities.

- The Industrial Commission recommends that the General Assembly adopt legislation clarifying Section 33.(a) of Session Law 2013-410 to indicate that the General Assembly intended for the Industrial Commission to revise its entire schedule of maximum fees for medical compensation, including fees for all types of health care providers and services, to create a fee schedule based on applicable Medicare payment methodologies and any other appropriate payment structures. The recommended legislation should also clarify that Section 33.(a)(3) was intended to apply to rules proposed and adopted in relation to fees for all types of health care providers and services.

- The Industrial Commission requests the repeal of N.C. Gen. Stat. § 97-72(a) and related legislation. The committee referenced by this statutory provision of the Workers' Compensation Act has not been utilized or convened for over a decade. It is an unnecessary and outdated provision, and the Industrial Commission is seeking to eliminate redundant statutes.

- The Industrial Commission recommends a clarification of the statutes governing the counting of proprietors, partners, limited liability company members, and executive officers of corporations as employees under the Workers' Compensation Act. Parity in these business structures would alleviate confusion and provide consistency and fairness for small businesses.

CLAIMS ADMINISTRATION SECTION

Mission Statement

The Claims Administration Section seeks to provide reliable, accurate, and efficient claims service to employees, employers, insurance companies, third-party administrators, and the citizens of North Carolina.

About the Claims Administration Section

The Claims Administration Section processes documents filed at the inception of a workers' compensation claim and during its pendency. At the outset of a new claim, Claims Administration is responsible for researching insurance coverage, assigning Industrial Commission file numbers, identifying any discrepancies in information provided by employers, insurers, and/or injured workers, and notifying injured workers of their rights under the Workers' Compensation Act. As the claim progresses, Claims Administration processes forms sent in by insurers and employers relative to the acceptance or denial of claims, initiation and termination of benefits, and return-to-work status. Claims Administration handles occupational disease claims, including the initiation of those claims and research on multiple employer/insurer situations.

Additionally, Claims Administration processes form agreements for payment of death, disfigurement, and permanent partial disability benefits. Claims Administration also handles attorney representation letters, interim attorney fee requests, motions to extend the time to accept or deny a claim, and assesses penalties against employers/insurers who fail to timely file forms required by statute.

Finally, Claims Administration answers inquiries from injured workers, employers, attorneys, and insurers concerning file copy requests, appropriate form filing, insurance coverage information, the status of pending agreements, and any other questions a stakeholder may have.

Most Frequently Processed Claims Administration-Related Forms

Employers/insurers are required to file a first report of injury ("FROI") when an injured worker has missed one or more days of work OR where more than $2,000 in medical benefits have been incurred. The FROI is commonly referred to as the Form 19. All FROI's for injuries occurring after April 1, 1997 must be filed electronically via the Electronic Data Interchange ("EDI").

The Form 18 is the Notice of Accident to Employer and Claims of Employee, Representative, or Dependent. This is to be filed by an injured worker or his/her representative within two years of the date of injury or occupational disease, or the claim may be barred.

The Form 18B is a Claim by Employee, Representative, or Dependent for Lung Disease, Including Asbestosis, Silicosis, and Byssinosis. It is not to be used for other occupational disease claims, or for injuries by accident.

The Form 26A is the Employer's Admission of the Employee's Right to Permanent Partial Disability pursuant to N.C. Gen. Stat. § 97-31. The form is used when the parties agree the employer will pay the injured worker the permanent partial disability rating assigned once the injured worker reaches maximum medical improvement.

The Form 60, 61, or 63 is filed by an employer/insurer in response to a claim for benefits made by an injured worker or his/her representative. One of these three forms must be used to admit,

deny, or pay the claim without prejudice for an investigatory period pursuant to N.C. Gen. Stat. § 97-18 (see below).

Compliance with N.C. Gen. Stat. § 97-18

When an injured worker files a claim for compensation with the Industrial Commission, the Industrial Commission may order reasonable sanctions against an employer or insurer which does not, within 30 days following notice from the Industrial Commission of the filing of a claim, or within such reasonable additional time as the Industrial Commission may allow, file a Form 60, 61, or 63 with the Industrial Commission and the injured worker.

Claims Administration keeps track of all Form 18's filed and Form 60, 61, and 63's filed with respect to various claims. If an employer or insurer has failed to comply with N.C. Gen. Stat. § 97-18, Claims Administration is tasked with assessing a $200.00 penalty against the employer and insurer. If an employer and/or insurer feels the penalty has been assessed in error, Claims Administration investigates the claim and corresponds with the inquiring party in order to determine whether the penalty is indeed warranted. There are certain circumstances in which a claim may be incorrectly reported as not being in compliance with N.C. Gen. Stat. § 97-18, in which case, the penalty may be waived. These include:

- **Duplicate files**: Two or more files were created for the same injury due to variations in keyed information provided by the parties at the outset of the claim. Once discovered, these files are combined, with one number deleted from the Industrial Commission's database.

- **Combined files**: The parties requested the combination of two or more files because of similar issues. Although combined, both file numbers remain in our database.

- **Settled claims**: The claim settled prior to the expiration of the 30-day time period.

Claims Administration Accomplishments in FY 2016-17

- During FY 2016-17, Claims Administration saw an increase in compliance with N.C. Gen. Stat. § 97-18, with regards to the timeliness of the filing of a Form 60, 61, or 63, after a Form 18 had been filed. This can be attributed to stricter enforcement of N.C. Gen. Stat. § 97-18, thereby reducing the number of penalties waived.

- Prior to February 1, 2017, all forms and motions filed with the Claims section were filed via email and printed to be scanned into the appropriate file. After February 1, 2017, all forms and motions, with a few exceptions, filed with the Claims section were required to be submitted via the Commission's Electronic Document Filing Portal. From February 1, 2017 through June 30, 2017, over 56,000 forms and motions previously filed via email and printed to be scanned, were filed with the Claims section via EDFP. This change in procedure has allowed the section to drastically decrease the number of documents printed and has aided in the Commission's efforts to go paperless.

Claims Administration Section Summary FY 2016–17

Claims Opened via Form 18 Filing	8,651
Claims Opened via Form 19 Filing	56,116
Total Claims Opened	64,767
Forms 60, 61, 63 Filed	49,831
Death Claims Filed	216
Form Agreements (Form 26A) Received[5]	6,501
Form Agreements (Form 26A) Approved[6]	6,840
Telephone Calls[7]	51,173

Forms Compliance Summary FY 2016–17

Total of Form 18's Processed FY 2016-17	18,333
Forms 60, 61 or 63 Processed Before Form 18 Filed	5,010
Forms 60, 61 or 63 Filed within 30 days of Form 18	8,676
Total Number of Compliant Forms	**13,686**
Forms 60, 61 or 63 Filed between 31 and 60 days of Form 18	1,407
Forms 60, 61 or 63 Filed between 61 and 90 days of Form 18	456
Forms 60, 61 or 63 Filed 91 or more days after Form 18	553
Form 18 with no Forms 60, 61 or 63 Processed by end of FY 2016-17[8]	2,231
Total Number of Claims not in Compliance[9]	**4,647**

[5] Each fiscal year, there is a slight discrepancy between number of form agreements received and the number of form agreements approved because some agreements may have been received in one fiscal year and approved in the next fiscal year. Of the agreements approved in FY 2016-17, 592 were received in FY 2015-16.

[6] In spite of staffing limitations, claims examiners reviewed and approved over 600 additional Form 26A agreements as compared to last year's figure and were able to clear up a backlog of agreements that were left from FY 2015-16.

[7] FY 2016-17 was the first full fiscal year in which Claims assumed the responsibility of an additional service line. Examiners contacting parties regarding incomplete Form 26A's resulted in increased calls made by Claims examiners.

[8] This number includes 707 Form 18s that were filed less than 30 days before the End of FY 2016-17.

[9] Major reasons for noncompliance may be found on preceding page. The Commission is currently considering new procedures that will result in a substantial reduction in the number of claims not in compliance with N.C. Gen. Stat. § 97-18(j).

Forms Compliance Summary Pursuant to N.C. Gen. Stat. § 97-78(g)[10] For Calendar Year 2016

Total of Form 18's Processed Calendar Year 2016	19,310
Forms 60, 61 or 63 Processed Before Form 18 Filed	6,156
Forms 60, 61 or 63 Filed within 30 days of Form 18	8,353
Total Number of Compliant Forms	**14,509**
Forms 60, 61 or 63 Filed between 31 and 60 days of Form 18	1.397
Forms 60, 61 or 63 Filed between 61 and 90 days of Form 18	434
Forms 60, 61 or 63 Filed 91 or more days after Form 18	602
Form 18 with no Forms 60, 61 or 63 Processed by end of Calendar Year 2016	2,368
Total Number of Claims not in Compliance	**4,801**

[10]Specific information for each claim not compliant with N.C. Gen. Stat. § 97-18(j) is available upon request.

OFFICE OF THE CLERK

Mission Statement

The mission of the Clerk's Office is to ensure that all filings intended for the Executive Secretary's Office, the Deputy Commissioner Section, and the Full Commission are promptly and appropriately catalogued in the Industrial Commission's electronic document repository and routed to the appropriate Industrial Commission staff. All cases to be heard by the Industrial Commission are to be timely placed on a docket and moved through the system efficiently and expeditiously. These functions are done consistent with providing excellent customer service to our outside stakeholders and the sections we serve within the Industrial Commission.

About the Clerk's Office

The Clerk's Office was established in February 2016 to be the clearinghouse for documents filed pursuant to the Industrial Commission's new filing rule, Rule 04 NCAC 10A .0108, which also became effective in February 2016. Rule 04 NCAC 10A .0108 requires that most documents filed with the Industrial Commission be transmitted to the Commission electronically. The Clerk's Office ensures filings are properly identified and delivered electronically to the appropriate Industrial Commission staff. In addition, the Clerk's Office provides customer support to stakeholders who have questions about filing procedures or who may initially misfile documents. Ultimately, the Clerk's Office is responsible for the integrity of the Industrial Commission's files. In addition to overseeing the Clerk's Office and administering Rule 04 NCAC 10A .0108, the Clerk of the Industrial Commission rules on various administrative motions including attorney withdrawals, motions to withdraw requests for hearing, and motions to consolidate cases for hearing.

Rule 04 NCAC 10A .0108 was amended effective February 1, 2017, to simplify filing instructions and to reflect the Commission's ability to accommodate more document types through the Electronic Document Filing Portal . In 2016, the Commission required that 50 document types be filed via EDFP. In 2017, that number jumped to 444 document types. The effects of EDFP expansion on the Commission's business processes in the past two years have been dramatic. Industrial Commission files are now updated in real time as documents are filed. The scanning of paper documents has decreased 85% since February 1, 2017. Before Rule 04 NCAC 10A .0108 was established, approximately 270 documents were filed with the Commission via EDFP each month. Following EDFP expansion and the corresponding amendments to Rule 04 NCAC 10A .0108, that number has jumped to over 18,000 per month. In FY 2015-16, approximately 2,113,000 pages of documents were submitted to the Commission via EDFP. The number for FY 2016-17 is over 4,246,000 pages. The improvements decrease the turn-around time for the filing of new claims and increase productivity, providing Commission staff more time to tackle additional projects. In addition, EDFP has provided our outside stakeholders with an easy, one-stop filing method that delivers an automatic receipt for proof of filing.

The Clerk's Office supports the Industrial Commission's goal of becoming a paperless organization. While Rule 04 NCAC 10A .0108 and EDFP are the main instruments used by the Clerk's Office in support of this goal, other efforts are underway. In 2016, the Clerk's Office implemented procedures such that all new tort claims would be electronic files at their inception. In addition, the Clerk's Office facilitated the Commission's adoption of E-certify, which allows for receipt of electronic proof of delivery of certified mail and decreases the amount of paper mail sent to the Commission while saving on mailing costs.

Docketing responsibilities of the Clerk's Office include processing requests for hearings and appeals, as well as processing related documents filed in all types of cases administered by the Industrial Commission, including workers' compensation and state tort claims. For cases appealed to the Full Commission, the Clerk's Office organizes the record of evidentiary exhibits, orders official hearing transcripts, and provides copies of the transcripts to the parties. The section assembles exhibits and filings into electronic working files for each member of the Full Commission panel assigned to review each case on appeal and prepares and electronically distributes the Full Commission hearing calendars. The section also serves as the custodian for recordings of Industrial Commission hearings and coordinates assignments of court reporters for hearings before the Deputy Commissioners and the Full Commission.

The Clerk's Office maintains the Industrial Commission's attorney database by adding new attorneys and updating attorney contact information upon receipt. The section assigns Industrial Commission file numbers for state tort claims, for claims filed under the Law Enforcement Death Benefits Act, and for Erroneous Conviction cases. The Clerk's Office also processes requests for copies of files.

Clerk's Office Summary for FY 2016-17

Requests That Claim be Assigned for Hearing	8,190
Requests for Hearing in Non-Insured Cases	130
Amended Requests that Claim be Assigned for Hearing	285
Administrative Appeals to Deputy Commissioners	527
Appeals (Requests for Hearing) in Penalty Assessment Cases	544
Responses to Hearing Requests	5,343
Attorney Representation Letters and Other Correspondence	12,116
Requests for Copies of Files	6,346
Tort Claims Filed	587
Appeals to Full Commission	393
Medical Motion Appeals	31
Cases Sent for Transcription	311
Full Commission Calendars Generated	47
Attorney Withdrawal Orders	1,553
Orders/Dispositions on Administrative Motions	466
Scanned documents uploaded to Electronic Case Files	127,065

COMPLIANCE AND FRAUD INVESTIGATIVE DIVISION

Mission Statement

The Compliance and Fraud Investigative Division works with businesses operating in North Carolina to ensure compliance with the Workers' Compensation Act's requirement to maintain adequate insurance and to enforce the rules and regulations of the North Carolina Industrial Commission.

About the Compliance and Fraud Investigative Division

The Compliance and Fraud Investigative Division is divided into two units: 1) the Compliance Unit and 2) the Fraud Investigative Unit.

Compliance Unit

The Compliance Unit handles civil cases involving employers who are operating as non-insured employers in violation of N.C. Gen. Stat. § 97-93 and N.C. Gen. Stat. § 97-94. Once an investigation is complete and evidence is gathered, it is presented by the Office of the Attorney General during the Industrial Commission's non-insured penalty hearings. Civil penalties can be assessed covering the entire time-frame that the employer is not insured. The Compliance Unit also assists the Office of the Attorney General with the enforcement and collection of penalty actions.

The Compliance Unit uses a database known as the Noncompliant Employer Targeting System ("NETS"). NETS is a software tool that analyzes data sources from various State agencies and identifies potentially noncompliant employers who may be in violation of the North Carolina Workers' Compensation Act. As a result of the leads generated by the NETS system, collection of our penalties and fines collections increased from $1,495,963 in FY 2015-16 to $1,723,296 in FY 2016-17, an increase of over 15% year over year. Additionally, 969 noncompliant employers were brought into compliance by obtaining workers' compensation insurance coverage.

Non-Insured Cases for FY 2016-17

Non-Insured Hearings Docketed before the Industrial Commission	226
Non-Insured Cases Investigated Pursuant to a Form 33	163
Non-Insured Cases Investigated Pursuant to a Form 18 *(Notice of Accident and Claim of Employee, Representative, or Dependent)*	361
Non-Insured Cases with No Injury Reported (category represents cases received and investigated by the Compliance Officer) [11]	2,946
Non-Insured Cases with No Injury Reported (category represents cases received) [12]	3,102

[11] The 2,946 cases include 87 cases that were investigated and closed outside of the NETS database tool as the result of calls received on our investigation hotline.

[12] The 3,102 cases addressed allegations of fraud such as an employer not carrying workers' compensation insurance if required, unlawful deductions made by employers, and similar fraudulent activities.

Fraud Investigative Unit

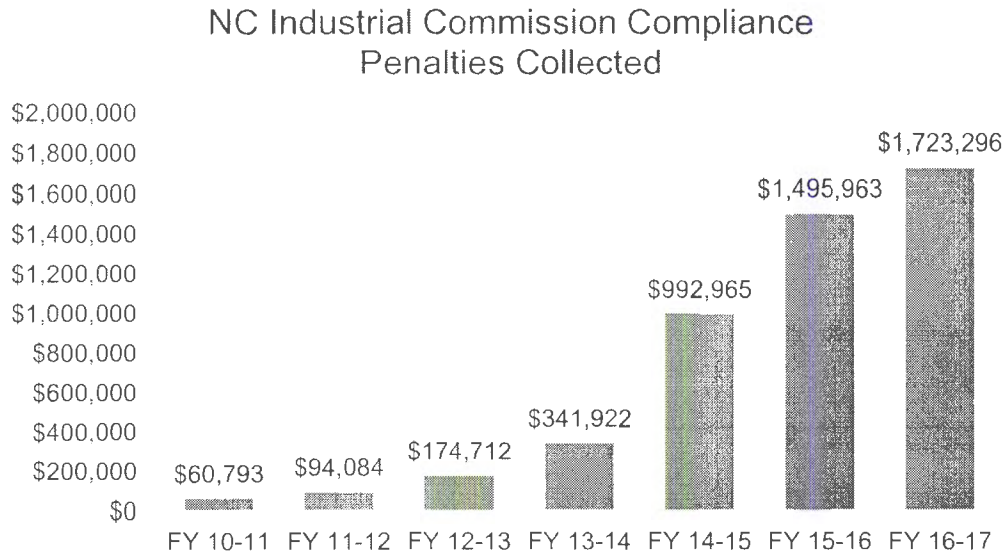
The Fraud Investigative Unit operates as a law enforcement agency and is responsible for conducting criminal investigations into cases of suspected workers' compensation fraud and violations related to workers' compensation claims involving employees, employers, insurers, health care providers, attorneys, and vocational rehabilitation providers. Fraud Investigators investigate all criminal complaints filed with the Industrial Commission regarding failure of employers to maintain workers' compensation insurance (N.C. Gen. Stat. § 97-94(d)); fraud on the part of employees with regard to the collection or obtaining of workers' compensation benefits (N.C. Gen. Stat. § 97-88.2); fraud on the part of employers with regard to payment or collection of workers' compensation premiums from employees' salaries (N.C. Gen. Stat. § 97- 21); medical payment fraud, and any other claims arising out of violations of Chapter 97 by employees or employers. The Criminal Investigation Unit works with judicial officials and other law enforcement agencies throughout the State to resolve cases related to the above matters in criminal court.

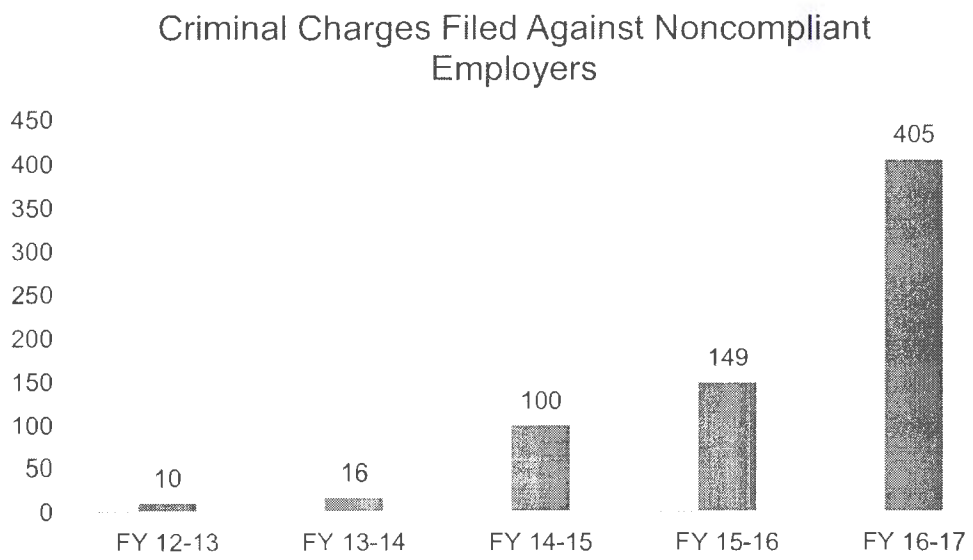
The staff consists of six sworn law enforcement officers and one administrative staff personnel. Being fully staffed has improved our ability to pursue noncompliant employers and to proactively identify and bring into compliance employers who are required to maintain workers' compensation insurance, but have failed to do so. During FY 2016-17, we issued 404 misdemeanor charges and one felony charge against business owners for failure to maintain workers' compensation insurance in violation of N.C. Gen. Stat. § 97-94(d), as well as felony charges in violation N.C. Gen. Stat. § 97-88.2 against seven employees.

Persons Investigated for Fraud under the Workers' Compensation Act for FY 2016-17[13]

	Employees	Employers	Insurers	Heath Care Providers	Attorneys	Rehabilitation Providers	Totals
Number of Fraud Cases Reported	200	3,102	6	8	1	0	3,317
Number of Fraud Cases Pending	24	147	0	0	0	0	171
Number of Fraud Cases Closed	176	2,955	6	8	1	0	3,146

[13] The summary is provided in accordance with N.C. Gen. Stat. § 97-88.2(e).


NC Industrial Commission Compliance
Penalties Collected
$2,000,000
$1,800,000
$1,600,000
$1,400,000
$1,200,000
$1,000,000
$800,000
$600,000
$400,000
$200,000
$0
$60,793
$94,084
$174,712
$341,922
$992,965
$1,495,963
$1,723,296
FY 10-11
FY 11-12
FY 12-13
FY 13-14
FY 14-15
FY 15-16
FY 16-17


Criminal Charges Filed Against Noncompliant
Employers
450
400
350
300
250
200
150
100
50
0
10
16
100
149
405
FY 12-13
FY 13-14
FY 14-15
FY 15-16
FY 16-17

DEPUTY COMMISSIONER SECTION

Mission Statement

The Deputy Commissioners, Special Deputy Commissioners, Paralegals, and Legal Assistants of the North Carolina Industrial Commission endeavor to fairly, impartially, and efficiently adjudicate contested claims by careful application of the law; by adherence to rules and procedures; by encouraging settlement wherever reasonable; and by providing timely and exemplary customer service to all parties.

About the Deputy Commissioner Section

Deputy Commissioners expeditiously resolve all controversies between injured workers, employers, carriers, providers, various citizens of the State of North Carolina, and the State of North Carolina that arise under the Workers' Compensation Act and the State Tort Claims Act. The Deputy Commissioners provide citizens an opportunity to be heard in a professional, ethical, and courteous manner, and render legally sound and impartial decisions after thoroughly considering the positions of all parties and the law.

Deputy Commissioners conduct full evidentiary hearings throughout the State, hear administrative motions, conduct administrative appeal hearings, review complex form agreements, review settlement agreements, and handle other matters. In addition to the cases described in the tables below, the Deputy Commissioner Section made ten Law Enforcement Officer Death Benefit Act Determinations.

Claims Set for Hearings

Number of Claims Docketed for Hearings[14]	5,280
Cases Heard[15]	1,728

Summary of Final Determinations Entered and Cases Settled

Compromise Settlement Agreements Approved	1,956
Final Determinations Entered (Opinion & Awards and Decision & Orders)	688
Cases Dismissed With Prejudice	425
Cases Dismissed Without Prejudice	279
Cases Continued and/or Removed from the Hearing Docket	1,768
Total Cases	**5,116**

[14] Excludes Penalty & Contempt Hearings.
[15] Excludes Penalty & Contempt Hearings.

Employer Noncompliance

To address noncompliance by employers who are obligated by insurance coverage requirements of the Workers' Compensation Act, the Industrial Commission substantially increased the number of Penalty Enforcement and N.C. Gen. Stat. § 97-94(b) Hearing Dockets during this fiscal year. Effective September 1, 2016, the Deputy Commissioner Section began to hear Penalty Enforcement and N.C. Gen. Stat. § 97-94(b) matters on a monthly basis. In FY 2016-17, the Deputy Commissioner Section resolved a total of 571 penalty matters. In addition, the Deputy Commissioner Section resolved 324 matters in contempt proceedings; the majority of which were related to Penalty enforcement.

Penalty & Contempt Proceedings

Penalty Matters Docketed for Hearings	571
Contempt Matters Docketed for Hearings	324

Expeditious Resolution of Emergency and Expedited Medical Motions

Pursuant to SB 794, the Deputy Commissioner Section disposed of 326 Emergency and Expedited Medical Motions in FY 2016-17. N.C. Gen. Stat. § 97-25 requires that Expedited Medical Motions be fully resolved within 75 days of filing, including calendaring, conducting a full evidentiary hearing, completing all discovery, and the filing of an Opinion and Award. Importantly, the statute further requires that the discovery phase, including depositions of physicians and experts, be completed within 60 days of filing. This brief time frame for discovery regularly presents scheduling challenges for medical providers and other experts who must be deposed prior to a 60-day mandated deadline. Deputy Commissioners disposed of 319 Emergency and Expedited Medical Motions within the statutory-mandated time frames, and seven outside the statutorily mandated time frames.[16]

Full Evidentiary Medical Motions/Emergency Medical Motions

Expedited Medical Motions	270
Emergency Medical Motions	56
Total Medical Motions	**326**

[16]

Cases	Date Filed	Date of Final Disposition	Days Exceeding 75 Days	
1	08/23/2016	11/29/2016	23	
2	09/13/2016	11/29/2016	2	
3	09/14/2016	11/29/2016	1	
4	09/16/2016	12/03/2016	3	
5	11/03/2016	02/01/2017	15	(Settled)
6	02/08/2017	05/15/2017	15	(Settled)
7	03/28/2017	06/19/2017	8	

EMPLOYEE CLASSIFICATION SECTION

Mission Statement

The Employee Classification Section is charged with identifying businesses that classify workers as independent contractors to avoid the payment of unemployment insurance and workers' compensation insurance and/or shift the burden of paying taxes to workers. This Employee Classification Section collaborates with multiple State agencies that conduct independent investigations to determine if there have been violations of the agency's operational statutes.

About the Employee Classification Section

Employee misclassification occurs when workers are inappropriately designated by employers as independent contractors instead of employees. When employers engage in this prohibited practice, they avoid the liabilities and obligations imposed by state and federal law.

Since its inception, the Employee Classification Section has focused on three initiatives. First, through our work with liaisons from various State agencies, including the North Carolina Department of Commerce – Division of Employment Security, North Carolina Industrial Commission – Fraud Investigations Section, and North Carolina Department of Revenue, we have established consistent streams of communication that generate leads of possible misclassification activities within the State and track violations of each agency's operational statutes. In addition, the Employee Classification Section has received information from the North Carolina Board of Examiners for Plumbing Heating and Fire Sprinkler Contractors that has enhanced the investigations on misclassification complaints. On August 31, 2016, the Employee Classification Section and the United States Department of Labor – Wage and Hour Division executed a Memorandum of Understanding, which has allowed for collaboration on the Federal level.

In December 2016, the Employee Misclassification Application was completed and released. This Application was the result of a collaborative effort with SAS, the Government Data Analytics Center (GDAC), and other State agencies. This software system proactively generates misclassification alerts and efficiently shares information amongst State agencies.

Finally, the Employee Classification Section engaged in educational outreach. During FY 2016-17, the Section's Director engaged with more than 350 individuals during various conferences and symposiums to discuss the mission and goals of the Employee Classification Section.

North Carolina Employee Classification Statistics

North Carolina Industrial Commission	
Number of Complaints Received (Excluding N.C. DES leads)	310
Non-insured Penalty Assessments[17]	$82,200
Non-insured Penalty Collections	$2,000
Non-insured Penalty Adjustments	$7,100
United States Department of Labor - Wage and Hour Division[18]	
Number of Complaints Received	26
Number of Workers found to be Misclassified	1,103
Amount of Back Wages Assessed Based upon Complaints Received	$1,444,592
North Carolina Division of Employment Security[19]	
Number of Complaints Received	1,439
Number of Workers found to be Misclassified	11,985
Tax Indebtedness Assessed for Misclassified Workers	$2,183,873
Wages on which Unemployment Tax has not been paid	$114,848,365

[17] Penalties totaling $73,100 are currently pending and/or in litigation within the North Carolina Industrial Commission.
[18] The United States Department of Labor – Wage and Hour Division is responsible for the enforcement of the Fair Labor Standards Act (2009) which ensures overtime payment, tip credit, child labor, and nursing mothers protections.
[19] The unemployment insurance rate for businesses ranges from 0.06% to 5.76%.

EXECUTIVE SECRETARY'S OFFICE

Mission Statement

The Executive Secretary's Office is committed to assisting all parties to workers' compensation claims in a professional manner through informed administrative rulings, consistent processes, and prompt and courteous communication.

About the Executive Secretary's Office

The Executive Secretary's Office handles administrative review of issues for the Industrial Commission. This office is responsible for the review and approval or disapproval of the vast majority of Compromise Settlement Agreements filed with the Industrial Commission. This section is responsible for reviewing and deciding Form 24 Applications to Terminate or Suspend Payment of Compensation and Form 23 Applications to Reinstate Payment of Disability Compensation. Telephone hearings are often held in regard to these applications. In addition, Orders are issued after review of Administrative Motions, Third Party Settlements, and a variety of other issues.

Orders on Compromise Settlement Agreements	9,821
Orders on Third Party Distributions	696
Orders/Dispositions on Form 24 Applications to Terminate or Suspend Payment of Compensation	1,860
Orders/Dispositions on Form 23 Applications to Reinstate Payment of Disability Compensation	218
Orders on Medical Motions	2,310
Orders/Dispositions on Administrative Motions	3,145
Total Orders/Dispositions[20]	**18,050**
Total Number of Calls and Voicemails Answered by Executive Secretary's Assistant	1,908
Certified Copies of Files	18

REPORT PURSUANT TO N.C. GEN. STAT. § 97-78(g)(2) REGARDING EXPEDITIOUS RESOLUTION OF DISPUTES FOR MEDICAL COMPENSATION

The Executive Secretary's Office issued 2,310 Orders on Medical Motions for FY 2016-17, one of which was filed more than 75 days after the filing of the motion requesting relief. The motion was filed on January 23, 2017, and an Order was issued on June 8, 2017. The delay occurred because the parties informed the Commission that they had reached a settlement of the claim, but no compromise settlement agreement was completed and the parties requested a ruling on the medical motion several months later.

[20] This total figure decreased compared to last fiscal year due to the transfer of responsibility for entry of Orders for attorney withdrawal motions to the Clerk's Office in FY 2015-16.

EXECUTIVE SECRETARY WORKERS' COMPENSATION INFORMATION SPECIALISTS

Mission Statement

The Information Specialists strive to provide callers and visitors with accurate and knowledgeable information in a prompt and courteous manner.

About the Workers' Compensation Information Specialists

The Executive Secretary's Office also includes the Information Specialists Program (formerly the Ombudsman Program), which is operated in accordance with N.C. Gen. Stat. § 97-79(f) to assist claimants who are not represented by an attorney, employers, or other parties in protecting their rights. In addition, the Workers' Compensation Information Specialists can provide information regarding tort claims against State departments and agencies and other matters under the jurisdiction of the Industrial Commission and related statutes and rules.

Number of Calls Answered and Returned (English)	19,645
Number of Calls Answered and Returned (Spanish)	507
Total Calls Answered and Returned (English and Spanish)	20,152
Number of Walk-Ins Assisted	17
Correspondence (letters & e-mails) Answered	1,664
Informational Packets Mailed to Citizens	532

INFORMATION TECHNOLOGY SECTION

Mission Statement

The mission of the Information Technology Section is to support the use of technology as an enabling agent for the work of the Industrial Commission.

About the Information Technology Section

The Information Technology section provides support for the agency's hardware, software, and network connections; develops and implements procedures for technical and operations processes; develops, implements, and upgrades software to support the Industrial Commission's workflows; administers the Industrial Commission's information databases; and provides storage and retrieval of the agency's documents.

Accomplishment Summary for FY 2016-17

- Completed the final phase of implementation of the Electronic Document Filing Portal, which enables external stakeholders to file multiple document types with the Industrial Commission electronically and to pay any associated fees online. Prior to the final phase implementation, 41 document types were accepted for online filing. After the implementation, 263 document types are accepted electronically, and online filing has been made mandatory for nearly all documents. As a consequence, the timeliness and reliability of document processing has increased, while the resulting decrease in paper documents has allowed the Commission to reassign staff to meet other agency needs.

- Implemented information technology infrastructure for the relocation of a regional office transferring from Elizabethtown to Wilmington.

MEDIATION SECTION

Mission Statement

The Mediation Section is responsible for effectively, fairly and efficiently administering the Industrial Commission's mediation program, with the goal of empowering the parties in pending cases to take an active role in the resolution of their disputes, to minimize the need for hearings and appeals, to expedite the dispute resolution process, and to enable the Industrial Commission to devote its adjudicatory resources to those cases not conducive to settlement.

About the Mediation Section

When a claim is contested, the parties are generally referred to mediation as a way of resolving the claim without a formal hearing. When an injured worker is not represented by an attorney, the case usually bypasses mediation. The Mediation Section oversees this process by educating the stakeholders concerning mediation theories and procedures, ruling on any motions related to mediation, ensuring that the parties and mediators adhere to certain timelines, moving the case forward, and submitting the required forms and reports. While the mediators who serve in these cases are generally not state employees, the mediators on the Industrial Commission's approved list must complete a formal mediation training program and be certified by the Dispute Resolution Commission. Pursuant to Rule 04 NCAC 10E .0203, the Mediation Section issues $200.00 fee invoices for the processing of the *Report of Mediator* forms. The Industrial Commission collected $1,647,400 in processing fees for this form in FY 2016-17, which is a 1.79% increase over the prior fiscal year.

Mediation Section Summary for FY 2016-17

Cases Referred to Mediation[21]	9,884
Settlement Rate at Mediation Conferences[22]	73.81%
Overall Settlement Rate	76.06%

[21] Most cases ever referred to mediation in a single fiscal year. More than 8,500 cases were referred to mediation for the 16th straight fiscal year.

[22] Industrial Commission Mediation Program's highest annual settlement rate ever recorded. The program started in 1994.

MEDICAL FEES SECTION

Mission Statement

The Medical Fees Section is committed to providing prompt and efficient service by performing timely and accurate bill processing when needed, answering inquiries regarding the Industrial Commission's Medical Fee Schedule, and assisting with the resolution of medical fee disputes. This section is organized under the Executive Secretary's Office within the Industrial Commission.

About the Medical Fees Section

The Medical Fees Section reviews bills for medical services provided as a result of a workers' compensation claim when a carrier or employer needs assistance. Medical bills are reviewed and adjusted in accordance with the Industrial Commission's Medical Fee Schedule and then returned to the insurance carrier, third-party administrators, or self-insurer handling the claim. The Medical Fees Section also responds to medical bill inquiries, resolves medical fee disputes, and assists in updating the Medical Fee Schedule. In accordance with N.C. Gen. Stat. § 97-26(i), the Industrial Commission has adopted a Medical Provider Fee Dispute Resolution Procedure by Rule 04 NCAC 10A .0614.

Medical Bills Processed

Total Bills Processed[23]	**625**
Inpatient Hospital	243
Physician	373
Miscellaneous, Dental, & Chiropractic	9
Bills Awaiting a Response	0

Summary of Medical Provider Fee Disputes Processed

Total Cases Received	**121**
Paid	50
Resolved, payment pending	19
Referred for legal review	0
Unfounded	48
Closed	0
Pending	4
Amount Paid to Providers following fee dispute resolution (may include payments from disputes filed in prior fiscal years)	$212,634

[23] The decline in total bills processed for the last three fiscal years is the result of a change in Industrial Commission rules allowing carriers and other payers to apply the fee schedule and pay health care providers without first seeking Industrial Commission approval.

MEDICAL REHABILITATION NURSES SECTION

Mission Statement

The North Carolina Industrial Commission Medical Rehabilitation Nurses Section administers the mandatory training courses for Rehabilitation Professionals and collaboratively facilitates and coordinates high quality and effective medical care and rehabilitation such that an injured worker's maximum level of functionality is optimized, both physically and mentally. In FY 2016-17, the Medical Rehabilitation Nurses Section was reorganized under the Executive Secretary's Office within the Industrial Commission.

About the Medical Rehabilitation Nurses Section

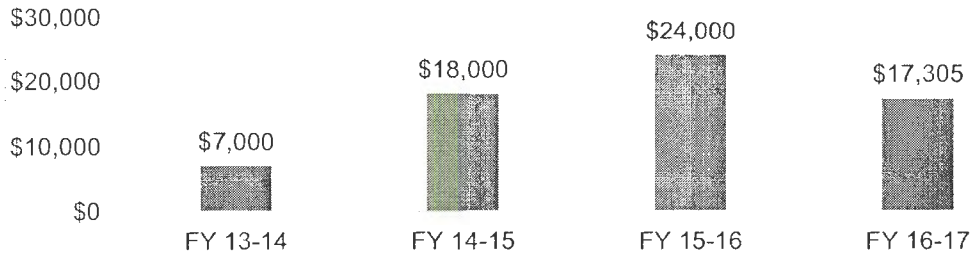
The Nurses Section is responsible for the provision of Industrial Commission's Mandatory Rehabilitation Professional Training, acknowledgment of the Form 25N *Notice of Assignment of Rehabilitation Professional,* and the maintenance of the Industrial Commission's Registry of Workers' Compensation Rehabilitation Professionals. The mandatory training is required for all Rehabilitation Professionals who work on cases in North Carolina. The mandate requires a comprehensive initial training course for all Rehabilitation Professionals and a "refresher" course that must be taken every five years to maintain "Qualified" status.

The Nurses Section is also tasked with providing medical rehabilitation consultative services to a variety of North Carolina workers' compensation audiences, including injured workers, insurance carriers, attorneys, rehabilitation professionals, and health care providers when ordered. The Nurses Section assists with case management and medical rehabilitation needs in the event difficulties interfere with the ongoing progress of returning injured workers to their maximum functional capabilities. The Nurses Section has assisted with a total of 219 cases in FY 2016-17 in addition to the provision of the 22 mandatory training classes.

Nurses Section Summary of FY 2016-17

Total Cases	**219**
Acknowledged Form 25N's (Notice of Assignment of Rehabilitation Professional) [24]	13,676
Rehabilitation Professionals Trained	326

Amount in Fees Collected



[24] Form 25N filings decreased by 7% from FY 2015-16. Effective February 1, 2017 all Form 25N *Notice of Assignment of Rehabilitation Professional* for a claim to which an Industrial Commission File number has been assigned must be submitted electronically via EDFP.

SAFETY EDUCATION SECTION

Mission Statement

The Workers' Compensation Act of 1929 created the Safety Education Section of the North Carolina Industrial Commission. The Safety Education Section is organized under the Compliance and Fraud Investigative Division within the Industrial Commission. Our mission includes education, training, and public outreach to promote safety and accident prevention in the industrial workplace. We strive to help employers reduce injuries and their costs resulting from accidents.

About the Safety Education Section

Our workshops and training sessions provided competent and practical instruction in the area of workplace accident prevention. Workshops and training sessions were specifically designed to meet the production needs of North Carolina companies. The Commission identified that the training function of the Commission had been supplanted by classes offered by other agencies and private businesses that could better meet the statewide needs of our customers given our limited capabilities with a single instructor. In January 2017, the sole remaining Industrial Commission Safety Trainer retired. In FY 2016-17, our staff trained approximately 1,051 employees and collected over $27,000 in fees.

Industrial Commission

Street Address: 430 N. Salisbury Street, Raleigh, North Carolina 27603
Mailing Address: 4340 Mail Service Center, Raleigh, North Carolina 27699-4340
Phone: 919-807-2501

WWW.IC.NC.GOV

Committee Sergeants at Arms

NAME OF COMMITTEE Joint Legislative Oversight Committee on General Government

DATE: 10/03/2017 Room: 544

House Sgt-At Arms:

1. Name: Warren Hawkins
2. Name: Doug Harris
3. Name: Malachi McCullough, Jr
4. Name:
5. Name:

Senate Sgt-At Arms:

1. Name: Tom Burroughs
2. Name: Terry Edmondson
3. Name: Becky Myrick
4. Name:
5. Name:

VISITOR REGISTRATION SHEET

JLOC General Government — October 3, 2017

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Susanna Davis	OSHR
Charlton Allen	NC Industrial Comm.
BENNIE HIREN	DOI
[illegible]	NC Industrial Commission
Charles Duckett	Industrial Commission
John Cox	DOA/State Property Office
TRAVIS FAIN	WRAL
Ken Melton	KMA.
Rose Williams	NCLM

VISITOR REGISTRATION SHEET

JLOC General Government — October 3, 2017

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Kathy Edwards	State Board of Elections and Ethics Enforcement
Pat Gannon	Elections & Ethics
Brian Neesby	Elections & Ethics
Kim Strach	Elections & Ethics
Kaitlyn Love	Elections & Ethics
Josh Lawson	Elections & Ethics
JOHN BALDWIN	Insurance
George Robinson	DOI
Meghan Cook	DOI
Will Parry-Hill	NCHFA
Ken Wright	NC DOR

VISITOR REGISTRATION SHEET

JLOC General Government — October 3, 2017

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Linda Worth	OAH
Prahba V	OAH
Lamont Goins	OAH
Providence HAKIZIMANA	OSBM
Erin Dickmeyer	OSBM
MARQUETA WELTON	DOA
Bill Rowe	NC Justice Center
MARK EDWARDS	DOA
TIM WALTON	DOA

VISITOR REGISTRATION SHEET

JLOC General Government — October 3, 2017

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sharon Edmundson	Dept. of State Treasurer
Greg C Gaskins	" "
Starnes	OST
Cindy Aiken	Dept State Treasurer
[illegible]	SCANC
Katie Hanley	PDA
Christy Agner	PDA
Leo John	SOS
Mike Arnold	SOS
Molly Masich	OAH
Julian Mann	OAH

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT
Tuesday, November 7, 2017 at 9:00 AM
LOB 544

The Joint Legislative Oversight Committee on General Government met on Tuesday, November 7, 2017, at 9:00 AM. The meeting was held in Room 544 of the Legislative Office Building. Senators present were: Alexander, D. Davis, and Horner. Senators Barringer, Tarte, and Woodard had excused absences. House members present were: Brody, Cleveland, Floyd, Lewis, Ross, and Yarborough. Representative Ford had an excused absence. Staff members Cara Bridges, Amy Darden, Chris Hearley, Lisa Hollowell, Gayle Moses, Bill Patterson, and Myra Torain were in attendance. The Committee Clerk was Polly Riddell. Attached to the Minutes are the lists of the Sergeants at Arms and the Visitor Registration Log for agency representatives and public visitors.

Rep. Dennis Riddell, Chair, presided.

Rep. Riddell called the meeting to order at 9:00 AM, welcomed everyone, and recognized all Chairs, Committee Staff Members and Sergeant at Arms.

Lisa Hollowell gave a short introduction for the NC Division of Military and Veterans Affairs explaining that the department received a $530,000 increase last session to expand scholarships, adjust eligibility for, and ensure that applicants have all possible scholarships available to them. Secretary Larry Hall commented on the department's current process of transitioning from actual hard copy applications to electronic applications stating that it would be quicker and better able the Division to determine whether applicants finish their education. He then asked Assistant Secretary James Prosser to present how the department was utilizing the funds. Assistant Secretary Prosser presented a breakdown of the classes of scholarships. He also presented an overview of the number of applicants and recipients as well as the actual expenditures for the past five years. There was no discussion.

Minutes for the October 3, 2017 meeting were approved at this time.

Danny Stutzman reported on the Office of State Human Resources Update of Temporary Solutions. Their mission is to provide temporary staffing services to state government in a way that saves the state money and time. Sen. Alexander asked for an explanation of the $666,000 paid in unemployment benefits to temporary employees. Mr. Stutzman informed the committee that when a temporary employee is hired it is for a predetermined amount of time and when that period of employment ends they are eligible for unemployment benefits. Benefits are based on

the last quarter's amount of employment. Temporary Solutions tries to place them in other positions to avoid unemployment benefits being paid out. Rep. Floyd questioned why some agencies have a high number of temporary needs. The size of the agency is a large factor according to Stutzman. Sen. Horner recognized a positive fund balance over the last 15 months. Stutzman attributed this to a different mindset and implementing automation. Change started with executive order 4 from the previous governor. Stutzman expressed this should operate like a business and intends to continue improvements.

State Auditor Beth Wood presented an audit report on the seized vehicle program. The Dept. of Administration's State Surplus Property, who oversees the program, was trying to assess contractor performance, and was having difficulty with one contractor providing information about vehicles. DOA then requested review of the program by the Auditor's Office to determine whether contractors operated the program within the state regulations. OSA's audit determined that 234 vehicles, having a value of $634,000, were unaccounted for with Martin Edwards & Associates being responsible for 221 and Eastway responsible for 13. Auditor Wood said Department of Public Instruction did not effectively monitor this program which resulted in this discrepancy. Sen. Alexander asked if mileage is recorded when a vehicle is taken in and sold or returned through the program and Auditor Wood answered it is not recorded on the seized vehicle list. Sen Alexander wondered if the state is liable for the $634,000 worth of vehicles that are missing. Auditor Wood clarified they are not missing, but the contractor could not provide documentation, per the contract, of what happened to the vehicles. Rep. Floyd queried when a vehicle can be auctioned. Auditor Wood answered when it is forfeited to the state. Rep. Floyd then suggested that the cars may be more valuable for parts and that, possibly, there is a lack of respect for the state's policies. Rep. Lewis questioned how many cars were still unaccounted for. Auditor Wood was unsure since DMV is in the process of searching for them. Rep. Lewis requested a letter be distributed and entered into the record which would show the cars accounted for. Chairman Riddell permitted this. Auditor Wood questioned the documentation of the letter. Rep. Lewis requested to hear from a representative of Martin Edwards and Associates and the request was granted with a 3 minute limit. Alexander P. Sands spoke on behalf of Martin Edwards and Associates. Rep. Lewis questioned the professionalism of the audit and requested a revisiting of this issue. Auditor Wood restated the purpose of the audit to be assessment of contractor performance in keeping and providing documentation. She is concerned that there is a door open for abuse because DPI has not had an eye on it for years and the controls are not there. Rep. Lewis made final comments and Chairman Riddell suspended further discussion until a later meeting.

Cara Bridges, from the Fiscal Research Division, apprised the committee of the legislative changes that have occurred in the last year that effect DOA and the Council for Women. Effective July 1, 2017 and every fiscal year after, DOA is required to send contracts to grantees within 10 days of the certified budget. DOA and the Council for Women also must now report quarterly on distribution of grants to the General Government Committee Appropriations Chairs within 5 day of the distribution. Katie Stanley, legislative liaison, from Department of Administration, presented the quarterly distribution report for the domestic violence grantees from the Council for Women. All contracts were sent out within the 10 day requirement and all

agencies have received the first quarter disbursements including 104 domestic violence agency grantees and 100 sexual assault agency grantees within the required time frame. Mary Williams-Stover provided an overview of how they are approaching disbursement and oversight of state funds for domestic violence centers. The process is very paper and labor intensive, but the agency is seeking an online process to be more effective. Rep. Cleveland expressed concern that grantees are having to provide a record of monies spent in order to receive funds. Williams-Stover explained that the process requires a show of expenditure to receive funds, but it is expected for them to be minimal at first and it is required in the process. Rep. Cleveland queried if the second quarter began in October, should not the payments be made at the beginning of the quarter? Williams-Stover answered that the process is slow to individually review over 204 reports to assure the funds are appropriately being used. Rep. Cleveland expressed concern that waiting to disperse funds would be detrimental to the agencies. Rep. Floyd requested a list of the 204 agencies and Katie Stanly will provide that to the committee. Floyd also asked how agencies keep going until they receive funds. Williams-Stover explained that state funds are 25% of the funds for agencies and other sources help them as well. Rep. Brody asked if agencies get weighted for funds received based on their ability to raise other funds. The funds are dispersed equally to all agencies according to statute.

Angela Altice from the Department of Revenue gave an update on the Rocky Mount and Guilford call centers. They try to maintain an 80% first call resolution rate but at present are at 86.3%. Sen. Alexander asked where the new Rocky Mount call center will be located and Altice said it won't be far from the current site. Jocelyn Andrews of DOR gave an update on background checks and criminal records on all employees and temporaries in compliance with FBI requirements. They now have a policy including FBI fingerprinting, local criminal history, and checking of citizenship and residency.

Charles Perusse, Director from the Office of State Budget and Management, presented the Funds to Non-State Entities and Use of Lapsed Salary report. The contract/disbursement steps are most important in preventing misuse of funds disbursed to non-state entities. Approximately 90% of lapsed salary monies generated are reallocated to hire temporary employees. OSBM is working on Results First based policy and excited to be on the leading edge of this initiative. Utah, Minnesota, and Washington state are effectively leading in this, so we are watching what they do. No need to reinvent the wheel. In OSBM we are working on our Common Sense Government initiative to reduce red tape and streamline processes. Rep. Cleveland asked if OSBM has a blanket contract and Perusse responded that they do. Rep. Cleveland requested a copy of the contract and Perusse agreed to send one. Rep. Brody expressed concern that the lapsed salary funds had been appropriated for a specific purpose and should go back to the general fund instead of an agency deciding what to do with it. Director Perusse explained that of the $350 million bucket, 34.3 million or 9.5% is lapsed salaries. $15.4 million has been reallocated and of that, 11 million is appropriated. So, approximately 19 million was unspent and was returned to the general fund. Rep. Brody continued that his district had a need within the community college and that 15 million could have been used. Others may have a more important need. Rep. Cleveland commented that the lapsed salary fund seems like a slush fund

and is not representative of honest budgeting. He would rather give the agencies a contingency fund.

There being no further business, the meeting adjourned at 11:37 AM.

Rep. Dennis Riddell, Chair
Presiding

Polly Riddell, Committee Clerk

NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

October 20, 2017

MEMORANDUM

TO: Members, Joint Legislative Oversight Committee on General Government
FROM: Sen. John M. Alexander, Co-Chair
Rep. George G. Cleveland, Co-Chair
Rep. Dennis P. Riddell, Co-Chair

SUBJECT: Meeting Notice

The **Joint Legislative Oversight Committee on General Government** will meet at the following time:

DAY	DATE	TIME	LOCATION
Tuesday	November 7, 2017	9:00 AM	544 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting http://www.ncleg.net/graphics/downtownmap.pdf.

If you are unable to attend or have any questions concerning this meeting, please contact Polly Riddell at riddellla@ncleg.net.

cc: Committee Record _X_
Interested Parties _X_

Joint Legislative Oversight Committee on General Government
November 7, 2017; 9:00 AM
LOB 544
Agenda

Chairs
Rep. Dennis Riddell, presiding
Sen. John Alexander
Rep. George Cleveland

Children of War Veterans' Scholarships	Larry Hall, Secretary Department of Military and Veterans Affairs James Prosser, Assistant Secretary Division of Veterans Affairs Angela Heilig, Scholarship Coordinator
Temporary Solutions Report	Danny Stutzman, Temporary Solutions Program Manager, OSHR
DWI Seized Vehicles Audit	Beth Wood, North Carolina State Auditor
Division of Motor Vehicles Response	Torre Jessup, Commissioner NCDOT, Division of Motor Vehicles
Department of Administration Response	Robert Riddle, State Surplus Director, DOA
Council for Women – Grants Administration Department of Administration	Katie Stanley, Legislative Liaison, DOA Mary Williams-Stover, Council for Women Director, DOA
Department of Revenue Rocky Mount and Guilford Call Centers	Angela Altice, Assistant Secretary for Business Services and Support, DOR
Compliance with changes to IRS Background Checks	Jocelyn Andrews, Chief Operating Officer Department of Revenue
Use of Lapsed Salary Report Grants Administration Process/Oversight Office Organization	Charles Perusse, Director Office of State Budget and Management

Department of Military and Veterans Affairs (DMVA)

Scholarship Presentation by:

Mr. James Prosser, Assistant Secretary for DMVA

To

General Government Oversight Committee

November 7, 2017

ATTACHMENT 1

NORTH CAROLINA DIVISION OF VETERANS AFFAIRS SCHOLARSHIP SUMMARY

In appreciation for the service and sacrifices of North Carolina's war veterans, a four-year scholarship program at North Carolina approved schools has been established for the qualifying children of certain class or category of deceased, disabled, combat, or POW/MIA veterans.

Class or Category of	Principal Eligibility Requirements (1) (Highly Condensed)	Number Allowed Each Year	Duration	In Public, Community & Technical	In Private College & Junior Colleges
Class I-A	Veteran parent killed or dies in w artime service or dies as a result of service-connected condition incurred in w artime service as defined by law	No Limit -as many as qualify	Four academic years if used w ithin 8 years	(1) Free Tuition (2) A room allow ance (3) A Board allow ance (4) Exemption from certain mandatory fees set forth in the law .	$7,000 per nine-month academic year
Class I-B	Veteran parent rated by USDVA as 100% disabled due to w artime service as defined in the law , and currently or at time of death draw ing compensation for such disability	No Limit -as many as qualify	Four academic years if used w ithin 8 years	(1) Free Tuition (2) Exemption from certain mandatory fees set forth in the law .	$2,800 per nine-month academic Year
Class II	Veteran parent rated by USDVA as much as 20% but less than 100% disabled due to w artime service as defined in the law , or w as aw arded the Purple Heart for w ounds received	No more than 100 per year - Must be received in the Director's Office on or before February 14.	Four academic years if used w ithin 8 years	(1) Free Tuition (2) A room allow ance (3) A Board allow ance (4) Exemption from certain mandatory fees set forth in the law .	$7,000 per nine-month academic year
Residency Requirements: (1) At time of application, applicant must be under age 25; a resident and Domiciled in North Carolina; **(2)** Veteran parent w as a legal resident of North Carolina at the time of said veteran's entrance into that period of service in the armed forces during w hich eligibility is established; **OR (3)** The applicant is the natural child or adopted child prior to age 15, w ho w as born in North Carolina and has been a resident of North Carolina continuously since birth.					

Class or Category of	Principal Eligibility Requirements (1) (Highly Condensed)	Number Allowed Each Year	Duration	In Public, Community & Technical	In Private College & Junior Colleges
Class III	**A.** Veteran parent is or was at time of death drawing pension for total and permanent disability as rated by the USDVA, or **B.** Veteran parent is a deceased war veteran who was honorably discharged and who does not qualify under any other provision within this synopsis, or **C.** Served in a combat zone or waters adjacent to a combat zone and received a campaign badge or medal and who does not qualify under any other provision with this synopsis.	No more than 100 per year - Must be received in the Director's Office on or before February 14.	Four academic years if used within 8 years	(1) Free Tuition (2) A room allowance (3) A Board allowance (4) Exemption from certain mandatory fees set forth in the law.	$7,000 per nine-month academic year
Class IV	Veteran parent was a Prisoner of War or Missing In Action	No Limit -as many as qualify	Four academic years if used within 8 years	(1) Free Tuition (2) A room allowance (3) A Board allowance (4) Exemption from certain mandatory fees set forth in the law.	$7,000 per nine-month academic year

NOTE (1): For definition of an eligible veteran and eligible child, common to all eligibility classes, as well as other details, refer to the full text of the law.
NOTE (2): Provision exempts books, computers and supplies (G.S. 143B, Article 14).
NOTE (3): Classes IA, IB, & IV must be rec'd in Director's Office on/before December 1 to be awarded on January 1; or June 1 to be awarded July 1st.

Qualifying Criteria for Veteran Parent:
The veteran's qualifying criteria must have occurred during a period of war. (Exception: Eligibility may exist for peacetime veterans or reservists/National Guard if disability or death was incurred as a result of armed conflict or while engaged in extra-hazardous service.)
1. Dies during wartime service or service connected death (1); or
2. 100% totally disabled due to war time disability (1); or
3. 20-90% service connected or received Purple Heart due to war time disability (2); or
4. In receipt of non-service connected pension, or received campaign medal, or veteran parent is deceased (2); or
5. Former POW or MIA (1)

Award Scholarships only on 1 Jan and 1 July - not retroactive - all classes

All programs will be funded at the lessor rate - undergraduate rate - all classes

Number of Applicants and Recipients for the Past Five Years

	2012	2013	2014	2015	2016	2017
Scholarships Received	631	694	629	516	545	477
Awarded						
I-A	30	34	19	19	15	18
I-B	134	124	110	114	149	152
II	100	99	99	100	98	96
III	100	97	97	92	93	96
IV	0	0	0	0	0	0
Note: 2017 applicants will increase. We are in the process of migrating scholarships to the new program and do not have an accurate total to date. Also, we will continue to receive applications through December 31, 2017.						

Actual Expenditures for past five years

General Government Oversight Committee Actual Expenditures (past five years)			
Fiscal Year	536K10	536811	536810
	Escheat	Appropriations Public Schools	Appropriations Private School
FY 2013	$6,520,964.00	$3,263,192.40	$367,082.00
FY 2014	$6,933,784.15	$2,190,831.45	$370,750.00
FY 2015	$5,834,723.00	$1,895,670.68	$314,446.68
FY 2016	$7,258,836.00	$1,062,238.00	$359,250.00
FY 2017	$6,502,090.78	$2,359,183.02	$340,500.00

Note: FY 2016 was the transition year from DOA to DMVA and actual expenditures were not coded accurately. Some 536811 funds were incorrectly posted to 536K10.

Planned use of the Additional funds appropriated for FY 2017-2018

- First, thanks for the additional funding for the scholarship program.
- As you are aware, the additional funding requested in Governor Cooper's budget was to restore room and board allowance.
- The House budget included the escheat money required to restore room and board allowance to our Class II and Class III scholarships.
- The final appropriations bill did not include any additional funding from Escheats.
- We will return in the short session requesting an additional $1,500,000 in escheats funding. (recurring)
- The next slide will provide the breakdown of the additional funds appropriated for FY 2017-2018 as approved by the North Carolina Veterans Commission.

Planned use of the Additional funds appropriated for FY 2017-2018

Our plan is detailed below. The Veterans Commission approved to encumber $298,000 in hopes of receiving necessary escheat funding in the short session. The remaining balance will be used to increase private school rates. These rates were last increased in 1987.

FY 2017-2018 Budget Scholarship Program				
Appropriations increase (recurring) $536,443				
	Room & Bd.	Fy 2016-2017 Students		Increase needed
	$4,140.00	72		$298,080.00
Private Colleges				
	Students	Current Cost	Increase cost	Proposed cost
	FY 2014-2015	$4500/$1500	$2500/$1300	$7000/$2800
Totals	119	$445,500.00	$261,500.00	$707,000.00
	Appropriation	Class IA Encumbered	Remaining Balance	$2500/$1300
	$536,443.00	$298,080.00	$238,363.00	-$23,137.00
Reviewed past five years for student population and picked highest number attending private schools for greatest impact				

Session Law 2017-57, Section 19.2 (b)

DMVA plans to implement the following policy regarding amended G.S. 143B-1224. Definitions (7) "Veteran" "allows for active duty veterans who have completed one enlistment or fulfilled initial contract for eligibility to the scholarship program"

Officers and enlisted personnel will be eligible. We will require the following documents to ensure meeting other requirements of the statute, i.e. residency.

The applicant's veteran parent will be required to submit with the application the following documents:

Commission Officers

- Commission Officers shall submit a copy of their initial contract;
- A military I.D. card to ensure officer has fulfilled active duty initial contract.

Enlisted Service Members

- Enlisted members shall submit a copy of initial enlistment contract;
- To prove completed initial enlistment, active duty member shall submit a copy of reenlistment papers.

Session Law 2017-57, Section 19.2 (b)

DMVA plans to implement the following policy regarding amended G.S. 143B-1226. Classes or categories of eligibility under which scholarships may be awarded.

- DMVA does not plan to make any changes to Class IB. Class IB is an automatic scholarship and must be awarded if all statutory criteria is met.
- DMVA will track all competitive scholarships, Class II and Class III, and will make recommendations to the Commission for selection with priority as stipulated in Administrative rule **01 NCAC 26B .0106, (3) (a), (b), and (c). Example: if an applicant has eligibility in both class II and class III, that applicant will be assured consideration under both classes with the priority given to the greater financial need, scholastic ability (GPA, rigor, and SAT or ACT), and** character, reputation, industry, accomplishments, and handicaps (if any) of the eligible child.

Session Law 2017-57, Section 19.2 (b)

DMVA requests either a technical amendment or statutory amendment to G.S. 143B-1226 (b) 4 (b) and (c). There is a statutory conflict with the new amendment section 143B-1226 (a) "…A child may be considered for a scholarship under more than one eligibility class…"

The following should be deleted in current statute section 143B – 1226 (4) b and c.

b. Is deceased ~~and who does not fall within the provisions of any other eligibility class described in G.S. 143-1226(1), (2), (3), (4)a., nor (5).~~

c. …authorizes a campaign badge or medal, ~~"…who does not fall within the provisions of any other class described in G.S. 143B-126(1), (2), (3), (4)a., or (5)."~~

Questions and Answers

NC OFFICE OF STATE HUMAN RESOURCES

NORTH CAROLINA
OFFICE OF STATE HUMAN RESOURCES

Barbara Gibson, Director

General Government Oversight Committee

State Human Resources Update of Temporary Solutions

November 7, 2017



ATTACHMENT 2

Temporary Solutions Mission Statement

To provide temporary staffing service to state government exclusively in a time efficient and cost effective manner, enabling significant savings to the State.



Temporary Solutions
Background



- Established: 1986
- Administration fee of $2/hour covers:
  - Recruitment/Selection
  - Classification/Compensation
  - HR Policy Compliance
  - Employment Data/Payroll Processing
  - Affordable Healthcare Act Enrollment
  - Unemployment Benefits (December 2016 payment: $666,740)
  - $1 Monthly Fee for NCIDs Assigned to Temporary Employees

And all operational expenses:

- Salary and Benefits for 18 FTE Temporary Solutions Staff Members
- Facility Lease
- Data Management System

Temporary Solutions
Expansion

Section 26.2(e) of House Bill 97, Session Law 2015-241 added 126.6.3 to Chapter 126 and requires Temporary Employment needs of the state to be met through the Temporary Solutions Program

- Temporary Solutions Program expanded by:
  1. Transferring temporary employees at Council of State agencies to Temporary Solutions
     - Approximately 1,033 active positions
  2. Converting Personal Service Contracts (PSC) to Temporary Solutions positions
     - Per a Program Evaluation Division report, approximately 32% of the 462 PSCs reported to OSBM in FY 12-13 should have been temporary positions*

*This figure does not include PSCs under $25K that were not required to be reported to OSBM.

Temporary Solutions
Expansion continued



All temporaries have been transitioned to Temporary Solutions minus those exceptions that have been granted by the Human Resources Director.

- Per § 126-4(19), a formalized process for annual review of exception requests was implemented in October 2017.

Examples of Approved Exceptions:

- Seasonal temporaries
  - Revenue – Tax Season
  - Agriculture – State Fair
  - Natural & Cultural Resources – Parks, Aquarium, Zoo & Museums
- DOT – Federal funded (HTF) positions
- State Treasurer, DHHS, & DPS
  - External staffing companies approved for unique & hard to fill positions
- Public Safety
  - Prison Industries Enhancement Program
  - Certified positions (Officers/Guards)

Temporary Solutions



Boards & Commissions

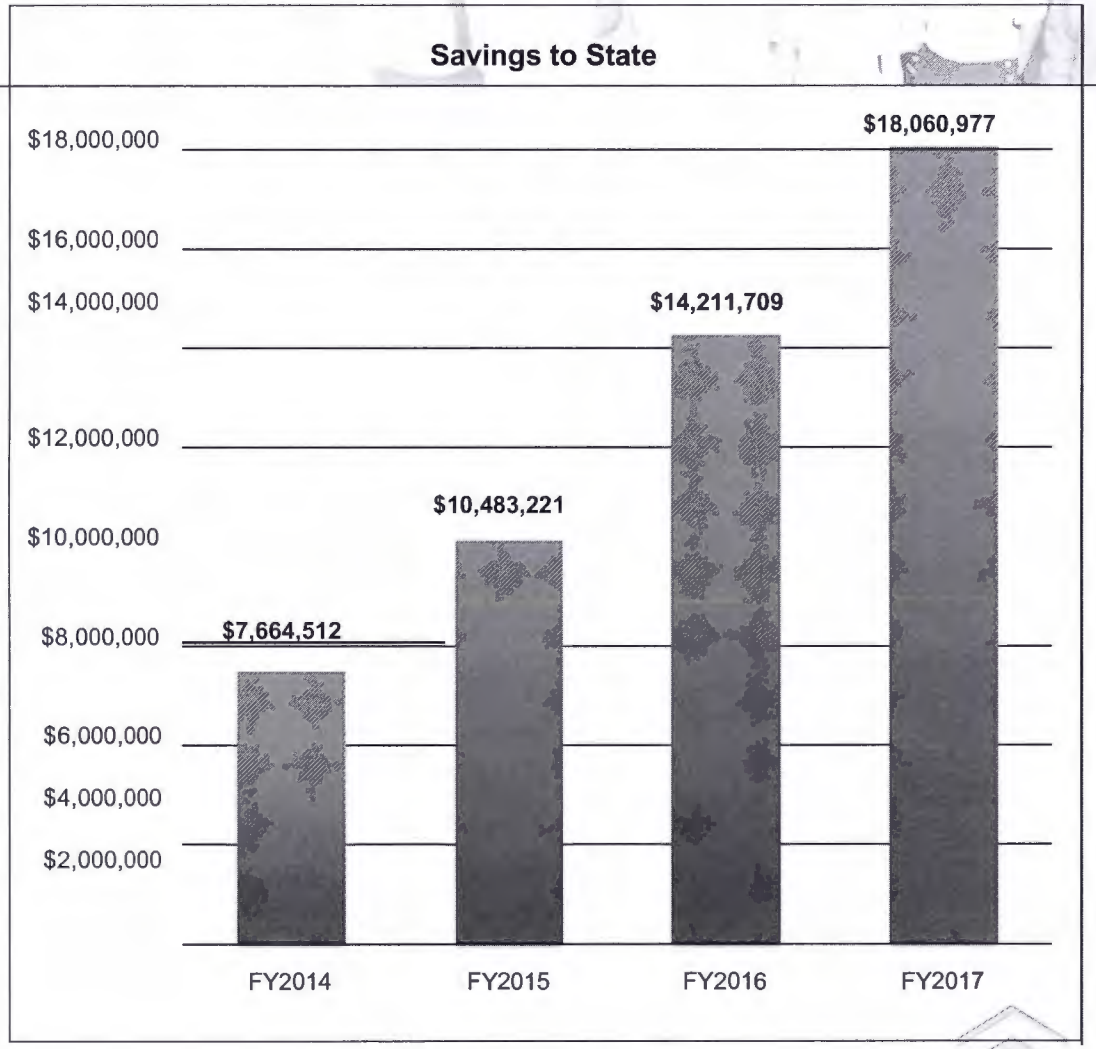
As of January 1, 2017, the IRS has issued an advisory opinion that board and commission members who receive a stipend or per diem are employees for employment tax purposes. Payments to these individuals are subject to income tax and social security/Medicare tax withholding. **These changes require all compensation paid to board and commission members to be reported on IRS Form W- 2 instead of IRS Form 1099 for tax year 2017 and forward.**

Board Members

- Must complete the Employment Eligibility Verification Form (I-9) and be E-verified
- Per IRS, should be paid via payroll and subject to tax, social security/Medicare taxes (for further details regarding this subject, please contact the Office of State Controller)
- Subject to the Workers' Compensation Act

Temporary Solutions

- Agencies that acquire temporary employees through private staffing firms typically pay fees equal to approximately 25% of the wages earned by the employees.
- Temporary Solutions charges agencies only $2.00 per hour worked by the temporary employees.
- This provides significant savings to the state. Over the past four years, agencies have increasing used Temporary Solutions to acquire the temporary help that they need.
- Increased savings.



Temporary Solutions

Temporary Employment:

On June 30, 2017, State agencies employed a total of 5,834 temporary employees. As shown in this chart, temporary employees within State agencies are currently hired directly by the agency, provided by Temporary Solutions, or provided by a private staffing company.

Agency	NUMBER OF TEMPORARY EMPLOYEES... Hired directly by agency (In BEACON)	Provided by Temporary Solutions	Provided by private staffing firms	By agency
Administration	83	66		149
Administrative Office of Courts		2		2
Office of Administrative Hearings	15	7		22
Agriculture	223	72	526*	821
Boards & Commissions		10		10
Commerce		147		147
Community Colleges	12	6		18
Environmental Quality		128		128
Governor's Office		7		7
Health & Human Services	3	1123	34	1160
Information Technology		23		23
Insurance	1	14		15
Justice		52	11	63
Labor		6		6
NC Education Lottery		14		14
Natural & Cultural Resources	72	103		175
Public Instruction		1169	67	1236
Public Safety	60	574		634
Revenue	33	123		156
Secretary of State		16		16
State Auditor		1		1
State Budget & Management		9		9
State Controller		7		7
State Human Resources		20		20
State Treasurer		74	18	92
Transportation	640	141		781
Wildlife		112		112
Military & Veterans Affairs		10		10
Totals	**1142**	**4036**	**656**	**5834**

Includes temporary employees hired directly by the agency but paid on an agency internal payroll system not BEACON

Temporary Solutions



- Key Accomplishments:
  - For those BEACON agencies, temporaries now can key their time and have their supervisor approve it in the system.
  - Automated online job order entry portal for agencies (This allows the customer to put in the funding code and invoices will come pre-coded for payment processing.)
  - Expanding the recruitment services to outside the Triangle area, focusing on the more rural area recruitment needs.
  - Temporary Solutions has maintained a positive fund balance for the last 14 months!!!

Temporary Solutions



Questions

?

?

?

STATE OF NORTH CAROLINA
OFFICE OF THE STATE AUDITOR
BETH A. WOOD, CPA






DWI/ FELONY SPEEDING TO ELUDE VEHICLE SEIZURE PROGRAM

PRESENTATION TO THE JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT

NOVEMBER 7, 2017

NCOS
The Taxpayers' Watch

ATTACHMENT 3

Initiation of the Audit

- The Department of Public Instruction was responsible for the Program from December 1, 1997 to February 29, 2016.
- The Program was moved to the Department of Administration's State Surplus Property Agency as of March 1, 2016.
- Then DOA Secretary Kathryn Johnston requested OSA review the program.

General Statute

North Carolina General Statute 20-28 sets forth the guidelines for the Program and authorizes State Agencies to enter into and administer contracts for towing, storing, processing, maintaining, and selling vehicles seized by law enforcement.

Contract with the State

Contract terms required Program contractors to tow, store, process, maintain, and sell vehicles seized under North Carolina's DWI law. According to the contract:

- "Contractor shall be responsible for the safety of the motor vehicles in their custody and control"
- "Contractor shall provide DPI, on the 1st of each month, a computerized up-to-date inventory of all motor vehicles in their custody and control"
- "Contractor shall notify DPI not less than 20 days prior to the sale of the forfeited vehicle"
- "Contractor shall provide DPI with a copy of each bill of sale at the end of each sale"

Vehicle Seizure Process

- Local law enforcement physically seizes a vehicle and the magistrate issues an order of seizure
- Local law enforcement reports the information to DMV and a hold is placed on vehicle's registration
- The vehicle would then appear on DMV's daily seized vehicle report
- Contractor has the responsibility to take possession within 2-5 business days

Vehicle Seizure Process

Per the contract, these vehicles should be either:

- Auctioned by contractor
- Held in contractor storage
- Returned to owner

Audit Objective/Scope

- The objective of this audit was to determine whether private contractors operated the DWI/Felony Speeding to Elude Vehicle Seizure Program (Program) in accordance with contract terms and state regulations.
- The audit scope included a review of Program activities between July 1, 2011, and June 30, 2016 **AND** vehicles seized between July 1, 2013, and June 30,2016.

Findings

Contractors Cannot Account for 234 Vehicles

As a result, the state has no way of knowing what happened to approximately $634,000 of seized vehicles, including whether or not contractors inappropriately kept or auctioned these vehicles for their own profit.

Findings

Contractor	Total Seized Vehicles	Total Unaccounted for Vehicles	Vehicle Value
Martin Edwards & Associates, Inc.	4,772	221	$594,800
Eastway	4,018	13	$39,150
Total		**234**	**$633,950**

Findings

<u>Caused by Lack of Departmental Priority and Oversight</u>

DPI did not effectively monitor the Program in two key areas:

- DPI did not attempt to validate the contractor's inventory reports for completeness by comparing them to DMV records.
- DPI did not reconcile the contractor's inventory reports from one month to the next.

Recommendations

- The Department of Administration should monitor contractor performance on a regular basis and follow-up on any matters of noncompliance.
- The Department of Administration should determine to what extent the contractors are able to provide these services under current and future state contracts.

Matters for Further Consideration

Martin Edwards and Associates, Inc.

Actively Hindered the Audit

DOA should consider if the State should continue to contract with Martin Edwards and Associates, Inc. (MEA). MEA was uncooperative and actively presented scope limitations to auditors. For example, MEA:

- Tried to Refuse a State Auditor Subpoena.
- Was Unwilling to Produce Documentation Requested by Auditors.
- Had Poor Recordkeeping and Could Not Produce Over 440 Documents.

Matters for Further Consideration

Title Holds Not Placed on Seized Vehicles on a Timely Basis

The Basic Law Enforcement Training Curriculum should include a course that trains law enforcement officers on the DMV notification requirement for the DWI/Felony Speeding to Elude Vehicle Seizure Program.

Questions

ATTACHMENT #4

NEXSEN|PRUET

October 24, 2017

VIA U.S. MAIL
Beth A. Wood
Office of the State Auditor
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

Re: Martin Edwards/Eastway State Audit

Dear State Auditor Wood:

As you know, our firm represents Martin Edwards and Associates ("MEA") and Eastway Wrecker Service of Charlotte ("Eastway") (collectively, "our Clients"). This letter is in response to the Audit Report entitled "DWI/Felony Speeding to Elude Vehicle Seizure Program" (hereinafter, "Report"). We were disappointed that you chose to publicly release the Report before giving our Clients an opportunity to fully respond. We are puzzled as to why your Office released the Report, and made public statements, before giving us an opportunity to address your auditors' questions or concerns. Such an opportunity would have avoided the dissemination of multiple inaccurate and misleading statements. Now that we have obtained a copy of the Report (which appears to have been leaked to the media prior to its official publication), we have reviewed the Report and our Clients' records, which show that the Report, and your public statements, contain multiple inaccurate and misleading statements that impugn the reputation of our Clients. Contrary to your General Counsel's letter, we did not make any "untrue" statements, and the records prove it.

The audit was flawed from the beginning because the scope of your audit was inconsistent with the objective of the audit. As noted in the Report, the "objective" of your audit was to determine whether our Clients "operated…in accordance with the contract terms and state regulations." Section 2.2(f) of our Clients' contracts state

Charleston
Charlotte
Columbia
Greensboro
Greenville
Hilton Head
Myrtle Beach
Raleigh

150 Fayetteville Street
Suite 1140
Raleigh, NC 27601
www.nexsenpruet.com

T 919.573.7444
F 919.573.7451
Nexsen Pruet, PLLC
Attorneys and Counselors at Law

that the contracting parties are only required to retain records on seized vehicles for three years. However, as noted in the Report, the scope of your audit exceeded three years, and instead, covered a five-year period. As such, the scope of your audit was unreasonably and arbitrarily over broad.

Moreover, in accordance with Section 2.2(f), our Clients have maintained records for the vehicles they have seized during the applicable retention period. However, the volume of records required to be retained by our Clients is burdensome, so much so that it slowed their computer systems. Since our Clients were advised by their technology personnel to purge unnecessary records, our Clients periodically purge any records outside the applicable document retention period. Some of the documents requested by your office fell outside that document retention period, and as such, were not produced to your Office.

Despite stating in the "methodology" section of the Report that your "auditors interviewed personnel," your Office failed to request a single interview of any individual from MEA. On four separate occasions, our Firm told representatives of your office that our Clients would cooperate with your auditors. However, your auditors chose not to interview them, and instead, published an inaccurate and misleading Report. Such actions raise concerns that the audit may have been motivated by ulterior motives related to this public/private program.

In the "findings" section of the Report, you stated "Auditors performed ***limited procedures*** to determine the status and location of these vehicles. However, auditors were ***unable to make a clear determination***. Information contained in reports and documentation...from the Division of Motor Vehicles (DMV), Contractors, and other external sources was not consistent and therefore ***could not be relied upon to make conclusions***." We find it puzzling that you acknowledged that you only performed a limited audit that could not be relied upon to make conclusions, yet you "concluded" that 234 vehicles worth $634,000 were "unaccounted for." This statement is an inaccurate and misleading statement. It is clear from the Report that your Office intentionally or recklessly failed to fully investigate the status of, and location of, those vehicles. As such, there is no support for the statement that our Clients cannot account for 234 vehicles.

150 Fayetteville Street
Suite 1140
Raleigh, NC 27601
www.nexsenpruet.com

T 919.573.7444
F 919.573.7451
Nexsen Pruet, PLLC
Attorneys and Counselors at Law

Our Clients can account for all of the vehicles listed in your Report. Eastway accounted for all 13 vehicles attributed to it almost immediately. With respect to MEA, documents addressing the status and location of the vast majority of those vehicles were previously produced to your auditors. Records on 181 of the 221 vehicles attributed to MEA were produced to your office, which is evidenced by the bates-stamps. Records for additional vehicles were either outside the three-year document retention period (and thus, not required to be retained by MEA), or could not be produced because your Office provided inaccurate VIN numbers, or the records do not exist because the vehicle was never seized. Records on all of the vehicles have been produced to the appropriate authorities.

With regard to the Mercedes SLK 350 that you have referenced on several occasions, the information was given to you on January 27, 2017, (Bates# 2534) indicating that on that date, the car was located on our Client's lot in Linden, North Carolina. No one from the Auditor's office attempted to verify that it was or was not there. The vehicle was sold on March 3, 2017, with a representative of the State present. Despite your Office being provided with this information and the vehicle subsequently being auctioned pursuant to law, the "missing Mercedes" was featured prominently and insinuatingly in numerous of your media reports and public presentations.

While your Report states that MEA "hindered the audit," that is not the reality. Prior to attempting to serve the subpoena on MEA, you were advised that they were represented by counsel who had offered to accept the service of the subpoena and cooperate with the investigation and smooth things out between the parties. You rejected this offer, but this rejection was not conveyed to counsel until the precise time your agents once again entered on my client's premises in an attempt to serve the subpoena. The subpoena your Office served on MEA requested thousands of pages of documents on hundreds of cars and expected the documents within one week. After the first production of documents, an auditor from your office responded that "the first document production [was] substantial and made in good faith." Despite our cooperation, unprofessional and overly aggressive tactics were used on behalf of OSA, including: a misleading notice of a judicial hearing, contacting our client directly after knowing they were represented by counsel, setting unreasonable and arbitrary deadlines, justifying these actions by referring to our Clients as "people like

150 Fayetteville Street
Suite 1140
Raleigh, NC 27601
www.nexsenpruet.com

T 919.573.7444
F 919.573.7451
Nexsen Pruet, PLLC
Attorneys and Counselors at Law

that," and using profanity on a phone call with our Client, MEA, prior to issuing a subpoena.

MEA made four productions of documents – producing the documents on a rolling basis as they were located and processed. With each production, our Firm told you "our client stands ready and willing to cooperate with OSA. Any requests for such cooperation should be directed to [Attorney Alex Williams]. As such, if you or anyone with OSA have questions about a particular vehicle, please let me know." At no time did our Firm receive a request from OSA to interview our Clients about particular vehicles. While we disagree with many of the conclusions made by your attorney, Timothy Hoegemeyer, he was correct about one point – your office had our Clients' documents for five months. During that time, your Office never called to inquire about a specific vehicle on your list. Had your Office asked such questions, we would have gladly made our Clients available for an interview – as we have done with the North Carolina Department of Motor Vehicles. Instead, your Office made false statements based upon a "limited review."

Of the 221 vehicles attributed to MEA, our Client has determined the status for all 221 vehicles – accounting for all of the vehicles:

- 99 vehicles were auctioned;
- 70 vehicles were never seized (per law enforcement);
- 20 vehicles were released by the sub-contractor towing company before MEA could retrieve the vehicle;
- 14 vehicles were returned to the owner by MEA after being shown the appropriate court approval;
- 5 vehicles are still at MEA's facility waiting to be auctioned;
- 5 vehicles were never reported by the DMV as being seized (i.e. DMV's records do not show that they were seized);
- 3 vehicles were never reported to MEA as seized vehicles (i.e. they did not show up on the daily report);
- 2 vehicles could not be located in DMV's system because of an inaccurate VIN number;
- 1 vehicle is being held for law enforcement purposes (i.e. evidence in prosecution);

150 Fayetteville Street
Suite 1140
Raleigh, NC 27601
www.nexsenpruet.com

T 919.573.7444
F 919.573.7451
Nexsen Pruet, PLLC
Attorneys and Counselors at Law

- 1 vehicle was reported stolen by a sub-contractor towing company; and
- 1 vehicle was seized in the western part of the state.

Similarly, Eastway can account for each of the 13 vehicles attributed to it. Accordingly, it is blatantly false that our Clients cannot account for the vehicles listed in the Report. Your false allegations went further when you implied that our Clients were engaged in criminal activity. Specifically, in the Report you state "there is a risk that contractors inappropriately benefited from the contract." During an interview with a local media member after the completion and release of the Audit, you stated, "There's absolutely the potential for criminal activity here" and "there's absolutely a probability that money that should have gone to the schools didn't go to the schools." These comments have led to threats to our Client. Had you completed your review (instead of relying on limited resources that your report acknowledges could not be trusted to make conclusions), you would have realized that our Clients have never inappropriately benefitted from their contracts. Instead, they are good, hard-working people who earn a living by providing a much-needed service to this State.

This is not the first time that MEA has been audited, and each time, the audit has proven that MEA has done nothing wrong. In this instance, our Clients have complied with the terms of their respective contracts. Moreover, the information provided to authorities conclusively proves the Report and statements by you regarding 234 "missing" vehicles and criminal activity were false and defamatory. Given the harassment by your Office and the false statements published by you, our Clients hereby demand that you rescind your Report, retract your false statements, and make a public apology.

Sincerely,

Alexander P. Sands III

cc: Timothy Hoegemeyer (Via e-mail)

150 Fayetteville Street
Suite 1140
Raleigh, NC 27601
www.nexsenpruet.com

T 919.573.7444
F 919.573.7451
Nexsen Pruet, PLLC
Attorneys and Counselors at Law

North Carolina Department of Administration

Report to Joint General Government Oversight Committee

NC Council for Women & Youth Involvement
Oversight of State Appropriated and Court Fee grant programs

November 2017



ATTACHMENT 5

State Grants Administered by NC Council for Women & Youth Involvement
Fiscal Year 2017-18

Total State Appropriation – $7,724,468

Domestic Violence Center Fund - $4,860,698

Sexual Assault/Rape Crisis Centers - $2,863,770

Court Fees

- Generated from marriage license fees and divorce filing fees via AOC
- Distributed quarterly to domestic violence grantees

By statute, sexual assault programs basic core services include: hotline services, crisis intervention, transportation, advocacy (legal, medical, court), individual counseling, support group, and community education.

By statute, domestic violence programs basic core services include: hotline services, crisis services, transportation, shelter services, advocacy (legal, medical, court), individual counseling, support group, and community education

State Grants Administered by NC Council for Women & Youth Involvement
Fiscal Year 17-18

Status of Quarterly Grant Payments as of Nov. 1, 2017: **Completed**

Total of eligible domestic violence/sexual assault agency grantees for FY 17-18 – 204

✓ All eligible agencies have received 1st quarter disbursements.
- 104 Domestic Violence agency grantees
- 100 Sexual Assault agency grantees

NC Department of Administration and NCGA **shared goal**: *to add additional automation to the Grant's process*
- *IN PROCESS AND ON TRACK WITH DEPARTMENT OF INFORMATION TECHNOLOGY*

Session Law 2017-57, SECTION 31.2.(b) *The Department of Information Technology shall review the grants management process of the North Carolina Council for Women and Youth Involvement Office and provide a report on online grants management options for the Domestic Violence and Sexual Assault grants programs to the chairs of the Joint Legislative Oversight Committee on General Government prior to or on April 1, 2018.*

Timeline for Grants Process

Fiscal Year begins July 1, 2017

Applications Due from local programs	Mid-April, 2017	Council for Women
Review of applications include: • Meets specific statutory eligibility • Meets with State's fiscal and audit standards • Provided documentation of scope of work and budget to achieve terms in the contract The State accepts edits and additional information needed for eligibility determination from local programs The State audits programs under 'Corrective Action' to determine eligibility	Mid-April thru July 1, 2017	Council for Women
Eligible Programs notified *funding levels pending budget certification	July 1, 2017	Council for Women
Applications are converted into required State Contractual documents. Staff manually enters data submitted by programs to reduce errors. It is critical that grantee applications are complete	HOLD until NCGA budget 'effective date' established Generally, as early as July as late as September. Date is driven by NCGA	Council for Women
Determination of grant amount for each eligible program	Within a week of Budget effective date	Dept. of Administration Fiscal Office
Eligible Programs notified *funding levels known at this point	Within 5 business days of Budget effective date	Council for Women Office

Timeline for Grants Process

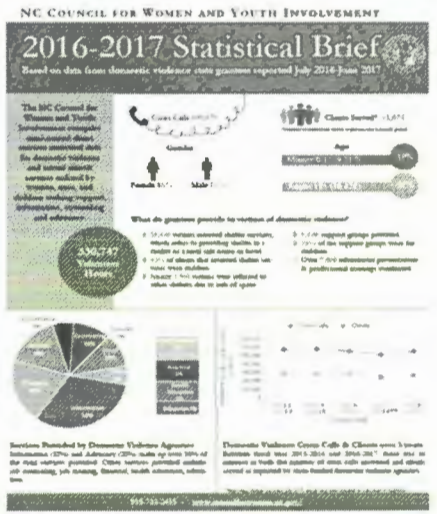
Fiscal Year begins July 1, 2017

HOLD for certification of State Budget	Generally, 35-45 days following effective date of State Budget Bill	Office of State Budget and Management
Eligible Programs notified of State Budget certification and distribution of Contract documents	Within 10 business days of certification	Council for Women
Program signs contracts, mails copies to State	Relative to prior steps	Grantee Board & Staff
State receives and certifies information required by State's fiduciary and audit policies: (as of Budget effective date). State signs contracts -exs. no overdue tax debt, validate no change in grantee fiscal agent (make edits if needed)	Relative to prior steps	Council for Women Office, Secretary's Office
Payment requests sent for grantees submitting a completed, error-free and legally compliant contract.	Relative to prior steps	Council for Women
Electronic or hard copy payment made to grantee		State Comptroller

FY 16-17 Client Statistical Services Summary Report

The **partnership with the NCGA** is critical for clients
State funding for domestic & sexual violence **saves lives**!

- 123,226 crisis calls answered in DV and SA agencies
- 60,527 clients served by DV and SA agencies.
- 10,400 victims received shelter services
- 43% of clients served were children
- 172 human trafficking victims served



The NC Council for Women compiles semi-annual client services statistical data for domestic violence and sexual assault services utilized by women, men, and children seeking support, information, counseling and advocacy. The Department monitors the delivery of services and produces the only county-level data on client services in North Carolina. **New for FY 16-17** : County level services to Human Trafficking clients served by Domestic or Sexual violence agencies

https://ncadmin.nc.gov/about-doa/divisions/council-for-women/women-statistics

ATTACHMENT #6

North Carolina
Department of Administration

Roy Cooper, Governor

Machelle Sanders, Secretary

MEMORANDUM

To: House General Government Appropriations Chairs
Senate General Government Appropriations Chairs

From: Secretary Machelle Sanders
Katie Stanley, Legislative Liaison

Date: September 29, 2017

Re: Report on Quarterly Distributions-Domestic Violence Center Grants, per S.L. 2017-57

In accordance with G.S. 50B-9, Section 31.2(c) attached is the first quarter report on the distributions of grants from the Domestic Violence Center Fund to approved local domestic violence grantees.

All eligible programs were sent contracts between Friday, August 25 & Monday August 28, within the statutory required 10 business days of FY 17-18 Budget Certification. The 10-business day provision required contracts to be sent on or before September 5, 2017.

Following receipt of the completed and signed contract documents, the first payment to a domestic center fund grantee was on September 9, 2017 to the local Dare County program. Contracts are required for all grantees which receive state appropriated funds.

A list of all first quarter payments as of September 29, 2017 is attached. Each first quarter payment is $11,463.75. Most grantees (68) reviewed, signed and returned contract documents within 30 days of receipt. Grantees that did not return completed contracts by the requested date or had contracts returned due to errors, omissions or lack of legal signatures are either '*In Process*' or '*On Hold for Corrections*', as noted on the attachment. Nine programs are listed as '*In Process*' and 28 programs are listed as '*On Hold for Corrections.*' Payments will continue weekly until all eligible grantees receive first quarter disbursements.

This year's distribution timeline is the earliest payment distribution date on record for the Fund. The Department is grateful for the many Legislative and Administrative Branch partners that

assisted our efforts and is encouraged by the number of local programs serving citizens in crisis across our State.

Snapshot of 17-18 cycle

Total of eligible domestic violence grantees	105 programs
Number of grantee distributions as of Sept. 29, 2017	68 programs
Number of grantee contacts 'In Process'	9 programs
Number of grantee contracts 'On Hold for Corrections'	28 programs
Total Appropriations for the Fund	$4,860,698
Amount awarded annually to each eligible grantee	$45,855

The State of North Carolina observes the month of October as Domestic Violence Awareness month.

Please contact Legislative Liaison, Katie Stanley at (919) 807-2425 or katie.stanley@doa.nc.gov if there are questions.

NC Council for Women and Youth

ATTACHMENT 7

2016-2017 Statistical Brief

Based on data from **domestic violence** state grantees reported July 2016-June 2017

The NC Council for Women and Youth Involvement compiles semi-annual client services statistical data for domestic violence and sexual assault services utilized by women, men, and children seeking support, information, counseling and advocacy.

330,747 Volunteer Hours

Crisis Calls 99,164

Clients Served* 51,074

*Number of individuals served in person over 6-month period.

Gender

Female 85%

Male 15%

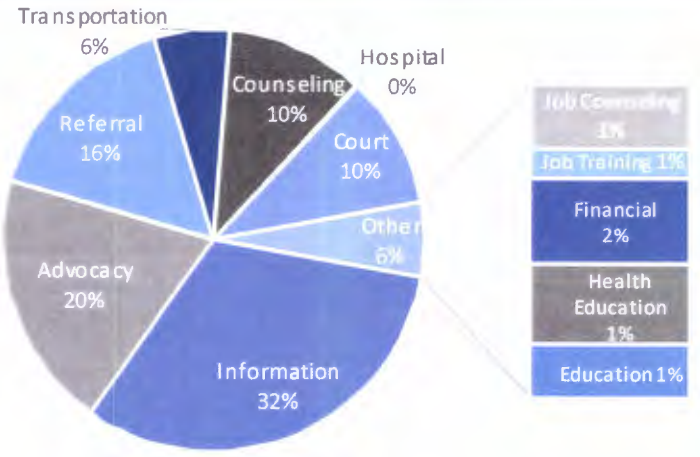
Age

Minors 0-17 (9,217) 19%

Adults 18+ (38,428) 81%

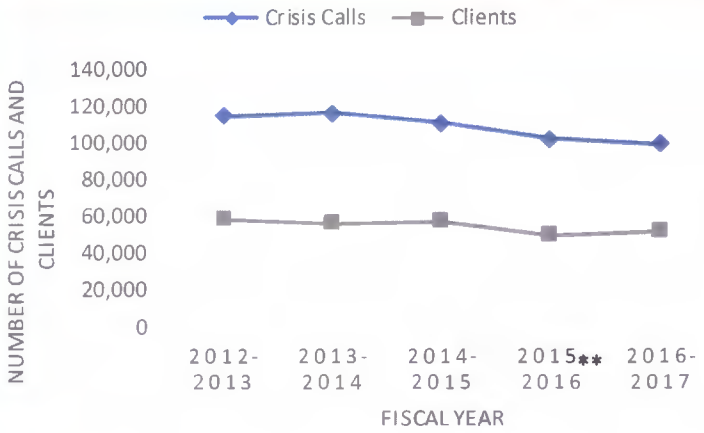
What do grantees provide to victims of domestic violence?

- ◊ 10,440 victims received shelter services, which refers to providing shelter in a facility or a local safe home or hotel
- ◊ 43% of clients that received shelter services were children
- ◊ Nearly 3,900 victims were referred to other shelters due to lack of space
- ◊ 9,840 support groups provided
- ◊ 28% of the support groups were for children
- ◊ Over 7,000 educational presentations & professional trainings conducted



Services Provided by Domestic Violence Agencies

Information (32%) and Advocacy (20%) make up over 50% of the total services provided. Other services provided include: job counseling, job training, financial, health education, education.



Domestic Violence Crisis Calls & Clients over 5 years

Between fiscal year 2015-2016 and 2016-2017, there was a slight decrease in the number of crisis calls answered and an increase in the number of clients served as reported by state-funded domestic violence agencies.

**Reporting change occurred July 2015, which may have resulted in a decrease in numbers.

NC Council for Women and Youth Involvement

2016-2017 Statistical Brief

Based on data from **sexual assault** state grantees reported July 2016-June 2017

The NC Council for Women and Youth Involvement compiles semi-annual client services statistical data for domestic violence and sexual assault services utilized by women, men, and children seeking support, information, counseling and advocacy.

Crisis Calls 24,062

Clients Served* 9,453

*Number of individuals served in person over 6-month period.

Gender

Female 85%

Male 15%

Age

Minors 0-17 (3,037) 35%

Adults 18+ (5,668) 65%



DID YOU KNOW?

Most victims know their perpetrator:

32% of victims were assaulted by a relative

27% of victims were assaulted by an acquaintance

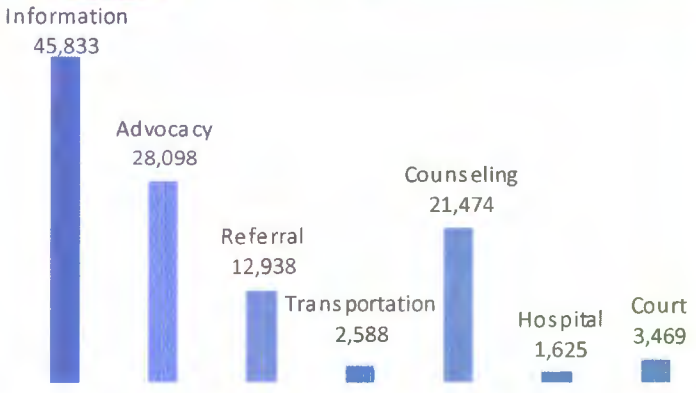
15% of victims were assaulted by a Boy/Girlfrie

253,011 Volunteer Hours

172 Human Trafficking Victims Served

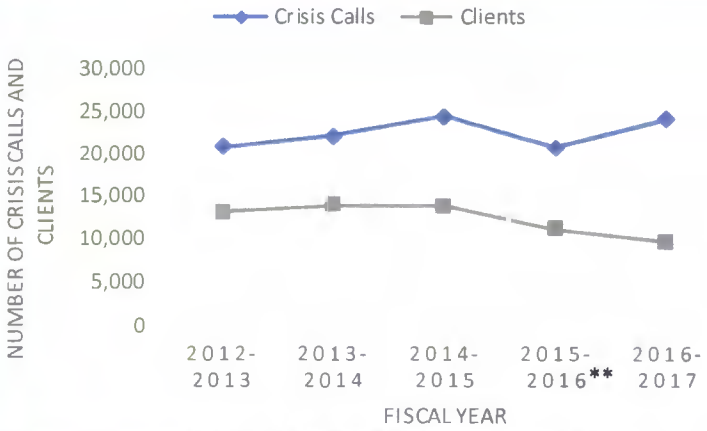
What do grantees provide to victims of sexual assault?

- Over 5,800 educational presentations & professional trainings conducted
- 2,841 support groups provided
- 16% of the support groups were for children



Services Provided by Sexual Assault Agencies

Information (40%) and Advocacy (24%) make up over 60% of the total services provided by sexual assault agencies.



Sexual Assault Crisis Calls & Clients over 5 years

Between fiscal year 2015-2016 and 2016-2017, there was an increase in crisis calls answered and a slight decrease in the number of clients served as reported by state-funded agencies. Often, sexual assault is underreported.

**Reporting change occurred July 2015, which may have resulted in a decrease in numbers.

NCDOR | NORTH CAROLINA DEPARTMENT OF REVENUE

Joint Legislative Oversight Committee on General Government

November 7, 2017

ATTACHMENT # 8

NCDOR

Presentation Agenda

1. Introduction
2. Department of Revenue Call Centers Update

   Angela Altice, Assistant Secretary for Business Services and Support
3. Update on fingerprinting and background checks for Department of Revenue personnel

   Jocelyn Andrews, Chief Operating Officer
4. Questions from the Committee

NCDOR

Call Centers Update

Call center overview

- History
- Rocky Mount Call center
- Greensboro Call center

NCDOR

Call Centers Update

Staffing

Year	Total employees	By call center
Fiscal Year 2017	137	51 Greensboro 86 Rocky Mount
Fiscal Year 2016	137	51 Greensboro 86 Rocky Mount
Fiscal Year 2015	142	50 Greensboro 92 Rocky Mount
Fiscal Year 2014	92	(all Rocky Mount)
Fiscal Year 2013	92	(all Rocky Mount)

NCDOR

Call Centers Update

Changes implemented

- December 2014: Interactive voice response (IVR) upgraded
- January 2015: Greensboro call center opened
- February 2016: Callback Assist implemented
- October 2016: Realigned resources to combine call agents under one Associate Director
- October 2016 - January 2017: Assessed agent skills and conducted training classes
- December 2017: Relocation of the Rocky Mount Call Center along with Opening of the Service Center

NCDOR

Call Centers Update

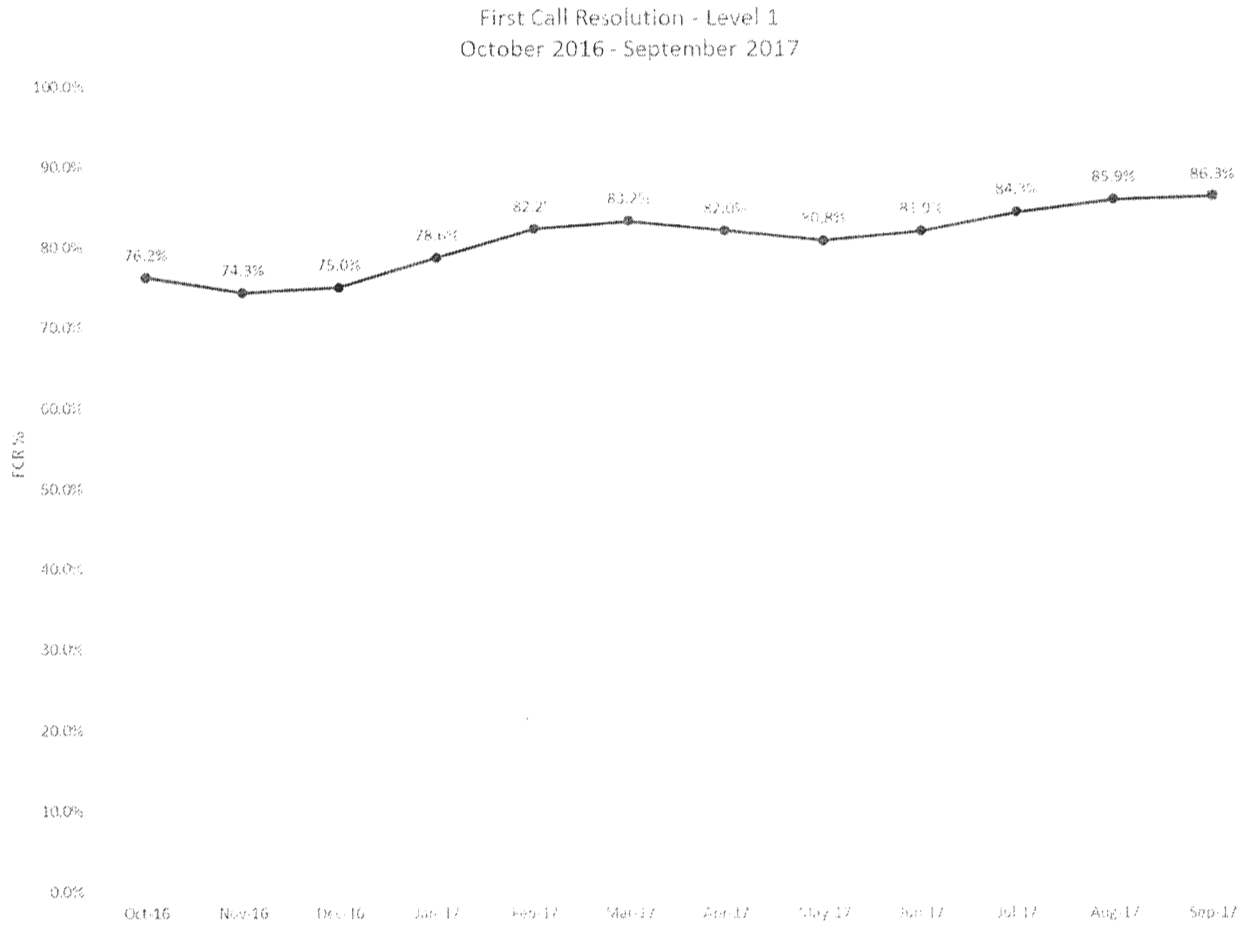
Results

- More calls answered
- Reduced call transfers
- Increased "first call resolution"
- Training mapped to employee development
- More agents with broader knowledge
- Improved IVR self-help and call routing

NCDOR

Call Centers Update

Statistics



NCDOR

IRS Publication 1075

- Establish a personnel security program that ensures a background investigation for any individual with access to FTI

  a) FBI fingerprinting (FD-258)

  b) Local criminal history

  c) Citizenship/residency

- Develop written policy

NCDOR

Update on Background Checks

- Criminal records and background checks currently conducted on all employees and temporaries
- 2017 State Budget gave DOR authority to proceed
- Access Agreement with SBI in progress; projected implementation date: January 2018
- NCDOR implementing criminal Background Checks and Fingerprinting Policy

NCDOR

- Contact Information:

  - Ronald G. Penny, Secretary: ronald.penny@ncdor.gov
  - Jocelyn Andrews, COO: jocelyn.andrews@ncdor.gov
  - David Roseberry, CIO/CISO: david.roseberry@ncdor.gov
  - Angela Altice, Assistant Sec: angela.altice@ncdor.gov
  - Anthony Edwards, Assistant Sec: anthony.edwards@ncdor.gov
  - Jackie McKoy, CFO: jacqueline.mckoy@ncdor.gov
  - Ken Wright, Legislative Liaison: ken.wright@ncdor.gov

Office of State Budget & Management Updates

Presentation to Joint Legislative Oversight Committee on General Government

November 7, 2017

Charlie Perusse, State Budget Director

ATTACHMENT # 9

Topics

- Funds to Non-State Entities (Grants)
- Lapsed Salary Report for General Government Agencies
- OSBM Structure and Updates

Funds to Non-State Entities: Overview

- The State annually disburses $500-600 million to non-state entities*
- Direct appropriations in the current fiscal year:
  - 242 direct appropriations
  - Total Value: ~$44.7 million
    - Average Grant Award: $185,000
    - Range of $4,500 to $5 million
  - 12 different state agencies disbursing funds
- The State Budget Act directs OSBM to:
  - Adopt rules governing the disbursement, oversight, and monitoring of recipients (G.S. 143C-6-23)
    - OSBM adopted rules in 2016 (09 NCAC 03M)
  - Suspend and/or recover funds if used for unauthorized purpose or if entity fails to comply with applicable laws (G.S. 143C-6-22)

*Source: NCGrants system (includes federal funds passed through the state; does not include local government entities that report to the Local Government Commission)

Funds to Non-State Entities: OSBM Responsibilities

OSBM responsibilities:

- Provide guidelines for agency monitoring plans and reporting processes
  - Advise a risk-based approach to best deploy limited monitoring resources
- Maintain Suspension of Funding List
- Take appropriate action upon determination of misuse of funds
- Provide technical assistance to agencies in interpreting rules and statutes and also with using the grant system

Agency responsibilities:

- Execute a contract, with specified provisions, prior to disbursing funds
- Enter award in OSBM's grant system
- Ensure funds are used for purposes for which awarded and adhere to federal cost principles
- Develop and implement a grant monitoring plan
- Establish reporting procedures that meet certain minimums
- Take appropriate action (e.g., suspension, recovery of funds) upon determination of noncompliance, misuse, or fraud

Funds to Non-State Entities: Contract/Disbursement Steps

1. **Non-State Entity Research & Determination**
   - Agency staff review Appropriations Act and inventory all grants
   - Through online research and phone calls, primary contacts are developed
2. **Initiate Scope and Contract Discussions**
   - Agencies work with non-state entities to determine their budgets, payment needs, and scope of work
3. **Draft Contract Preparation**
   - Draft contracts are prepared and shared with non-state entities for their review and feedback
4. **Contract Approval & Payments**
   - Final contracts are often presented to recipients' boards for their review and approval
   - Once contracts are fully executed, payment requests begin
5. **Agency Oversight**
   - Agency staff must review reports and invoices, provide technical assistance, monitor payments, and conduct site visits as needed

- Methods for disbursement:
  - **Single payment**: all funds disbursed at once upfront
    - Permissible for direct appropriations of $100,000 or less (G.S. 143C-6-21)
    - Prior to 2013 revision, statute *required* a single annual payment
  - **Reimbursement Basis**: funds disbursed only after reporting
  - **Hybrid**: partial upfront payment combined with reporting and incremental payments (e.g., quarterly)
- Reimbursement basis is considered best practice
  - Difficult to recover already disbursed funds in cases of misuse, fraud
  - However, not always practical, particularly for small grants to small entities
  - Very staff intensive for agencies and grantees

Funds to Non-State Entities: Issues and Challenges

- Administration of direct appropriations
  - Limited information provided on the recipient and intended purpose
  - Some agencies have minimal experience or capacity to administer
  - Risk of waste, fraud, or abuse
- Statutory updates needed
  - Some definitions in statute are vague and do not align with federal terminology used by many agencies
  - Rules provide further clarification, but updates to statute would reduce confusion
  - Reporting requirements do not take into account automated tracking system and do not reflect current practice (e.g., suspension list is now published weekly online)

Lapsed Salary: Report and Overview

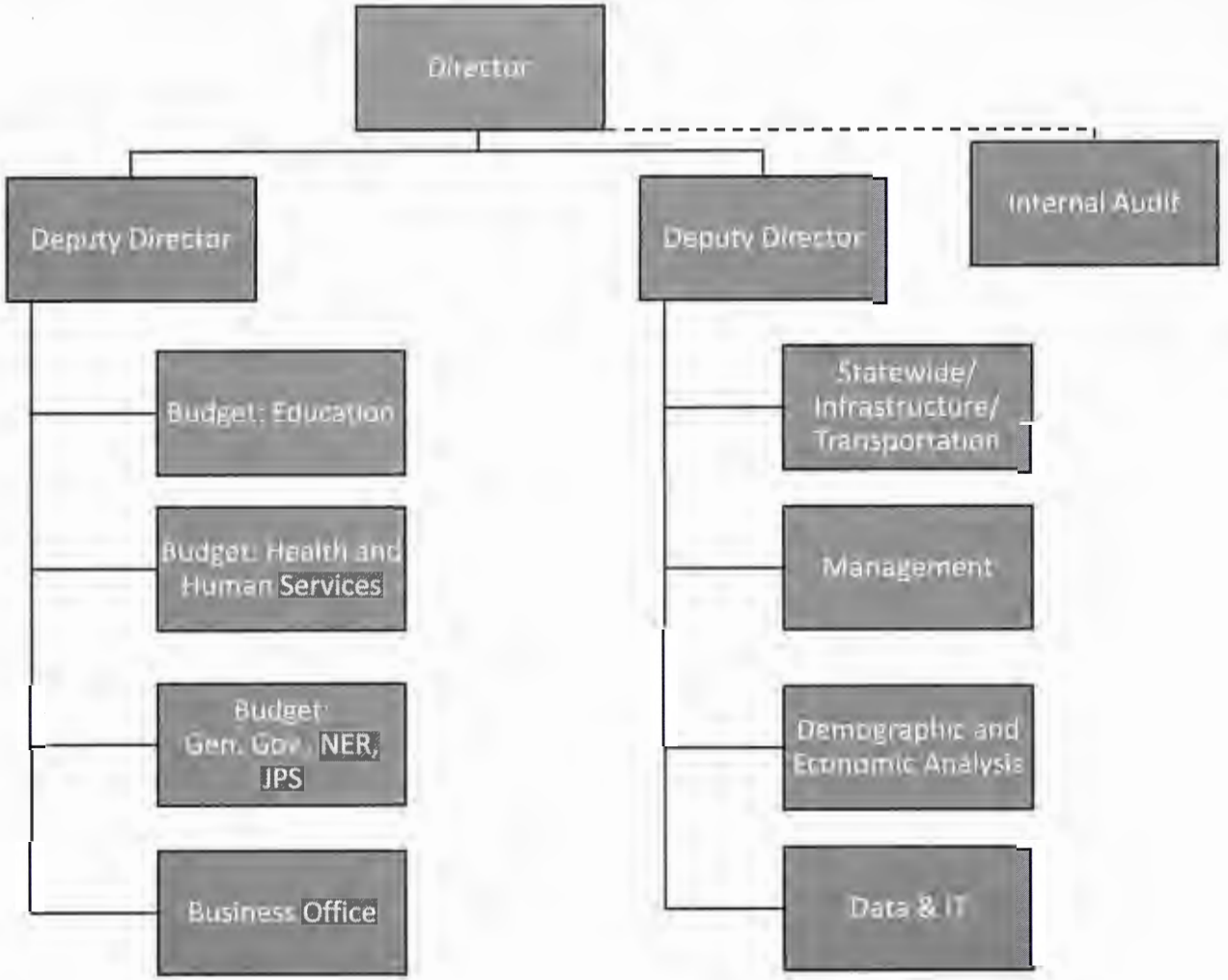
- Report directed in 2017 Appropriations Act
  - Total amount of accrued lapsed salary funds by source
  - Total number of FTEs comprising the lapsed salary funds
  - Total expenditure of lapsed salaries by purpose
  - Legal authorization to expend lapsed salary funds
- Difficulty with acquiring data as requested
- Across 27 state agencies, receipts and net General Fund appropriations:
  - $320.3 million in budgeted lapsed salary (of $4.2 billion)
  - $203.5 million reallocated
  - Equivalent to 7,588 FTE (of 71,752 – 11%)
  - Most lapsed salary funds used for purchased services, other personnel-related costs, and property, plant, and equipment

Lapsed Salary: General Government Agencies

- General Government Agencies similar to rest of state government
  - $34.4 million in lapsed salary generated (receipts and net appropriations)
  - $15.4 million reallocated ($11.1 million of that is net appropriations)
  - Majority of reallocations used for purchased services (85%)

*** For agency by agency details, please see handout**

OSBM Organizational Structure



OSBM Priorities

- Major responsibilities include
  - Budget Development
  - Budget Management and Administration
  - Evaluation and Management Studies
  - Internal Audit and Compliance
- Enhanced focus on
  - Evidence-based Policy
  - Performance Management
  - Pew Results First

  *** Reviewing best practices from other states that are leaders in this area*
- Actively working on **Comrnon Sense Government** initiative to reduce red tape and streamline processes
  - Budget Administration
  - Procurement
  - Capital/Asset Management
  - Human Resources

NC Office of State Budget and Management

5th floor of Administration Building

(2018: 4th floor of Dobbs Building)

osbm.nc.gov

919-807-4700

ATTACHMENT # 10

General Government Agency Lapsed Salary Generated, Reallocated, and Estimated FTEs

Agency	Budget Code	Certified 531xxx Budget	Total Amount of Budgeted Lapsed Salary					FTE's			Notes
			Amount Generated	Amount Reallocated	Description/Account Code for Reallocation	Amount Reallocated	Amount of Net Appropriation Reallocated	Comprising the Lapsed Salary Funds (Includes Receipts)	Total Budgeted	Avergage Vacancy %	
General Assembly	11000	$49,997,837	$185,232	$0	N/A		N/A	N/A	N/A	N/A	
Office of the Governor	13000	$5,413,428	$738,120	$738,120	PURCHASED SERVICES SUPPLIES PROPERTY, PLANT & EQUIPMENT OTHER EXPENSES & ADJUSTMENTS	$628,299 $23,221 $34,801 $51,799	$561,045	12.72	62.20	20.5%	
Office of the Governor - Special Proj	13001	$352,401	$320,314	$37,907	OTHER EXPENSES & ADJUSTMENTS	$37,907	$37,907	0.97	1.00	97.0%	
Office of State Budget and Management	13005	$6,800,078	$978,775	$801,600	PURCHASED SERVICES	$801,600	$708,214	8.39	58.00	14.5%	
Department of Military and Veterans Affairs	13050	$5,745,026	$1,207,179	$1,207,179	PURCHASED SERVICES SUPPLIES PROPERTY, PLANT & EQUIPMENT OTHER EXPENSES & ADJUSTMENTS AID & PUBLIC ASSISTANCE RESERVES INTRAGOVERNMENTAL TRANSACTIONS	$375,915 $18,999 $451,873 -$1,545 $0 $61,937 $300,000	$1,170,722	16.33	95.65	17.1%	
Office of the Lieutenant Governor	13100	$648,959	$1,349	$1,349	PURCHASED SERVICES	$1,349	$0	0.00	6.00	0.0%	
Department of Secretary of State	13200	$11,500,512	$892,449	$892,449	PURCHASED SERVICES SUPPLIES PROPERTY, PLANT & EQUIPMENT OTHER EXPENSES & ADJUSTMENTS	$560,361 $53,014 $255,701 $23,373	$892,449	10.35	175.88	5.9%	1
Office of the State Auditor	13300	$17,312,532	$2,459,642	$494,000	PROPERTY, PLANT & EQUIPMENT INTRAGOVERNMENTAL TRANSACTIONS	$194,000 $300,000	$322,582	26.35	166.00	15.9%	
Department of State Treasurer	13410	$33,599,035	$2,491,349	$953,947	PURCHASED SERVICES	$953,947	$139,849	40.07	381.10	10.5%	
Department of Insurance	13900	$36,037,403	$2,541,317	$426,365	PURCHASED SERVICES PROPERTY, PLANT & EQUIPMENT	$176,249 $250,116	$302,677	29.28	420.18	7.0%	
Department of Administration	14100	$34,967,730	$3,682,193	$875,231	PURCHASED SERVICES SUPPLIES PROPERTY, PLANT & EQUIPMENT RESERVES INTRAGOVERNMENTAL TRANSACTIONS	$655,369 $12,513 $71,114 $80,000 $56,235	$816,678	48.98	531.09	9.2%	
Office of the State Controller	14160	$16,216,785	$835,244	$143,732	PURCHASED SERVICES SUPPLIES *PROPERTY, PLANT & EQUIPMENT*	$133,513 $2,670 *$7,549*	$136,474	7.64	169.00	4.5%	
Department of Information Technology	14660	$11,167,420	$2,409,982	$2,409,982	PURCHASED SERVICES SUPPLIES PROPERTY, PLANT & EQUIPMENT OTHER EXPENSES & ADJUSTMENTS INTRAGOVERNMENTAL TRANSACTIONS	$1,988,422 -$7,026 -$1,684,511 $28,499 $2,084,598	$2,409,982	17.36	92.50	18.8%	
Department of Revenue	14700	$111,288,479	$14,808,315	$6,264,195	PURCHASED SERVICES PROPERTY, PLANT & EQUIPMENT OTHER EXPENSES & ADJUSTMENTS	$5,541,879 $680,290 $42,026	$3,440,296	196.31	1,872.53	10.5%	
State Board of Elections	18025	$4,806,998	$625,364	$116,478	PURCHASED SERVICES	$116,478	$116,478	0.11	63.00	0.2%	
Office of Administrative Hearings	18210	$4,454,676	$184,995	$11,400	PURCHASED SERVICES	$11,400	$10,856	4.11	54.00	7.6%	
Totals		**$350,309,299**	**$34,361,819**	**$15,373,934**			**$11,066,208**	**389.69**	**4,148.13**	**9%**	

Total Amount of Lapsed Salary Savings that was Reallocated	$15,373,934	44.74%
Total Amount of Appropriated Lapsed Salary Savings that was Reallocated	$11,066,208	32.20%

Notes:

1 - The Department of the Secretary of State's FY 2016-17 lapsed salary availability is unusually high due to positions that were allocated in the Appropriations Bill coupled by the delay in certifying the budget that extended the processing time of establishing and filling the positions. Typically, the agency realizes ~$200,000 in lapsed salary savings annually.

Realignments of Lapsed Salary within the Personnel-Related Account Codes

Agency	Budget Code	Total Realignments within Salary Accounts
General Assembly	11000	$ -
Office of the Governor	13000	$ (34,456)
Office of the Governor - Special Proj	13001	$ -
Office of State Budget and Management	13005	$ (619)
Department of Military and Veterans Affairs	13050	$ (69,703)
Office of the Lieutenant Governor	13100	$ 194
Department of Secretary of State	13200	$ (11,577)
Office of the State Auditor	13300	$ 61,991
Department of State Treasurer	13410	$ -
Department of Insurance	13900	$ 109,500
Department of Administration	14100	$ (2,475)
Office of the State Controller	14160	$ -
Department of Information Technology	14660	$ 380
Department of Revenue	14700	$ (14,880)
State Board of Elections	18025	$ 3,954
Office of Administrative Hearings	18210	$ -
		$ 42,309

Attachment A

RFP# 40-DWI

Only selected pages of the contract were printed to save costs.

Martin Edwards & Associates, Inc.





North Carolina Department of Public Instruction
Transportation Service
Towing/ Storage/ Sale of Vehicles
RFP # 40-DWI
Eastern Region
North Carolina

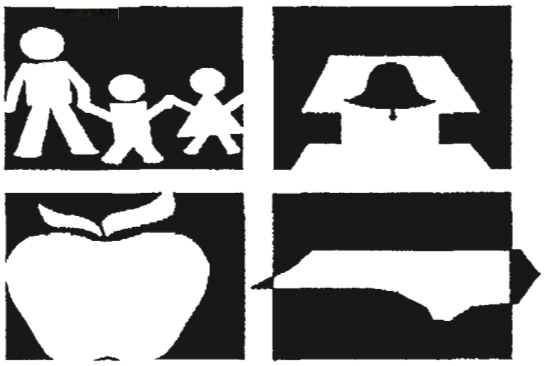
301 North Wilmington St.
Raleigh, NC 27601

Due: February 7, 2012
3:00 p.m.

Original

MEA
Phone: 910-694-2058
Fax: 910-892-6219
Post Office Box 35
Erwin, NC 28339

Public Schools of North Carolina



North Carolina Department of Public Instruction
Transportation Service

Towing/Storage/Sale of Vehicles

RFP# 40-DWI

Purchasing Chief, Chuck Clements

January 24, 2012

Title: Towing/Storage/Sale of DWI Vehicles for Public Schools
Request for Proposals

Issue Date:	**January 24, 2012**
RFP#:	**40-DWI**
Issuing Agency:	**Public Schools of North Carolina** **North Carolina Department of Public Instruction** **301 North Wilmington Street** **Raleigh, North Carolina 27601-2825**
Using Agency:	**Public Schools of North Carolina**
Purpose:	**To select Contractors to tow, store, and sell vehicles seized under North Carolina's DWI law and to transfer proceeds to the Public Schools**
How to Respond to this RFP:	**Proposals must be submitted in one package:** **The package is to contain three copies of the Proposal with each labeled "Copy of Proposal and two original signed copies of the Proposal with each labeled "Original Signed Copy."**
Deadline:	**Proposals subject to the conditions of this RFP, will be accepted until 3:00 p.m. February 7, 2012**

SEND ALL PROPOSALS DIRECTLY TO THE PURCHASING CHIEF AT THE ISSUING AGENCY ADDRESS ABOVE.

Direct all inquiries regarding this RFP: **Chuck Clements, Section Chief**
Purchasing and Contracts
NC Department of Public Instruction
301 North Wilmington Street
Raleigh, North Carolina 27601-2835
919-807-3661

Proposals received after 3:00 pm February 7, 2012 will be disqualified and will be considered "non-responsive" to the terms of this Request for Proposals. Proposals MAY NOT be submitted by electronic means (FAX or Email). **Questions concerning the specifications in this Request for Proposals will be received until 12:00 pm January 31, 2012, via email – chuck.clements@dpi.nc.gov, or by fax – 919-807-3660.** A summary of all questions and answers will be posted on the internet as an addendum, located under the RFP # being modified. **It is the offeror's responsibility to assure that all addenda have been reviewed and, if need be, signed and returned.**

Prohibited Communications: FROM THE ISSUANCE DATE OF THIS RFP THROUGH THE DATE THE CONTRACT IS AWARDED, EACH OFFEROR (INCLUDING ITS SUBCONTRACTORS AND/OR SUPPLIERS) IS PROHIBITED FROM HAVING ANY COMMUNICATIONS WITH ANY PERSON INSIDE OR OUTSIDE THE USING AGENCY, ISSUING AGENCY, OTHER GOVERNMENT AGENCY OFFICE, OR BODY (INCLUDING THE PURCHASER NAMED ABOVE, DEPARTMENT SECRETARY, AGENCY HEAD, MEMBERS OF THE GENERAL ASSEMBLY AND/OR GOVERNOR'S OFFICE), OR PRIVATE ENTITY, AND THE COMMUNICATION DISCUSSES THE CONTENT OF OFFEROR'S PROPOSAL OR QUALIFICATIONS, THE CONTENTS OF ANOTHER OFFEROR'S PROPOSAL, ANOTHER OFFEROR'S QUALIFICATIONS OR ABILITY TO PERFORM THE CONTRACT, AND/OR THE TRANSMITTAL OF ANY OTHER COMMUNICATION OF INFORMATION THAT HAS THE EFFECT OF DIRECTLY OR INDIRECTLY INFLUENCING THE EVALUATION OF PROPOSALS AND/OR THE AWARD OF THE CONTRACT. OFFERORS NOT IN COMPLIANCE WITH THIS PROVISION SHALL BE DISQUALIFIED FROM CONTRACT AWARD, UNLESS IT IS DETERMINED THAT THE

BEST INTEREST OF THE STATE WOULD NOT BE SERVED BY THE DISQUALIFICATION. AN OFFEROR'S PROPOSAL MAY BE DISQUALIFIED IF ITS SUBCONTRACTOR AND SUPPLIER ENGAGE IN ANY OF THE FOREGOING COMMUNICATIONS DURING THE TIME THAT THE PROCUREMENT IS ACTIVE (I.E., THE ISSUANCE DATE OF THE PROCUREMENT TO THE DATE OF CONTRACT AWARD). ONLY THE DISCUSSIONS, COMMUNICATIONS OR TRANSMITTALS OF INFORMATION AUTHORIZED BY THE ISSUING AGENCY IN THIS RFP OR GENERAL INQUIRIES TO THE PURCHASER REGARDING THE STATUS OF THE CONTRACT AWARD ARE EXEMPT FROM THIS PROVISION.

1. INTRODUCTION

On December 1, 1997, a law went into effect that resulted in the immediate seizure of vehicles of drivers arrested for DWI who are driving with a revoked license for DWI.

On October 14, 1998, Governor Jim Hunt signed into law Senate Bill 1336 (SB1336). This law made several substantive changes, including the following:

- Provides for the expedited sale of many vehicles. Upon proper notification, any vehicle valued at $1500 or less may be sold prior to the outcome of a trial. Similarly, any vehicle that accumulates at least 85% of its value in towing and storage costs may be sold prior to the outcome of a trial.
- Allows school districts **and** contractors to charge **up to** $10 per day for storage.
- Allows for DPI to enter into a statewide contract or regional contracts for the towing/storage/sale of seized vehicles.
- Requires a $10 per vehicle administrative fee to be paid to the state from the proceeds of each vehicle sold and to be paid by any person to whom a vehicle is released.

This document provides the scope of work for a statewide contract for towing/storing/selling vehicles seized under this law. **Contractor is responsible for compliance with all applicable aspects of this law (General Statute 20-28.3 - 20-28.9).**

Currently the contract applies to all counties in North Carolina except Cleveland. Up to four more county boards of education MAY be authorized to process their own DWI vehicle at some time during the contract period. Note: The number of counties is capped at five (including Cleveland) during this contact period; however, in a 2011 solicitation, no other counties opted to process their own DWI vehicles.

Beginning June 1, 2010 the state was divided into two sections – East and West – as indicated below. Offerors may submit responses for one or both of these sections. A separate response must be submitted for each section. A vehicle storage facility is required to be maintained in the region for which a response is submitted. **The state reserves the right to contract with separate entities for the East and West.**

Eastern Section – East of and including Anson, Montgomery, Randolph, Alamance and Caswell Counties.
Current contractor: Martin Edwards and Associates, Linden, NC.
Western Section – West of and including Union, Stanly, Davidson, Guilford and Rockingham.
Current contractor: Eastway Wrecker Service, Charlotte, NC.

No seized vehicles held by the current contractors will be transferred to any new contractor.

2. SCOPE OF WORK

Contractor provides services to tow, store, process, maintain, and sell vehicles seized under North Carolina's DWI law. The Contractor must meet the following requirements, many of which are stipulated in General Statute 20-28.3-28.9.

To the extent that any procedural steps or obligations required by state law are not specifically mentioned herein those items are the responsibility of the Contractor. Furthermore, if any provision herein is in conflict with state law, the provisions of the law shall control. Compliance with **General Statutes 20-28.3 – 20-28.9** is the responsibility of the Contractor. Compliance shall include all rules and/or procedures adopted by the North Carolina Division of Motor Vehicles and DPI for the towing, storage, and sale of vehicles under the law.

2.1 Towing Seized Vehicles

The initial towing of the vehicle can be conducted by the rotation wrecker service used by the law enforcement agency that seizes the vehicle. The Contractor is authorized and encouraged to subcontract with one or more towing companies in each county for the initial towing of a seized vehicle. If, in any county, the Contractor chooses to contract for local towing services, all towing companies on the towing list for each law enforcement agency with jurisdiction within the county shall be given written notice and an opportunity to submit proposals prior to a contract for local towing services being awarded. (G.S. 20-28.3D).

a) The local company that initially tows the vehicle will do so upon notification from the charging officer. It is the duty of that officer to process the defendant and the vehicle such that a hold will be applied to the vehicle by the Division of Motor Vehicles. Such vehicle appears on a daily seizure report to which the contractor will be granted access. If contractor is notified that a particular vehicle has been seized yet there is not hold applied, contractor is required to contact the charging officer or local law enforcement agency to arrange for the hold to be applied.
b) The vehicle will remain with the local company that initially towed the vehicle for no less than two (2) business days to allow time for (i) an owner of any personal property stored in the vehicle to remove the said property or (ii) for an owner or lienholder to obtain the pre-trial release of the vehicle. If a vehicle owner, lienholder or the defendant files a petition for release of the vehicle prior to its removal from the county in which it was seized, Contractor may make arrangements with the initial towing company for the vehicle to remain with the initial towing company in or near the county in which it was seized until the court rules on the petition, if it would be more economical.
c) Contractor shall transport a vehicle from a commercial towing company to the Contractor's storage location within five (5) business days of seizure unless a petition is pending or local storage arrangements have been made as set forth above.
d) Contractor shall pay the towing and storage charges as established by N. C. G. S. Sec. 20-28.3 to the commercial tow company which towed and stored the seized vehicle when it is obtained from the commercial tow company. The Contractor will be reimbursed this expense when the vehicle is released or sold (assuming that the selling price exceeds these charges). Neither the State nor any local board of education will be obligated to pay a deficit arising from the sale of any forfeited vehicle.
e) In the event that a vehicle owner or lienholder obtains a release of a vehicle but fails or refuses to pay for the outstanding towing and storage charges accrued against the vehicle, then the Contractor shall use the mechanics' lien provisions provided in 20-28.4 to recoup those charges. In such case, storage charges and proceeds shall be split with the school district using the same process as if this was a forfeited vehicle (G.S. 20-28.5(b)).

2.2 Storing Seized Vehicles

a) Contractor shall be responsible for the safety of the motor vehicles in their custody and control.
b) Contractor shall document personal property in each vehicle at the time he takes possession. Prior to the sale of any vehicle, personal property shall be processed as instructed by DPI.
c) Contractor shall provide to DPI, on the 1st of each month, a computerized up-to-date inventory of all motor vehicles in their custody and control.

d) The computer file shall be in a format provided by DPI and shall contain information in the following fields: the year, make and model of the vehicle, the vehicle identification number (VIN), the name of the registered owner, the name of the registered lienholder(s), the name of the defendant, the criminal court file number, the name of the law enforcement agency that seized the vehicle, the license plate number and state, the date seized, the county of seizure, the value of the vehicle as determined by the Division of Motor Vehicles for tax purposes, the status of the vehicle, towing charges and all accrued storage charges.
e) Contractor shall photograph using a digital camera each vehicle that is impounded within 2 business days of when the vehicle is received by the Contractor and shall send file(s) upon request to DPI. Included in the photograph shall be an identification number or other means of identifying the vehicle. Contractor should take additional pictures of body damage or contents which might later be brought into question by an owner or lien holder to whom said vehicle might be released.
f) All records and files, including those listed in (c) and (d) above shall be maintained for a minimum of three years after the final disposition of each vehicle.
g) Contractor shall record the value of the vehicle as determined by the Division of Motor Vehicles for tax purposes. This is the value that is used in calculating expedited sale dates (see below).

2.3 Process and Maintain Seized Vehicles

a) Contractor shall establish and maintain an office and storage facility within the authorized region and as means of communication with the general public throughout the authorized region, which shall include as a minimum a published telephone number answered during normal business hours, in order to provide general information about the towing, storage, release and sale of seized vehicles and to respond to specific inquiries about the status of seized vehicles and the procedures for obtaining the pre-trial release of vehicles and their contents.
b) Contractor shall process all paperwork necessary to ensure the lawful sale or return of all vehicles.
c) Contractor shall maintain vehicles in the condition in which they were received in order to initiate the sale of the vehicles when authorized by the court or when as otherwise provided in the law.
d) Contractor will not be reimbursed for any expenses incurred to make a vehicle ready for sale without approval by DPI.

2.4 Sale of Seized Vehicles (See Attachment B – Procedures for Selling DWI Vehicles)

a) Contractor shall document personal property in each vehicle at the time he takes possession. Prior to the sale of any vehicle, personal property shall be processed as instructed by DPI.
b) Contractor shall notify DPI not less than 20 days prior to the sale of a forfeited vehicle in order to give the school district the opportunity to retain the forfeited vehicle for its use, in accordance with N.C.G.S. 20-28.5 (c). Notification shall include a photograph and lien holder information.
c) For vehicles valued at $1,500 or less, the law provides that the vehicle may be sold after 90 days from the date of seizure. Contractor shall ensure that all such vehicles are sold within 120 days of the date of seizure (i.e., within 30 days after the 90 days). No storage fees may be charged beyond the 90 days.
d) The law provides that any vehicle may be sold whenever the towing and storage costs exceed 85% of the value of the vehicle. The Contractor shall ensure that any such vehicle is sold within 30 days of the date that towing and storage costs exceed 85% of the value of the vehicle. No storage fees may be charged beyond the date when the towing and storage costs exceed 85% of the value of the vehicle.
e) Contractor shall conduct an advertised sale of the vehicles (auction or sealed bid) and is responsible for sufficient advertising in order to attract a suitable audience to sell vehicles at a reasonable price. The services of State Surplus Property, N. C. Department of Administration, may be used to advertise the sale, under a separate contractual agreement between the Contractor and State Surplus Property.
f) Contractor shall provide all notices to owners, lienholders and DMV of vehicle sales.
g) Contractor shall provide DPI with a copy of each bill of sale at the end of each sale as well as an accounting of towing/storage/maintenance charges accrued against that vehicle. Data shall be provided in a format specified by DPI.
h) The proceeds of the sale shall be used to pay the $10 administrative fee to the state, cost of the sale, contractor towing fees, towing/storage charges paid by the Contractor to initial tow company and storage

CONTRACT TERMS AND CONDITIONS

1. **Contract Residency**. It is agreed between the parties hereto that the place of this contract, its situs and forum, will be Wake County, North Carolina, and in said county and state will all matters, whether sounding in contract or tort relating to the validity, construction, interpretation and enforcement of this contract, be determined. North Carolina law will govern the interpretation and construction of this contract.

2. **Project Coordinator**. The Project Coordinator shall be responsible for ensuring Contractor conformance with the terms, conditions, performance specifications as set forth in this contract, and an evaluation of the Contractor's performance. NCSBE has complete discretion in replacing the Project Coordinator with another person of its own choosing.

3. **Right of Termination**. NCSBE may terminate this agreement at any time at its complete discretion by thirty days written notice from NCSBE to the Contractor. In that event, all finished or unfinished documents and other materials shall, at the option of NCSBE, become its property. If the contract is terminated by NCSBE, as provided herein, the Contractor will be paid in an amount which bears the same ratio to the total compensation as does the service actually performed to the total service set forth in this agreement.

4. **Method of Payment**. The Contractor will submit an invoice or invoices according to the payment schedule set forth in this agreement. Invoices should be billed to the Payables Section, North Carolina Department of Public Instruction, but directed to the Project Coordinator, as identified herein, for approval of payment. Payment will be made within fifteen days upon receipt by the Payables Section of a requisition for payment from the Project Coordinator confirming that the Contractor has satisfactorily completed the work required under this contract and evidenced by said invoices.

5. **Contract Funding**. It is understood and agreed between the Contractor and NCSBE that the payment of compensation specified in this agreement, its continuation or any renewal or extension thereof, is dependent upon and subject to the appropriation of funds to, and allocation by, NCSBE for the purpose set forth in this contract. Should such funds not be appropriated or allocated, this contract shall immediately be terminated. NCSBE shall not be liable to Contractor for damages of any kind (general, special or consequential) as a result of such termination.

6. **Contract Transfer**. The Contractor shall not transfer any interest in this agreement without prior written agreement from NCSBE.

7. **Contract Personnel**. The Contractor agrees that it has, or will secure at its own expense, all personnel required to perform the services set forth in this agreement. The Contractor shall not hire, employ or contract with any person currently employed by NCSBE to furnish any material or perform any service on this contract without first assuring compliance with applicable laws of the State of North Carolina and regulations of the State Personnel Commission relating to dual or secondary employment by State employees. In the event the Contractor hires, employs or contracts with any employee of the NCSBE, that fact will be immediately reported in writing, referencing the contract number, to the Purchasing Section, Department of Public Instruction.

8. **Key Personnel**. The Contractor shall not substitute for key personnel assigned to the performance of this contract without prior written approval from the NCSBE Project Coordinator. Key personnel are defined as those individuals named, either by title or by individual name, in the Contractor's offer.

9. **Subcontractor Approval**. None of the work to be performed under this contract by the Contractor or its employees shall be subcontracted without the prior written approval of NCSBE Project Coordinator, unless such arrangement was specified in its offer.

10. **Right to Access to Persons and Records for Audit.** The NCSBE, the State Auditor and the NCSBE's internal auditors shall have access to persons and records to conduct audits of the Contractor's performance of this contract, including access to verify accounts and data affecting fees or performance, both during the period of this contract and for three years after completion hereof. Contractor agrees to maintain all pertinent documents and records relating to this contract for said period of time following completion of the contract period.

11. **Contract Modifications**. This contract may be amended only by written amendments duly executed by and between NCSBE and the Contractor. However, to take advantage of unforeseen opportunities the NCSBE Project Coordinator may make minor modifications that (a) do not change the intent of the contract or the scope of the Contractor's performance; (b) do not increase the Contractor's total compensation or method of payment; and (c) either improve the overall quality of the product or service to the State without increasing the cost, or reduce the total cost of the product or service without reducing the quantity or quality. All such minor modifications to the contract must be recorded in writing and signed by the Contractor, Project Coordinator, and placed on file with the Purchasing Section, NCSBE.

TIMELINE OF COMMUNICATIONS BETWEEN OSA AND MEA Attachment C

- November 17, 2016 – OSA first met with Martin Edwards & Associates (MEA)
- December 15/16, 2016 – OSA made requests to MEA to provide documentation related to its performance.
- December 16, 2016 – MEA replied stating that they would work on the request and provide documentation periodically
- December 30, 2016 – OSA notified MEA that we would be coming to MEA's offices on 1/5/2017 to begin reviewing requested documentation (OSA did not receive any response or documentation since MEA's 12/16/2016 email)
- December 30, 2016 – MEA responded that nothing would be ready for OSA to review by 1/5/2017 and that date was unrealistic due to personal matters, holidays, vacations, documents archived, some hard copies, some electronic, etc.
- January 4, 2017 – OSA called MEA to discuss MEA producing the documentation that was requested. MEA stated that the items would not be available for review due to limited staff and existence of records in multiple locations and databases.
    - OSA offered to pull the information ourselves onsite (MEA refused)
    - MEA requested push back until March or mid-February
    - OSA offered to conduct review in stages with first production due 1/17/2017 (MEA refused)
    - No agreement was reached
- January 9, 2017 – OSA held a teleconference with MEA to again discuss MEA producing required information and documentation.
    - MEA again refused access to documentation
    - OSA notified that we would be serving a subpoena upon MEA on 1/10/17
- January 10, 2017 – OSA served subpoena to MEA
    - MEA refused the subpoena, did not sign and threw it back at the auditor.

Working Through OSA and MEA Attorneys

MEA began providing OSA with some of the requested documents

First Production: 1/18/17 – Initial production received without 9 requested documents
1/20/17- On OSA's behalf, DOJ sent 2 spreadsheets identifying missing information and requesting originals of certain original documents.

Second Production: 1/27/17 – MEA's file included over 1,000 documents. However, several were duplicates, several were documents not requested, and several were illegible or redacted. 581 of 952 requested documents were not provided

Third Production: 2/9/17 – MEA provided a portion of the requested documentation

2/10/17- On OSA's behalf, DOJ spreadsheet identifying docs still needed included some previously produced docs that were not legible.

2/21/17- On OSA's behalf, DOJ spreadsheet identifying docs still needed included some previously produced docs that were not legible.

3/31/17- On OSA's behalf, DOJ emailed MEA's attorney and told him that "although OSA did not receive all the documentation sought by subpoena or otherwise requested, it was proceeding with its audit."

Fourth Production: 4/28/17 – despite documentation being received almost two months late, OSA reviewed and applied to testing. A lot of the information provided was duplicates, illegible, redacted, etc. After reviewing all provided documentation, over 440 documents were still missing.

§ 20-28.3. Seizure, impoundment, forfeiture of motor vehicles for offenses involving impaired driving while license revoked or without license and insurance, and for felony speeding to elude arrest.

(a) Motor Vehicles Subject to Seizure for Impaired Driving Offenses. - A motor vehicle that is driven by a person who is charged with an offense involving impaired driving is subject to seizure if:

(1) At the time of the violation, the drivers license of the person driving the motor vehicle was revoked as a result of a prior impaired driving license revocation as defined in G.S. 20-28.2(a); or

(2) At the time of the violation:

a. The person was driving without a valid drivers license, and

b. The driver was not covered by an automobile liability policy.

For the purposes of this subsection, a person who has a complete defense, pursuant to G.S. 20-35, to a charge of driving without a drivers license, shall be considered to have had a valid drivers license at the time of the violation.

(a1) Motor Vehicles Subject to Seizure for Felony Speeding to Elude Arrest. - A motor vehicle is subject to seizure if it is driven by a person who is charged with the offense of felony speeding to elude arrest pursuant to G.S. 20-141.5(b) or (b1).

(b) Duty of Officer. - If the charging officer has probable cause to believe that a motor vehicle driven by the defendant may be subject to forfeiture under this section, the officer shall seize the motor vehicle and have it impounded. If the officer determines prior to seizure that the motor vehicle had been reported stolen, the officer shall not seize the motor vehicle pursuant to this section. If the officer determines prior to seizure that the motor vehicle was a rental vehicle driven by a person not listed as an authorized driver on the rental contract, the officer shall not seize the motor vehicle pursuant to this section, but shall make a reasonable effort to notify the owner of the rental vehicle that the vehicle was stopped and that the driver of the vehicle was not listed as an authorized driver on the rental contract. Probable cause may be based on the officer's personal knowledge, reliable information conveyed by another officer, records of the Division, or other reliable sources. The seizing officer shall notify the Division as soon as practical but no later than 24 hours after seizure of the motor vehicle of the seizure in accordance with procedures established by the Division.

(b1) Written Notification of Impoundment. - Within 48 hours of receipt within regular business hours of the notice of seizure, the Division shall issue written notification of impoundment to any lienholder of record and to any motor vehicle owner who was not operating the motor vehicle at the time of the offense. A notice of seizure received outside regular business hours shall be considered to have been received at the start of the next business day. The notification of impoundment shall be sent by first-class mail to the most recent address contained in the Division's records. If the motor vehicle is registered in another state, notice shall be sent to the address shown on the records of the state where the motor vehicle is registered. This written notification shall provide notice that the motor vehicle has been seized, state the reason for the seizure and the procedure for requesting release of the motor vehicle. Additionally, if the motor vehicle was damaged while the operator was committing an offense resulting in seizure or incident to the seizure, the Division shall issue written notification of the seizure to the owner's insurance company of record and to any other insurance companies that may be insuring other motor vehicles involved in the accident. The Division shall prohibit title to a seized motor vehicle from being transferred by a motor vehicle owner unless authorized by court order.

(b2) Additional Notification to Lienholders. - In addition to providing written notification pursuant to subsection (b1) of this section, within eight hours of receipt within regular business hours of the notice of seizure, the Division shall notify by facsimile any lienholder of record that has provided the Division with a designated facsimile number for notification of impoundment. The facsimile notification of impoundment shall state that the vehicle has been seized, state the reason for the seizure, and notify the lienholder of the additional written notification that will be provided pursuant to subsection (b1) of

this section. The Division shall establish procedures to allow a lienholder to provide one designated facsimile number for notification of impoundment for any vehicle for which the lienholder is a lienholder of record and shall maintain a centralized database of the provided facsimile numbers. The lienholder must provide a facsimile number at which the Division may give notification of impoundment at anytime.

(c) Review by Magistrate. - Upon determining that there is probable cause for seizing a motor vehicle, the seizing officer shall present to a magistrate within the county where the driver was charged an affidavit of impoundment setting forth the basis upon which the motor vehicle has been or will be seized for forfeiture. The magistrate shall review the affidavit of impoundment and if the magistrate determines the requirements of this section have been met, shall order the motor vehicle held. The magistrate may request additional information and may hear from the defendant if the defendant is present. If the magistrate determines the requirements of this section have not been met, the magistrate shall order the motor vehicle released to a motor vehicle owner upon payment of towing and storage fees. If the motor vehicle has not yet been seized, and the magistrate determines that seizure is appropriate, the magistrate shall issue an order of seizure of the motor vehicle. The magistrate shall provide a copy of the order of seizure to the clerk of court. The clerk shall provide copies of the order of seizure to the district attorney and the attorney for the county board of education.

(c1) Effecting an Order of Seizure. - An order of seizure shall be valid anywhere in the State. Any officer with territorial jurisdiction and who has subject matter jurisdiction for violations of this Chapter may use such force as may be reasonable to seize the motor vehicle and to enter upon the property of the defendant to accomplish the seizure. An officer who has probable cause to believe the motor vehicle is concealed or stored on private property of a person other than the defendant may obtain a search warrant to enter upon that property for the purpose of seizing the motor vehicle.

(d) Custody of Motor Vehicle. - Unless the motor vehicle is towed pursuant to a statewide or regional contract, or a contract with the county board of education, the seized motor vehicle shall be towed by a commercial towing company designated by the law enforcement agency that seized the motor vehicle. Seized motor vehicles not towed pursuant to a statewide or regional contract or a contract with a county board of education shall be retrieved from the commercial towing company within a reasonable time, not to exceed 10 business days, by the county board of education or their agent who must pay towing and storage fees to the commercial towing company when the motor vehicle is retrieved. If either a statewide or regional contractor, or the county board of education, chooses to contract for local towing services, all towing companies on the towing list for each law enforcement agency with jurisdiction within the county shall be given written notice and an opportunity to submit proposals prior to a contract for local towing services being awarded. The seized motor vehicle is under the constructive possession of the county board of education for the county in which the operator of the vehicle is charged at the time the vehicle is delivered to a location designated by the county board of education or delivered to its agent pending release or sale, or in the event a statewide or regional contract is in place, under the constructive possession of the State Surplus Property Agency on behalf of the State at the time the vehicle is delivered to a location designated by the State Surplus Property Agency or delivered to its agent pending release or sale. Absent a statewide or regional contract that provides otherwise, each county board of education may elect to have seized motor vehicles stored on property owned or leased by the county board of education and charge a reasonable fee for storage, not to exceed ten dollars ($10.00) per calendar day. In the alternative, the county board of education may contract with a commercial towing and storage facility or other private entity for the towing, storage, and disposal of seized motor vehicles, and a storage fee of not more than ten dollars ($10.00) per calendar day may be charged. Except for gross negligence or intentional misconduct, neither the State Surplus Property Agency, the county board of education, nor any of their employees, shall be liable to the owner or lienholder for damage to or loss of the motor vehicle or its contents, or to the owner of personal property in a seized vehicle, during the time the motor vehicle is being towed or stored

pursuant to this subsection.

(e) Release of Motor Vehicle Pending Trial. - A motor vehicle owner, other than the driver at the time of the underlying offense resulting in the seizure, may apply to the clerk of superior court in the county where the charges are pending for pretrial release of the motor vehicle.

The clerk shall release the motor vehicle to a nondefendant motor vehicle owner conditioned upon payment of all towing and storage charges incurred as a result of seizure and impoundment of the motor vehicle under the following conditions:

(1) The motor vehicle has been seized for not less than 24 hours;

(2) Repealed by Session Laws 1998-182, s. 3, effective December 1, 1998.

(3) A bond in an amount equal to the fair market value of the motor vehicle as defined by G.S. 20-28.2 has been executed and is secured by a cash deposit in the full amount of the bond, by a recordable deed of trust to real property in the full amount of the bond, by a bail bond under G.S. 58-71-1(2), or by at least one solvent surety, payable to the county school fund and conditioned on return of the motor vehicle, in substantially the same condition as it was at the time of seizure and without any new or additional liens or encumbrances, on the day of any hearing scheduled and noticed by the district attorney under G.S. 20-28.2(c), unless the motor vehicle has been permanently released;

(4) Execution of either:

a. An impaired driving acknowledgment as described in G.S. 20-28.2(a1)(1a) if the seizure was for an offense involving impaired driving; or

b. A speeding to elude arrest acknowledgment as defined in G.S. 20-28.2(a1)(8) if the seizure was for violation of G.S. 20-141.5(b) or (b1).

(5) A check of the records of the Division indicates that the requesting motor vehicle owner has not previously executed an acknowledgment naming the operator of the seized motor vehicle; and

(6) A bond posted to secure the release of this motor vehicle under this subsection has not been previously ordered forfeited under G.S. 20-28.5.

In the event a nondefendant motor vehicle owner who obtains temporary possession of a seized motor vehicle pursuant to this subsection does not return the motor vehicle on the day of the forfeiture hearing as noticed by the district attorney under G.S. 20-28.2(c) or otherwise violates a condition of pretrial release of the seized motor vehicle as set forth in this subsection, the bond posted shall be ordered forfeited and an order of seizure shall be issued by the court. Additionally, a nondefendant motor vehicle owner or lienholder who willfully violates any condition of pretrial release may be held in civil or criminal contempt.

(e1) Pretrial Release of Motor Vehicle to Innocent Owner. - A nondefendant motor vehicle owner may file a petition with the clerk of court seeking a pretrial determination that the petitioner is an innocent owner. The clerk shall consider the petition and make a determination as soon as may be feasible. At any proceeding conducted pursuant to this subsection, the clerk is not required to determine the issue of forfeiture, only the issue of whether the petitioner is an innocent owner. If the clerk determines that the petitioner is an innocent owner, the clerk shall release the motor vehicle to the petitioner subject to the same conditions as if the petitioner were an innocent owner under G.S. 20-28.2 (e). The clerk shall send a copy of the order authorizing or denying release of the vehicle to the district attorney and the attorney for the county board of education. An order issued under this subsection finding that the petitioner failed to establish that the petitioner is an innocent owner may be reconsidered by the court as part of the forfeiture hearing conducted pursuant to G.S. 20-28.2(d).

(e2) Pretrial Release of Motor Vehicle to Defendant Owner. -

(1) If the seizure was for an offense involving impaired driving, a defendant motor vehicle owner may file a petition with the clerk of court seeking a pretrial

determination that the defendant's license was not revoked pursuant to an impaired driving license revocation as defined in G.S. 20-28.2(a). The clerk shall schedule a hearing before a judge of the division in which the underlying criminal charge is pending for a hearing to be held within 10 business days or as soon thereafter as may be feasible. Notice of the hearing shall be given to the defendant, the district attorney, and the attorney for the county board of education. The clerk shall forward a copy of the petition to the district attorney for the district attorney's review. If, based on available information, the district attorney determines that the defendant's motor vehicle is not subject to forfeiture, the district attorney may note the State's consent to the release of the motor vehicle on the petition and return the petition to the clerk of court who shall enter an order releasing the motor vehicle to the defendant upon payment of all towing and storage charges incurred as a result of the seizure and impoundment of the motor vehicle, subject to the satisfactory proof of the identity of the defendant as a motor vehicle owner and the existence of financial responsibility to the extent required by Article 13 of this Chapter, and no hearing shall be held. The clerk shall send a copy of the order of release to the attorney for the county board of education. At any pretrial hearing conducted pursuant to this subdivision, the court is not required to determine the issue of the underlying offense of impaired driving only the existence of a prior drivers license revocation as an impaired driving license revocation. Accordingly, the State shall not be required to prove the underlying offense of impaired driving. An order issued under this subdivision finding that the defendant failed to establish that the defendant's license was not revoked pursuant to an impaired driving license revocation as defined in G.S. 20-28.2(a) may be reconsidered by the court as part of the forfeiture hearing conducted pursuant to G.S. 20-28.2(d).

(2) If the seizure was for a felony speeding to elude arrest offense, a defendant motor vehicle owner may apply to the clerk of superior court in the county where the charges are pending for pretrial release of the motor vehicle. The clerk shall release the motor vehicle to the defendant motor vehicle owner conditioned upon payment of all towing and storage charges incurred as a result of seizure and impoundment of the motor vehicle under the following conditions:

a. The motor vehicle has been seized for not less than 24 hours;

b. A bond in an amount equal to the fair market value of the motor vehicle as defined by G.S. 20-28.2 has been executed and is secured by a cash deposit in the full amount of the bond, by a recordable deed of trust to real property in the full amount of the bond, by a bail bond under G.S. 58-71-1(2), or by at least one solvent surety, payable to the county school fund and conditioned on return of the motor vehicle, in substantially the same condition as it was at the time of seizure and without any new or additional liens or encumbrances, on the day of any hearing scheduled and noticed by the district attorney under G.S. 20-28.2(c), unless the motor vehicle has been permanently released;

c. A bond posted to secure the release of this motor vehicle under this subdivision has not been previously ordered forfeited under G.S. 20-28.5.

In the event a defendant motor vehicle owner who obtains temporary possession of a seized motor vehicle pursuant to this subdivision does not return the motor vehicle on the day of the forfeiture hearing as noticed by the district attorney under G.S. 20-28.2 (c) or otherwise violates a condition of pretrial release of the seized motor vehicle as set forth in this subdivision, the bond posted shall be ordered forfeited, and an order of seizure shall be issued by the court. Additionally, a defendant motor vehicle owner

who willfully violates any condition of pretrial release may be held in civil or criminal contempt.

(e3) Pretrial Release of Motor Vehicle to Lienholder. -

(1) A lienholder may file a petition with the clerk of court requesting the court to order pretrial release of a seized motor vehicle. The lienholder shall serve a copy of the petition on all interested parties which shall include the registered owner, the titled owner, the district attorney, and the county board of education attorney. Upon 10 days' prior notice of the date, time, and location of the hearing sent by the lienholder to all interested parties, a judge, after a hearing, shall order a seized motor vehicle released to the lienholder conditioned upon payment of all towing and storage costs incurred as a result of the seizure and impoundment of the motor vehicle if the judge determines, by the greater weight of the evidence, that:

a. Default on the obligation secured by the motor vehicle has occurred;

b. As a consequence of default, the lienholder is entitled to possession of the motor vehicle;

c. The lienholder agrees to sell the motor vehicle in accordance with the terms of its agreement and pursuant to the provisions of Part 6 of Article 9 of Chapter 25 of the General Statutes. Upon sale of the motor vehicle, the lienholder will pay to the clerk of court of the county in which the driver was charged all proceeds from the sale, less the amount of the lien in favor of the lienholder, and any towing and storage costs paid by the lienholder;

d. The lienholder agrees not to sell, give, or otherwise transfer possession of the seized motor vehicle while the motor vehicle is subject to forfeiture, or the forfeited motor vehicle after the forfeiture hearing, to the defendant or the motor vehicle owner; and

e. The seized motor vehicle while the motor vehicle is subject to forfeiture, or the forfeited motor vehicle after the forfeiture hearing, had not previously been released to the lienholder as a result of a prior seizure involving the same defendant or motor vehicle owner.

(2) The clerk of superior court may order a seized vehicle released to the lienholder conditioned upon payment of all towing and storage costs incurred as a result of the seizure and impoundment of the motor vehicle at any time when all interested parties have, in writing, waived any rights that they may have to notice and a hearing, and the lienholder has agreed to the provision of subdivision (1)d. above. A lienholder who refuses to sell, give, or transfer possession of a seized motor vehicle while the motor vehicle is subject to forfeiture, or a forfeited motor vehicle after the forfeiture hearing, to:

a. The defendant;

b. The motor vehicle owner who owned the motor vehicle immediately prior to seizure pending the forfeiture hearing, or to forfeiture after the forfeiture hearing; or

c. Any person acting on the behalf of the defendant or the motor vehicle owner,

shall not be liable for damages arising out of such refusal. However, any subsequent violation of the conditions of release by the lienholder shall be punishable by civil or criminal contempt.

(f), (g) Repealed by Session Laws 1998-182, s. 3, effective December 1, 1998.

(h) Insurance Proceeds. - In the event a motor vehicle is damaged incident to the conduct of the defendant which gave rise to the defendant's arrest and seizure of the motor vehicle pursuant to this section, the county board of education, or its authorized designee, is authorized to negotiate the county

board of education's interest with the insurance company and to compromise and accept settlement of any claim for damages. Property insurance proceeds accruing to the defendant, or other owner of the seized motor vehicle, shall be paid by the responsible insurance company directly to the clerk of superior court in the county where the motor vehicle driver was charged. If the motor vehicle is declared a total loss by the insurance company liable for the damages to the motor vehicle, the clerk of superior court, upon application of the county board of education, shall enter an order that the motor vehicle be released to the insurance company upon payment into the court of all insurance proceeds for damage to the motor vehicle after payment of towing and storage costs and all valid liens. The clerk of superior court shall provide the Division with a certified copy of the order entered pursuant to this subsection, and the Division shall transfer title to the insurance company or to such other person or entity as may be designated by the insurance company. Insurance proceeds paid to the clerk of court pursuant to this subsection shall be subject to forfeiture pursuant to G.S. 20-28.5 and shall be disbursed pursuant to further orders of the court. An affected motor vehicle owner or lienholder who objects to any agreed upon settlement under this subsection may file an independent claim with the insurance company for any additional monies believed owed. Notwithstanding any other provisions in this Chapter, nothing in this section or G.S. 20-28.2 shall require an insurance company to make payments in excess of those required pursuant to its policy of insurance on the seized motor vehicle.

(i) Expedited Sale of Seized Motor Vehicles in Certain Cases. - In order to avoid additional liability for towing and storage costs pending resolution of the criminal proceedings of the defendant, the State Surplus Property Agency or county board of education may, after expiration of 90 days from the date of seizure, sell any motor vehicle having a fair market value of one thousand five hundred dollars ($1,500) or less. The county board of education may also sell a motor vehicle, regardless of the fair market value, any time the outstanding towing and storage costs exceed eighty-five percent (85%) of the fair market value of the vehicle, or with the consent of all the motor vehicle owners. Any sale conducted pursuant to this subsection shall be conducted in accordance with the provisions of G.S. 20-28.5(a) or G.S. 20-28.5(a1), as applicable, and the proceeds of the sale, after the payment of outstanding towing and storage costs or reimbursement of towing and storage costs paid by a person other than the defendant, shall be deposited with the clerk of superior court. If an order of forfeiture is entered by the court, the court shall order the proceeds held by the clerk to be disbursed as provided in G.S. 20-28.5(b). If the court determines that the motor vehicle is not subject to forfeiture, the court shall order the proceeds held by the clerk to be disbursed first to pay the sale, towing, and storage costs, second to pay outstanding liens on the motor vehicle, and the balance to be paid to the motor vehicle owners.

(j) Retrieval of Certain Personal Property. - At reasonable times, the entity charged with storing the motor vehicle may permit owners of personal property not affixed to the motor vehicle to retrieve those items from the motor vehicle, provided satisfactory proof of ownership of the motor vehicle or the items of personal property is presented to the storing entity.

(k) County Board of Education Right to Appear and Participate in Proceedings. - The attorney for the county board of education shall be given notice of all proceedings regarding offenses related to a motor vehicle subject to forfeiture under this section. However, the notice requirement under this subsection does not apply to proceedings conducted under G.S. 20-28.3(e1). The attorney for the county board of education shall also have the right to appear and to be heard on all issues relating to the seizure, possession, release, forfeiture, sale, and other matters related to the seized vehicle under this section. With the prior consent of the county board of education, the district attorney may delegate to the attorney for the county board of education any or all of the duties of the district attorney under this section. Clerks of superior court, law enforcement agencies, and all other agencies with information relevant to the seizure, impoundment, release, or forfeiture of motor vehicles are authorized and directed to provide county boards of education with access to that information and to do so by electronic means when existing technology makes this type of transmission possible.

(l) Payment of Fees Upon Conviction. - If the driver of a motor vehicle seized pursuant to this

section is convicted of the underlying offense resulting in the seizure of a motor vehicle pursuant to this section, the defendant shall be ordered to pay as restitution to the county board of education, the motor vehicle owner, or the lienholder the cost paid or owing for the towing, storage, and sale of the motor vehicle to the extent the costs were not covered by the proceeds from the forfeiture and sale of the motor vehicle. If the underlying offense resulting in the seizure is felony speeding to elude arrest pursuant to G.S. 20-141.5(b) or (b1) and the defendant's conviction is for misdemeanor speeding to elude arrest pursuant to G.S. 20-141.5(a), whether or not the reduced charge is by plea agreement, the defendant shall be ordered to pay as restitution to the county board of education, the motor vehicle owner, or the lienholder the cost paid or owing for the towing and storage of the motor vehicle. In addition, a civil judgment for the costs under this section in favor of the party to whom the restitution is owed shall be docketed by the clerk of superior court. If the defendant is sentenced to an active term of imprisonment, the civil judgment shall become effective and be docketed when the defendant's conviction becomes final. If the defendant is placed on probation, the civil judgment in the amount found by a judge during the probation revocation or termination hearing to be due shall become effective and be docketed by the clerk when the defendant's probation is revoked or terminated.

(m) Trial Priority. - District court trials of offenses involving forfeitures of motor vehicles pursuant to G.S. 20-28.2 shall be scheduled on the arresting officer's next court date or within 30 days of the offense, whichever comes first.

Once scheduled, the case shall not be continued unless all of the following conditions are met:

(1) A written motion for continuance is filed with notice given to the opposing party prior to the motion being heard.

(2) The judge makes a finding of a "compelling reason" for the continuance.

(3) The motion and finding are attached to the court case record.

Upon a determination of guilt, the issue of vehicle forfeiture shall be heard by the judge immediately, or as soon thereafter as feasible, and the judge shall issue the appropriate orders pursuant to G.S. 20-28.2(d).

Should a defendant appeal the conviction to superior court, any party who has not previously been heard on a petition for pretrial release under subsection (e1) or (e3) of this section or any party whose motor vehicle has not been the subject of a forfeiture hearing held pursuant to G.S. 20-28.2(d) may be heard on a petition for pretrial release pursuant to subsection (e1) or (e3) of this section. The provisions of subsection (e) of this section shall also apply to seized motor vehicles pending trial in superior court. Where a motor vehicle was released pursuant to subsection (e) of this section pending trial in district court, the release of the motor vehicle continues, and the terms and conditions of the original bond remain the same as those required for the initial release of the motor vehicle under subsection (e) of this section, pending the resolution of the underlying offense involving impaired driving in superior court.

(n) Any order issued pursuant to this section authorizing the release of a seized vehicle shall require the payment of all towing and storage charges incurred as a result of the seizure and impoundment of the motor vehicle. This requirement shall not be waived. (1997-379, s. 1.2; 1997-456, s. 31; 1998-182, s. 3; 1998-217, s. 62(a)-(c); 2000-169, s. 29; 2001-362, ss. 1, 2, 3, 4, 5, 6; 2001-487, s. 9; 2006-253, s. 32; 2013-243, s. 2; 2015-241, s. 27.3(b).)

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government — 11/7/2017

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Wayne Peedin	DMVA
Angela Heilig	DMVA
Martin Falls	DMVA
James Prosser	DMVA
Sec. Harry Hall	DMVA
Angella Dumston	DMVA
George Robinson	DOI
Mary Stover	DoA
Schorr Johnson	DoR
Tim Hoegemeyer	OSA
Robert Riddle	DOA
Katie Stanley	DOA
Providence	

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government — 11/7/2017

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Brianna Van Steckelenburg	DOA
Amy Bowman	OSHR
Joy Hicks	NCDOT
Deans Eatman	NCDOT
John Corbeton	NCDOJ
Morgan Corbeton	Tar River Elementary Civics Class
Dawn's Reynolds	Trial
Will Parry-Hill	NCHFA
Fred Bone	Bone Asso.
Cameron Idris	NVA
Jillian Tolman	MWC LLC

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government — 11/7/2017

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
CHRIS KAPSCH	OSBM
Tracy Little	OSBM
Ken Wright	DOR
Leo John	Secy of State
NRES ROSREAD	OSBM
Leann Wilkie	NCSBA
George Smith	NP
Charles Perry	OSBM
Kristin Walker	OSBM
JOHN LESKOVEC	OSBM

SPEAKER SIGN-UP SHEET

Joint Legislative Oversight Committee on

General Government

November 7, 2017 – Room 544 LOB – 9:00 AM

PLEASE SIGN IN BELOW

NAME	FIRM OR AGENCY
STEVE WATKINS	NC DMV LICENSE THEFT BUREAU
DAVID DOCRR	NC DMV L E T BUREAU
JAMES E PROSSER	NCDMVA
ALEXANDER P. S,	

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT
December 5, 2017
Room 544 of the Legislative Office Building

The Joint Legislative Oversight Committee on General Government met on Tuesday, December 5, 2017 at 10:00 AM. The meeting was held in Room 544 of the Legislative Office Building. Members present were: Senators John Alexander, Don Davis, and Jeff Tarte and Representatives George Cleveland, Dennis Riddell, Floyd Elmer, Carl Ford, Stephen Ross, and Larry Yarborough. Staff present were Lisa Hollowell, Cara Bridges, Chris Hearley, Amy Darden, and Gayle Moses, Myra Torrain, and Bill Patterson.

The Joint Legislative Committee on General Government met December 5th, 2017, at 9 am, in Room 544 of the Legislative Office Building. Senator John M. Alexander, Jr. presided, Perry Wester served as committee clerk.

Senator Alexander opened the meeting with greetings, and introduced Chuck Hefren of the Program Evaluation Division to present the Efficiency Study Progress Report on DOA. Senator Tarte asked how this differed from NC Gear, and whether anything from NC Gear had been implemented. Senator Tarte also asked for the composition of the team and a sample of the deliverable, should the program guarantee a deliverable. John Turcotte (PED) responded. Senator Tarte asked if ProCom or a supplement would be leading, and also asked for a list of Facilities Improvement Measurements. Lisa Hollowell (Fiscal Research) spoke to Senator Tarte's earlier questions regarding what NC Gear measures were implemented. Representative Cleveland asked how results would be shared, and requested the committee be notified.

Bill Peaslee, Chief Deputy Commissioner of the North Carolina Industrial Commission spoke on the proposed fee increase, and compromise settlement agreements. Representative Riddell asked to be walked through the workman's comp process, and how the new case management system would change that process. Rep. Riddell then asked what an individual's capabilities would be on a personal device with the new system (would it be better?). He then stated that the goal should be to streamline the process, giving people capability to go through the process on their phones with proper security. Rep. Cleveland asked what the current maintenance fees are, what funds were actually being discussed, and why the changes are even being discussed. Senator Tarte asked what the source of "best information" is. Sen. Tarte then asked Deputy Commissioner Peaslee if he had a sense of the composition of the program (would it be "off the shelf" and

we customize or would it be fully customized). He then asked if the $4.2 million cost covered everything or if it was a recurring cost. Rep. Cleveland then commented that all IT contracts must include 5 years of maintenance costs.

Tim Walton, Director of the State Property Office provided an overview of the State Real Property and Vacant Property. Senator Alexander asked if we have a total list of properties, and where it was. He asked where the properties that are for sale were listed, what we are doing to market unused land, and what the total property owned by the state is. Rep. Cleveland asked how accurate the database is. Mr. Walton asked for clarification. Rep. Cleveland commented that they had been told there was a database, and he wanted to know how accurate it was. John COX, FIS Manager for the State Property Office, responded to Rep. Cleveland that that it is accurate if the agencies reported it to them, so they cannot say that they have an accurate list of state owned properties. Rep. Floyd asked how many total lease dollars the state has, and then for those numbers to be reported back. Rep. Floyd then asked about the NC Real Estate Commission in regards to an earlier comment that certain independent agencies did not have to get authority to acquire properties. Rep. Cleveland asked for clarification on what type of properties the NC Real Estate Commission acquires. Rep. Yarborough then asked what goes on during the 90-day consultation period that the state property office would like shortened, and what the pros and cons of shortening it were. He asked for confirmation that it was a process by statue that was outdated. Senator Tart asked if using outside expertise to meet the requirements set in SB 747, and whether the agency has the expertise. He then asked if the universities are outside agency purview and what was in agency purview. Sen. Tarte then asked if we could get the number of buildings owned vs leased, and for the electric and water bill. Senator Don Davis asked for a complete list of leases broken down by agency and a complete list of who is exempt from DOA purview. Sen. Don Davis asked what resources would be necessary to meet Dec 1, 2018 deadline set in SB 747. Rep. Floyd then asked for clarification regarding written notice and confirmation that it was something DOA wanted removed. Rep. Floyd then asked who is currently maintaining state property, and specifically the land that is gifted to the state, etc. Katie Stanley, DOA liaison was then introduced to assist in fielding questions. Sen. Don Davis asked is they could identify unoccupied property that is on the historic registry. Lisa Hollowell (Fiscal Research) then responded to Rep. Yarborough's previous question regarding 90-day requirements. Rep. Floyd then asked about the possibility of consolidating leased properties and/or potentially retrofitting properties (i.e. big box stores or closed malls to be used as community college campuses). Senator Alexander then asked about the type of contracts used by DOA.

State Treasurer Dale Folwell then introduced Brenda Williams, Deputy Treasurer-unclaimed Property to give an update regarding the Escheats Fund. Sen. Don Davis asked if claims have gone beyond the 90-day window. He also asked about the investments yielded from the escheats fund, and at what point would we still be able to cover educational needs. Rep. Cleveland asked about the challenges in finding people in order to return their money. With 11 million properties sitting, are we getting people their money efficiently or

are we sitting on it waiting for them to find it? He then asked if there was an arrangement with the SSN office, regarding situations where funds are received with SS information and their ability to get updated SS information. Rep. Riddell asked if there was a term limit on how long the state holds property, and about the status of unclaimed property in other states. Rep. Yarborough asked if there is a formula for finding out how much unclaimed property will never be claimed. Fran Lawrence, CFO for the Treasurer's office discussed the escheats fund balance projections. Senator Don Davis asked if we were getting to the billion needed for education. Sen. Tarte asked when the last audits of the escheat fund happened.

Insurance Commissioner Mike Causey introduced Marty Sumner, Senior Deputy Commissioner for the Fraud Control Group. Dept. Commission Sumner gave an update on the Fraud Investigation Implementations. Rep. Yarborough asked what the process was for investigating fraud. He asked if there were still penalties if fraud were caught before getting to the commission, and about how there were so many closed cases when so few are assigned. Sen. Don Davis asked about the NC DOI cases chart, and if the number of assigned cases are a trend. Rep. Floyd asked if FTEs coming in are all current LEOs in NC. Commissioner Causey then introduced Brain Taylor, Chief State Fire Marshall, to share updates about the arson investigation implementation. Rep. Floyd asked if a person brought on was retired, and already a part of the state retirement system, how their retirement was affected. Sam Watts from the Retirement Systems Division at the Treasurer's Office was introduced. Rep. Floyd asked for confirmation those retired individuals' retirement benefits would not be increased. Commissioner Causey then introduced Debbie Walker, Senior Deputy Commissioner, Captive Insurance Companies Division. Rep. Floyd asked for the salaries of the division employees. Rep. Cleveland asked for the definitions of: pure captive insurers, protected cell captive insurers, and risk retention groups. He then asked if we are the only state that is doing captive insurance, and why we are ranked so high/what we are doing so well. And has the legislature done something to allow companies to not meet requirements? Sen. Don Davis asked about growth from 2014-2016 and if job figures broken out by year were available. He also asked if she foresaw a point in the future where it would stabilize, and when looking at other states, does the economy play correlation? Rep. Cleveland asked how our premium tax rate compared with other states'.

Senator Alexander then thanked all the presenters, and closed the meeting at 12:15 pm.

John M Alexander, Jr.

Presiding

Perry Wester

Perry Wester, Committee Clerk

NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

November 16, 2017

MEMORANDUM

TO: Members, Joint Legislative Oversight Committee on General Government
FROM: Sen. John M. Alexander, Co-Chair
Rep. George G. Cleveland, Co-Chair
Rep. Dennis P. Riddell, Co-Chair

SUBJECT: Meeting Notice

The **Joint Legislative Oversight Committee on General Government** will meet at the following time:

DAY	DATE	TIME	LOCATION
Tuesday	December 5, 2017	9:00 AM	544 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting http://www.ncleg.net/graphics/downtownmap.pdf.

If you are unable to attend or have any questions concerning this meeting, please contact Perry Wester at alexanderla@ncleg.net.

cc: Committee Record _X_
Interested Parties _X_

Corrected #1: Time Change

NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

December 4, 2017

MEMORANDUM

TO: Members, Joint Legislative Oversight Committee on General Government
FROM: Sen. John M. Alexander, Co-Chair
Rep. George G. Cleveland, Co-Chair
Rep. Dennis P. Riddell, Co-Chair

SUBJECT: Meeting Notice

The **Joint Legislative Oversight Committee on General Government** will meet at the following time:

DAY	DATE	TIME	LOCATION
Tuesday	December 5, 2017	10:00 AM	544 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting http://www.ncleg.net/graphics/downtownmap.pdf.

If you are unable to attend or have any questions concerning this meeting, please contact Perry Wester at alexanderla@ncleg.net.

cc: Committee Record _X_
Interested Parties _X_

Joint Legislative Oversight Committee on General Government
December 5, 2017; 10:00 AM
LOB 544
Agenda

Chairs
Sen. John Alexander, presiding
Rep. George Cleveland
Rep. Dennis Riddell

Department of Administration (DOA) Efficiency Study Progress Report
Chuck Hefren, Program Evaluation Division

Proposed Fee Increase – Compromise Settlement Agreements
Bill Peaslee, Chief Deputy Commissioner, North Carolina Industrial Commission

State Real Property and Vacant Property Overview
Tim Walton, Director of State Property, DOA

Department of State Treasurer
Escheats Fund Update
State Treasurer Dale Folwell
Brenda Williams, Deputy Treasurer; Unclaimed Property

Department of Insurance
Fraud Investigations Division Update
Arson Investigation Implementation
Insurance Commissioner Mike Causey
Marty Sumner, Senior Deputy Commissioner, Fraud Control Group
Brian Taylor, Chief State Fire Marshal
Debbie Walker, Senior Deputy Commission, Captive Insurance Companies Division

ATTENDANCE

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT

2017-1018 Interim

DATES	12-5-17														
ALEXANDER, JOHN CHAIR	✓														
CLEVELAND, George CHAIR	✓														
RIDDELL, Dennis CHAIR	✓														
BRODY, Mark VICE-CHAIR															
FLOYD, Elmer VICE-CHAIR	✓														
BARRINGER, Tamara															
DAVIS, Don	✓														
HORNER, RICK															
TARTE, Jeff	✓														
WOODARD, Mike															
.															
FORD, Carl	✓														
ROSS, Stephen	✓														
LEWIS, David R. ADV. MEM															
YARBOROUGH, Larry ADV. MEM	✓														
BRIDGES, Cara STAFF	✓														
DARDEN, Amy STAFF	✓														
HEARLEY, Chris STAFF	✓														
HOLLOWELL, Lisa STAFF	✓														
MOSES, Gayle STAFF	✓														

PATTERSON, Bill	STAFF	✓														
TORAIN, Myra	STAFF	✓														
AHLIN, Pamela	CLERK															
RIDDELL, Polly	CLERK															
WESTER, Perry	CLERK	✓														

Efficiency Study of the Department of Administration

A presentation to the Joint Legislative Oversight Committee on General Government

December 5, 2017

Chuck Hefren, Principal Program Evaluator

Study Directive

- Evaluate the efficiency of DOA programs and provide recommendations to reduce cost
- May utilize consulting services to assist in identifying potential cost savings
- State Auditor shall review draft findings and recommendations and provide written response to be included in final report
- Final report due March 30, 2018

Consulting Services Contract

- October 16: Executed contract with Procom Consulting
  - Martha Tuthill –Project lead

Procom Contract Deliverables

Study Milestone	Due Date	Payment Amount
1. Identify Cost-Saving Opportunities	Nov. 14, 2017	$25,000
2. Efficiency Opportunity Analysis	Jan. 8, 2018	$55,000
3. Preliminary Draft Issue Report	Feb. 21, 2018	$33,000
4. Final Issue Draft Report	March 8, 2018	$22,000
	Total	$135,000

DOA Programs With Efficiency Improvement Opportunities

1. Facilities & Construction Management
2. Purchasing & Contracts
3. Motor Fleet Management
4. State Parking
5. Mail Services
6. Surplus Property

Program Evaluation Division North Carolina General Assembly 5

AT(E2)

Potential Efficiency Opportunities

Program Area	Issue	Cost Savings Potential	Investment & Impact
Facilities & Construction	Occupancy Standards Compliance	Very High	High
	Lower Cost Locations	Very High	High
	Janitorial Services (Outsourcing)	Medium	Medium
Purchasing & Contracts	State Term Contract Compliance	Very High	Low
	Contract & Vendor Management	High	High

Program Evaluation Division North Carolina General Assembly 6

Slide 6

AT(E2 These also do not match up with the deliverable.
Adora Thayer (Program Evaluation), 12/01/2017

Potential Efficiency Opportunities

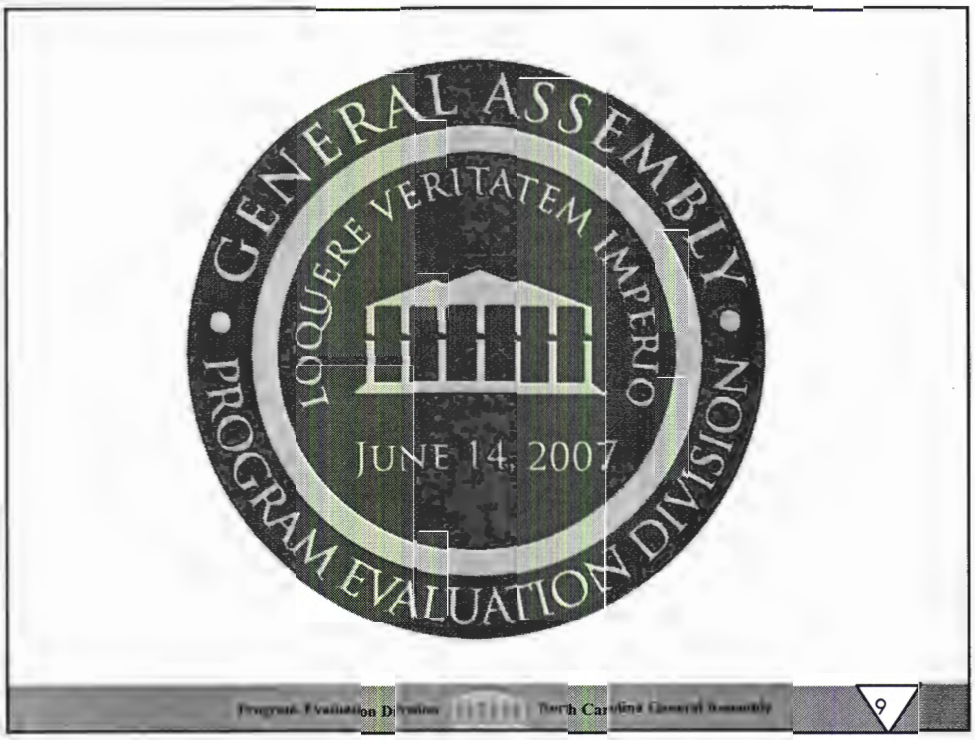
Program Area	Issue	Cost Savings Potential	Investment & Impact
Motor Fleet Management	Vehicle Utilization	High	Medium
	Fleet Cost	High	Medium
Parking	Parking Utilization	Low	Low
Mail Services	Incoming Mail Scan	Medium	High
	Paper Mail Reduction	Medium	Low
Surplus Property	Process Efficiencies	Low	Low
	Increased Utilization	Low	Low

Program Evaluation Division North Carolina General Assembly 7

DOA Efficiency Study Milestones

- PED and consultants will present preliminary results to State Auditor for review and feedback on or about March 1, 2018
- Submission to State Auditor and DOA for review
- Final report with State Auditor and DOA formal response will be presented by March 30, 2018

Program Evaluation Division North Carolina General Assembly 8


GENERAL ASSEMBLY
PROGRAM EVALUATION DIVISION
LOQUERE VERITATEM IMPERIO
JUNE 14, 2007
9

NC DEPARTMENT OF INSURANCE
MIKE CAUSEY • COMMISSIONER

INDUSTRIAL COMMISSION'S INTEGRATED CASE MANAGEMENT SOLUTION PROJECT

William W. "Bill" Peaslee
Chief Deputy Commissioner
North Carolina Industrial Commission
December 5, 2017

Implementation of an Integrated Case Management Solution

- Day-to-day operations are highly dependent upon labor-intensive processes involving data entry in a variety of imperfectly integrated applications.
- The current system is older than most of the employees that work at the Commission.
- Developed in the late 1960s.

Implementation of an Integrated Case Management Solution

- The new system will integrate as many functions as possible into a single interface with both internal and external user and customer access, and where necessary, will interface with existing systems.
- The new system should:
  - Improve efficiency and reporting capabilities;
  - Reduce costs;
  - Provide the workers' compensation system with increased transparency and accessibility.

Implementation of an Integrated Case Management Solution—Potential Cost

- An accurate cost of this project will not be known until the Commission receives responses to a Request for Proposals ("RFP").
- An RFP cannot be prepared and released until there is a secure fund source for the project.
- To date, the Commission is using the best available information as the basis for the $4.2 Million estimate based upon a non-binding Request for Information ("RFI") and the experiences of other agencies.
- The cost estimates in the RFI ranged from $234K to $12M upfront, with some estimates including costs for subsequent years ranging from $15K to $2M.
- The Commission gave less weight to the lowest and highest estimates in determining a reasonable estimate.

Integrated Case Management System—Timeline to RFP

#	Completion Date	Description of Analysis Tasks	Output
1	Business Analysis Support Planning		
	11/7/2017	1. Develop current state context diagram	• Business Analysis support plan
	11/13/2017	2. Develop Business Analysis Support plan	• Context Diagram
	11/17/2017	3. Review Business Analysis Support Plan	
2	Goals and Scope Analysis		
	12/08/2017	1. Validate goals and scope with the project stakeholders	• Validated goals and scope
3	Process Analysis		
	11/24/2017	1. Analyze the existing Process Maps	• Validates process maps
	12/22/2017	2. Conduct Process validation workshops	• Validated Functional Decomposition diagram
		a. Analyze and Validate As Is Process Map	
		b. Analyze and Validate To be Process Map	
4	Requirements Analysis		
	01/05/2018	1. Analyze the existing requirements	• Requirements Document
	01/12/2018	2. Prepare and send Pre-Workshop Survey questionnaire	
	02/05/2018	3. Conduct Requirements Validation and Prioritization workshop	
		a. Validate requirements	
		b. Prioritize the requirements	
	02/13/2018	4. Validate the completeness of Requirements Collection	
5	RFP Requirements		
	02/23/2018	1. Prepare the RFP content	• RFP content
	03/02/2018	2. Validate the RFP requirements	
6	Data Analysis and Migration Planning (as required)		
		1. Analyze and document the high-level data elements in the existing systems	• Findings from data migration analysis and recommendations
		2. Prepare the high-level data elements that needs to be migrated to the new solution	
		3. Validate the data elements documentation	

Implementation of an Integrated Case Management Solution—Funding the Project

- In the Appropriations Act of 2017, Session Law 2017-57, Section 15.19, the General Assembly established a process for the gradual funding of a project to replace the Commission's case management system.
- This project will be funded through both receipts and appropriated funds over four years, through June 30, 2021.

Implementation of an Integrated Case Management Solution—Funding the Project

- The General Assembly allocated $750,000 per year over four years—a total of $3,000,000—for the project from the funds appropriated to the Commission.
- The General Assembly authorized the Commission to retain additional revenue up to $1,200,000 of the fee charged to parties for the filing of compromise settlement agreements.
- The authorization to retain the additional revenue from this fee expires on June 30, 2021.

Implementation of an Integrated Case Management Solution—Funding the Project

- The Commission took preliminary steps to initiate the rulemaking process to temporarily increase the $400.00 compromise settlement fee by $30.00 from March 1, 2018 to June 30, 2021, to ensure collection of the funds necessary for this project.
- After discussion and review with the budget office at the Department of Insurance and the Office of State Budget and Management, we have developed a solution to fund the $1.2 Million without any increase in fees.
- The Commission intends to withdraw the proposed rulemaking as soon as all funds are transferred from the Department of Commerce to the Department of Insurance and the appropriate budget line account is established and operational.

Implementation of an Integrated Case Management Solution—Funding the Project

- Pursuant to Rule 04 NCAC 10E .0203, the plaintiff and defendant each pay half of the compromise settlement fee, but the defendant submits the entire fee when the compromise settlement is submitted to the Commission.
- The defendant may then take a credit against the settlement amount to be paid for plaintiff's half of the fee or, as happens frequently, the defendant may agree to pay the entire fee as part of the settlement agreement.
- The last increase to the fee was a $25 increase that took effect on November 1, 2014, as part of a major fee restructuring.

Compromise Settlement Processing Fee — Fees Collected

FY	Number of CSAs	CSA fee	CSA receipts (approximate)
16-17	12,576	$400	$5 Million (OSBM fee report not available yet)
15-16	12,335	$400	$4.96 Million
14-15	12,495	$375 until November 1, 2014, then $400	$4.67 Million
13-14	12,160	$375	$4.55 Million
12-13	12,263	$375	$4.59 Million
Average	12,366		$4.76 Million

Compromise Settlement Processing Fee— Certified Budget vs. Actual Receipts

Fiscal Year	Revenue account	Certified Budget	Actual Receipts*
16-17	435900032	3,976,367.00	2,514,533.33 (CSA fees only)
16-17	435900058	1,957,578.00	2,511,650.00
15-16	435900032	3,860,000.00	2,464,933.33 (CSA fees only)
15-16	435900058	1,957,578.00	2,478,675.00
14-15	435900032	3,860,000.00	2,450,925.00 (CSA fees only)
14-15	435900058	1,957,578.00	2,337,460.00
13-14	435900032	3,860,000.00	2,432,000.00 (CSA fees only)
13-14	435900058	1,457,578.00	2,124,100.00
12-13	435900032	No certified budget amount	2,452,225.00 (CSA fees only)
12-13	435900058	81,737.00	2,140,389.00

***The first $200 of each CSA fee goes into Account 435900032 along with other kinds of fees. The remainder of the fee goes into Account 435900058. The Chart represents the Actual Receipts in Account 435900032 and Account 435900058 from the CSA fee only. Other fees added into Account 435900032 have been left out for purposes of this presentation.**

Additional Questions

Bill Peaslee
Bill.Peaslee@ic.nc.gov
(919) 807-2516

Kendall Bourdon
Kendall.Bourdon@ic.nc.gov
(919) 807-2644

Meredith Henderson
Meredith.Henderson@ic.nc.gov
(919) 807-2575

Charles Duckett
Charles.Duckett@ic.nc.gov
(919) 807-2688

DEPARTMENT OF ADMINISTRATION
STATE PROPERTY OFFICE

The primary mission of the State Property Office is to administer the acquisition and disposition of all state-owned land or any interest therein by deed, lease, easement, or allocation; manage the State's submerged lands; and maintain an accurate inventory of state lands and buildings.

The State Property Office acts as the corporate real estate office for State agencies and Universities.

State Property Office Composition

Real Property Section – Is responsible for all acquisitions and dispositions of state-owned land and buildings by deed, easement, eminent domain or allocation.

Leasing and Space Planning Section– Manages real estate leases, including processing and evaluating bids and negotiating the terms of leases. Determines space needs of state agencies.

Facilities Information Section – Maintains and continually updates the database of the state's real estate holdings (text and geospatial).


1 manager and 6 Real Property Agents are currently managing 676 projects.
1 manager and 4 Leasing Agents are currently managing 407 projects.
1 manager and 2 Facilities Information Staff digitize and distribute the text and spatial information from both sections.
Data

SURPLUS PROPERTY

- Ag - Animal Diagnostic Lab 329 Yellow Cut Road – Rose Hill, Duplin County, on the market
- Ag, Forest Service - 2.25-acre vacant lot Highway 211, Bolton, Columbus County, on the market
- Ag - 6.36-acre vacant lot, Piedmont Triad Farmers Market, Greensboro, Guilford County - on the market
- Ag - Livestock Show and Sell Facility ±46 acres, Bristol Drive, Statesville, Iredell County - under contract
- DPS - Former Charlotte Corrections Facility - under contract
- DOA - the Andrews-Duncan house, 407 North Blount Street, Raleigh, Wake County - in contract negotiations
- DOA - the Howell house, 111 East North Street, Raleigh, Wake County - under contract
- DOA - the Cambridge, Watson, Worth and Gay houses, 407, 411, 415 and 419 Person Street, Raleigh, Wake County - under contract
- DOA - 89-acre Cary Towne Boulevard, Cary, Wake County - under contract

Process and Timing

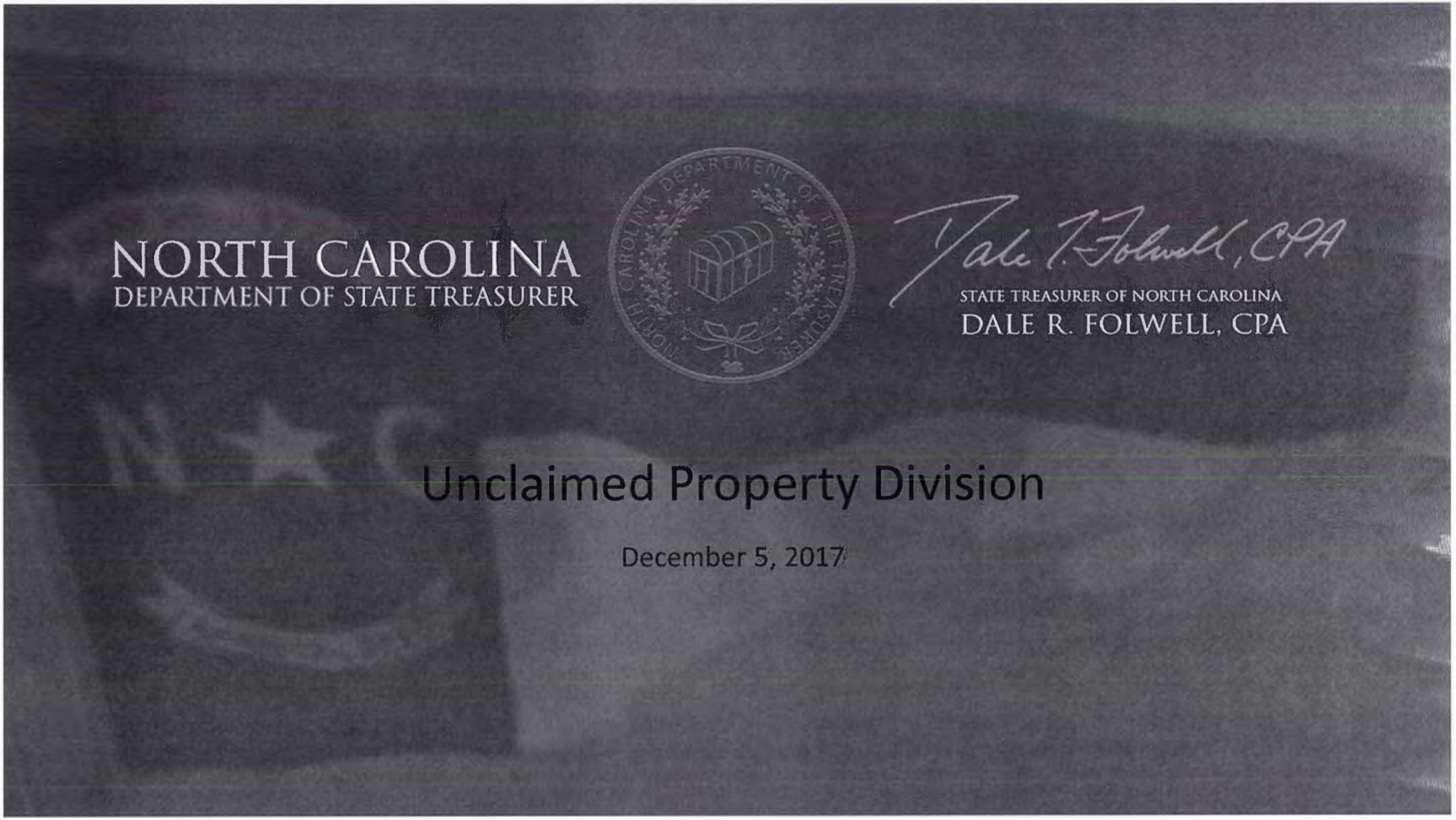
A disposition transaction for property with a value of $25,000 or more currently requires a 90-day consultation period whereas the acquisition process requires a 30-day period.

Revising §146-27(b) to read "...the sale or gift shall not be made until after ***written notice*** to the Joint Legislative Commission on Governmental Operations" would eliminate 60 days in the disposition process.

Senate Bill 747 - Requirements Completed

- December 1, 2016 – Report changes to real property databases pursuant to §143-341(4)
- December 1, 2016 – Develop and distribute to State agencies procedures to measure utilization of owned and leased real property
- December 1, 2016 – Develop and distribute to State agencies space planning standards
- June 1, 2017 – Report a plan to analyze the utilization of owned and leased space
- June 1, 2017 – Perform unannounced site visit to a random facility owned by or allocated too each State agency subject to oversight authority of the DOA
- Future Requirements
- December 1, 2018 – Develop and implement a plan to comprehensively manage, acquire and dispose of the facilities and spaces required to fully support State government operations, and; establish a performance management system to measure the State's achievement

Questions ?


NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
NORTH CAROLINA DEPARTMENT OF THE TREASURER
Dale R. Folwell, CPA
STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA
Unclaimed Property Division
December 5, 2017

Unclaimed Property Division

- The Department of State Treasurer oversees and maintains the State's unclaimed property. By law, unclaimed property is escheated, or turned over, to the department for safekeeping.
- The Unclaimed Property Division (UPD) is responsible for recovering, safekeeping and returning property to its rightful owners.
- Much of the UPD's work is guided by NCGS Chapter 116B-Escheats and Abandoned Property.

The Escheat Fund

- Approximately 11 million properties are currently being held in the Escheat Fund.
- As of the FY ending June 30, 2017, the Escheat Fund carried an investment balance of $583 million and a fund balance of $659 million.
- The interest earned on these funds pays for UPD's operating costs. All remaining interest is sent to the State Education Assistance Authority (SEAA) to provide financial aid to NC students attending NC colleges and universities. In addition, since 2003 the State has used a significant amount of the Escheat Fund's principal to fund student financial aid.
- Between FY 2013 and FY 2017, more than $319 million was transferred from principal to fund student financial aid.

UPD Operations

- UPD consists of a team of 27 permanent employees whose primary function is to:
  - Recover Unclaimed Property
  - Return Property to its Rightful Owners
  - Provide Education and Outreach to Key Stakeholders

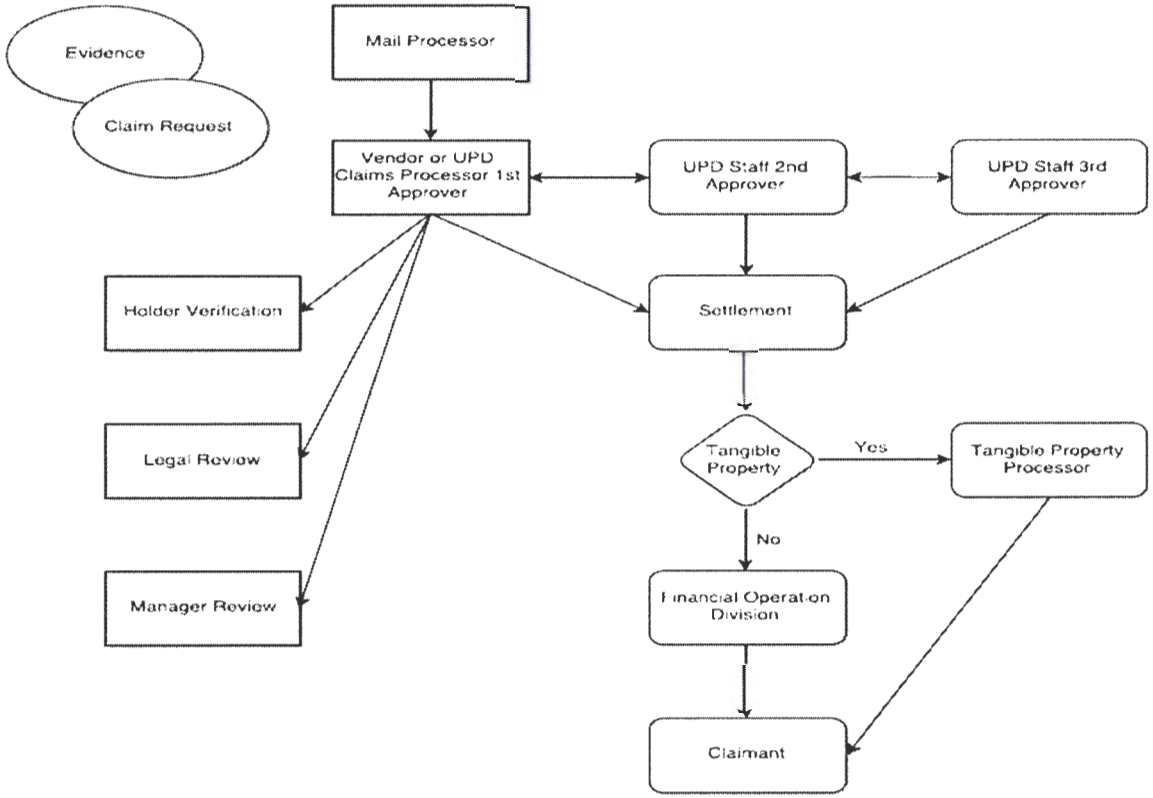
Recover Unclaimed Property

- Compliance and Audit Team (6 staff members)- facilitates the reporting of unclaimed property through holder education and compliance audits.
- Receipts and Reporting Team (6 staff members)- responsible for the receipt, recording and maintenance of all unclaimed property.

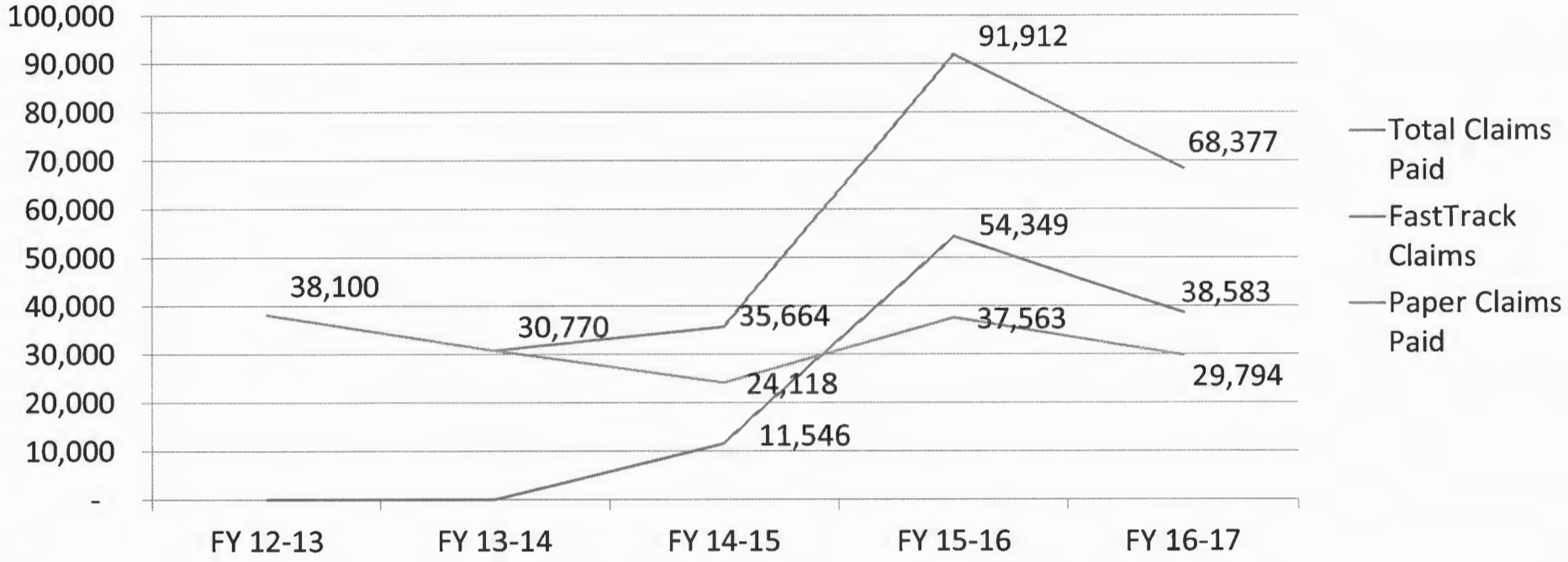
Return Property to Rightful Owners

- Claims Processing Team (8 staff members) - reunites owners with their unclaimed property through documentation review and validation.
- Prior to 2009, the Department paid less than 30,000 claims per year. This number has continued to increase due to outreach, media coverage and other awareness efforts. We are currently paying more than 60,000 claims each year.
- By statute, the Treasurer shall allow or deny a claim within 90 days after it is filed, and pay or deliver the property to the claimant within an additional 30 days. Due to the volume of claims received annually, the UPD relies on the assistance of an external vendor to provide Claims Processing and Call Center Support to meet the statutory deadlines.

Claims Processing Workflow



Claims Paid Annually



Provide Education and Outreach

- Owner Outreach
  - NCCash.com website
  - Securities and Tangible Property Outreach
  - Events – State Fair, Earned Media

- Holder Education
  - Assist businesses to become and remain compliant with reporting requirements.
  - Conduct Holder Education presentations to businesses and associations.

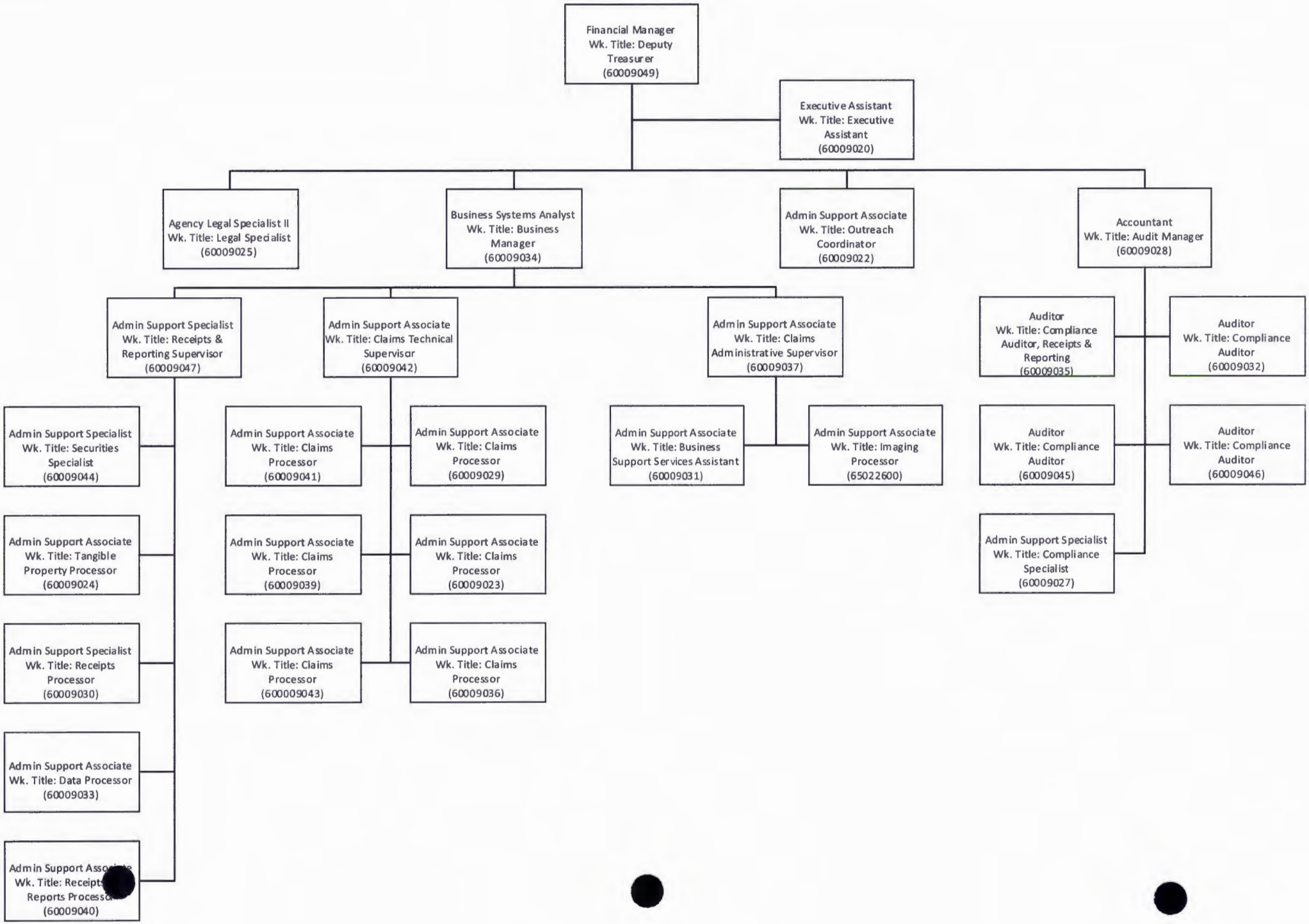
2017-2019 Operational Priorities

- Secure a new, fully integrated Unclaimed Property Management System with increased automation for all core functions.
- Increase efficiencies within manual processes through removal of duplicative or unnecessary steps.
- Expand automated claims processing (E-Claims). Eligible claims are validated electronically (without submission of paper forms) and are paid within 5 business days or less.
- UPD's additional staffing needs will be further assessed once all system and operational improvements have been put in place.

Escheat Fund Balance Projections

	Actuals (Accrual Basis)				
	FY 2012 - 2013	**FY 2013-2014**	**FY 2014-15**	**FY 2015-16**	**FY 2016-17**
Investments at Fiscal Year End					
Liquid (STIF)	228,395,063	262,750,299	292,652,381	379,659,091	419,657,578
Somewhat Liquid (Fixed Income & Public Equity)	103,232,899	109,482,622	111,920,363	120,942,223	120,923,004
Not Liquid (Private Equity)	37,432,215	40,284,545	35,505,420	32,427,565	41,906,032
Venture Capital Multiplier Fund					*8,065,559*
Other Not Liquid (Private Equity)	*37,432,215*	*40,284,545*	*35,505,420*	*32,427,565*	*33,840,473*
Total Investments	369,060,176	412,517,465	440,078,164	533,028,879	582,486,614
Cash & STIF:					
Beginning Cash & STIF	173,436,000	228,395,063	262,750,299	292,652,381	379,659,091
Department of State Treasurer					
Claims Paid (Cash Basis)	50,690,360	59,271,668	49,879,965	56,253,774	53,949,796
Receipts from Holders (Cash Basis)	162,453,833	157,419,585	155,680,172	200,324,794	159,242,404
Escheat Fund Collections (Net)	111,763,473	98,147,917	105,800,207	144,071,020	105,292,608
Investment Earnings (Accrual Basis)	**6,341,900**	**14,594,019**	**7,022,041**	**14,875,000**	**10,484,996**
Other (Admin Expenses and Adjustment to Accrual Basis)	(3,003,104)	8,756,506	(3,646,232)	(11,796,104)	(15,635,911)
Department of State Treasurer subtotal	115,102,269	121,498,442	109,176,016	147,149,916	100,141,693
Scholarships					
SEAA (Net Earnings After Admin Expenses)	(9,834,939)	(2,481,084)	(2,880,740)	(7,606,764)	(5,032,346)
SEAA (From Principal)	(27,452,303)	(61,806,158)	(34,406,502)	(29,680,478)	(32,254,896)
Additional Scholarships (From Principal)			(19,130,728)		
Community College Grant Program (From Principal)	(16,335,000)	(15,246,373)	(16,335,000)	(16,335,000)	(16,335,000)
Veterans' Dependents Scholarship Fund (From Principal)	(6,520,964)	(7,609,591)	(6,520,964)	(6,520,964)	(6,520,964)
Total Scholarships:	(60,143,206)	(87,143,206)	(79,273,934)	(60,143,206)	(60,143,206)
Net Changes:	54,959,063	34,355,236	29,902,082	87,006,710	39,998,487
Ending Cash & STIF	**228,395,063**	**262,750,299**	**292,652,381**	**379,659,091**	**419,657,578**

Unclaimed Property Division
Organization Structure
10/26/17



NC DEPARTMENT OF INSURANCE

MIKE CAUSEY • COMMISSIONER

Department of Insurance Presentation to the Joint Legislative Oversight Committee on General Government December 5, 2017

NC DEPARTMENT OF INSURANCE

MIKE CAUSEY • COMMISSIONER

FRAUD CONTROL GROUP

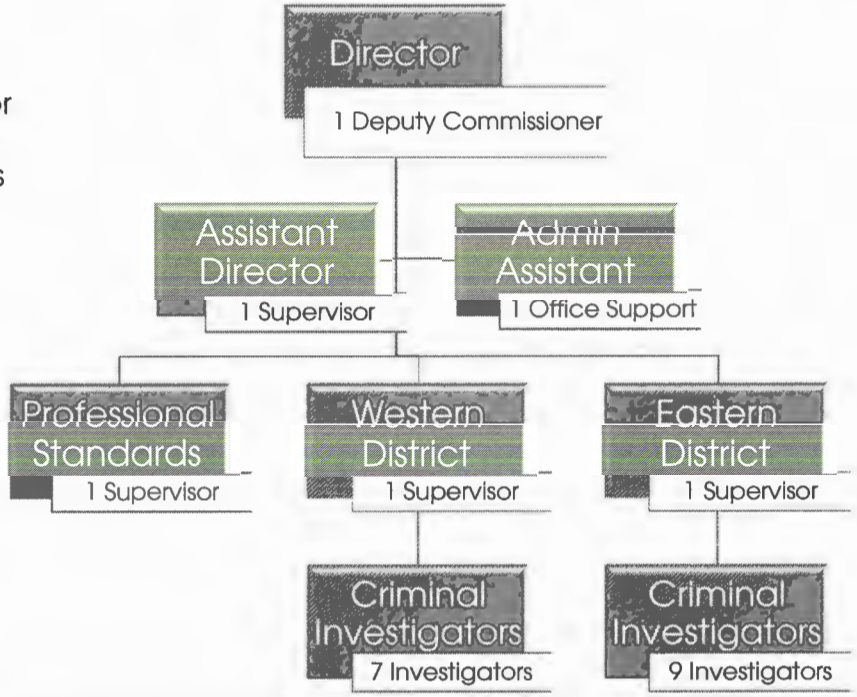


POSITIONS CREATED/FILLED

JOB TITLE	TYPE POSITION	QTY	DATE FILLED
Law Enforcement Director	Senior Deputy Commissioner Fraud Control Group	1	9/25
Attorney III	Chief Attorney	1	11/5*
Attorney II	Prosecuting Attorneys	2	11/5
Ins. Company Examiner	Forensic Accountant	1	10/01
Professional Standards Supervisor	Personnel, Training, IA	1	11/01
Investigator Supervisor	District Supervisors	2	12/07
Paralegal II	Support for Criminal Legal Services	1	01/15
Criminal Investigators	Insurance Fraud Investigations	15	01/31
Executive Asst. I (Director)	Admin. Support for Fraud Group	1	01/31
Criminal Analyst	Crime/Intel Analyst	1	01/31
Criminal Specialist	Process Incoming Cases for Assignment	1	01/31
*Filled with Internal Lateral Transfer	**Total FTEs**	**27**	

CURRENT CID ORGANIZATION CHART

1 Director
1 Asst. Director
3 Supervisors
16 Investigators



REORGANIZE DISTRICTS



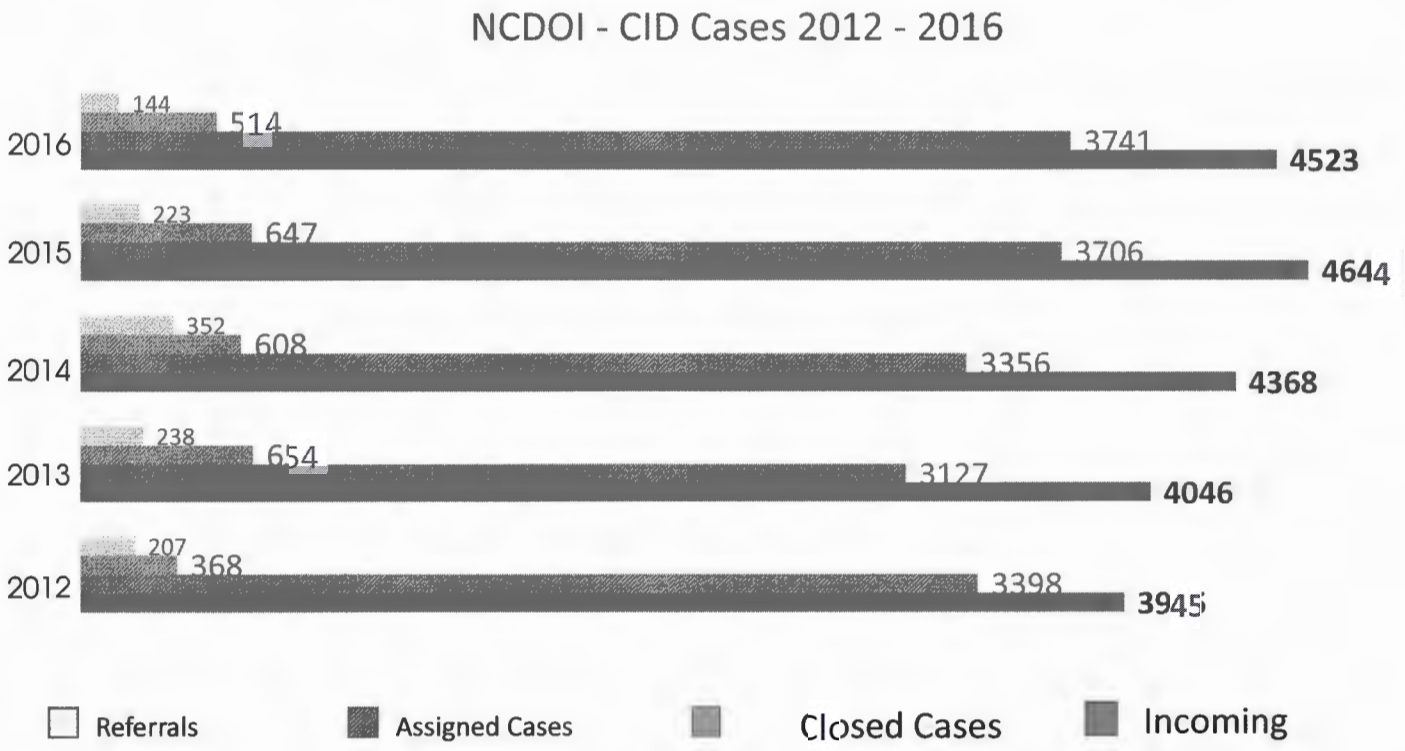
Effective Date: July 3, 2017



Effective Date: January 1, 2018

2018 REORGANIZATION

Sr. Deputy	Crime Analyst	
	Insurance Company Examiner	
	Professional Standards	2 OSFM Investigators
		1 Bail Bond Investigator
Director	Asst. Director	
	Admin Assistant	
	District I	7 Criminal Investigators
	District II	7 Criminal Investigators
	District III	7 Criminal Investigators
	District IV	7 Criminal Investigators


NCDOI - CID Cases 2012 - 2016
2016
144
514
3741
4523
2015
223
647
3706
4644
2014
352
608
3356
4368
2013
238
654
3127
4046
2012
207
368
3398
3945
Referrals
Assigned Cases
Closed Cases
Incoming

LEADERSHIP

MARTY SUMNER – SENIOR DEPUTY COMMISSIONER
FRAUD CONTROL GROUP
919-807-6846
marty.sumner@ncdoi.gov

Shane Guyant – Director
NCDOI – Criminal Investigations
919-807-6840
shane.guyant@ncdoi.gov

John Cable – Director
NCDOI – Bail Bond Regulatory
919-807-6850
john.cable@ncdoi.gov

Jennifer Gray- Chief Attorney
NCDOI-Criminal Legal Services
919-616-7066
jennifer.gray@ncdoi.gov

Office of State Fire Marshal – Fire Investigation Unit (FIU)

OSFM
NC DEPARTMENT OF INSURANCE

- 2 - Fire Investigators accepted positions November 1st
- Fire Investigators start December 4th
- Will start responding January 1st

Fire Investigation Unit (FIU)

OSFM
NC DEPARTMENT OF INSURANCE

Unit will start responding to the following calls January 1st:

- All fire deaths in NC
- Fires involving state owned properties
- Losses that exceeds $500,000

Fire Investigation Unit (FIU)

- Met with Director of the State Bureau of Investigations (SBI) and his senior staff to discuss our response and procedures to work together throughout the state.
- Met with the new Arson / Homicide Prosecutor and his supervisor with the Conference of District Attorney's to discuss future.
- The new Fire Investigators will start working this month on policies and procedures and educating the Fire Service of our new mission to Prevent and Educate by Investigating.

NC DEPARTMENT OF INSURANCE

CAPTIVE INSURERS

Captive enabling legislation signed into law June 19, 2013

North Carolina Captive Insurance Act effective October 14, 2013

What is a Captive Insurer?



- *A* **licensed insurance company** with the primary purpose of insuring or reinsuring the risks of its affiliates
- A formalized form of self-insurance
- An alternative to a traditional insurer
- A management tool established and designed to meet and/or assist in meeting risk management needs

Overview

Captive Insurance Companies Division

- Approval of captive managers
- Licensing of all North Carolina captive insurance companies
- Ongoing regulation of North Carolina licensed captive insurance companies
- Providing education to business owners and their advisors about the North Carolina captive insurance program


NC DEPARTMENT OF INSURANCE

ABC Captive Insurance Company





The Captive Insurance Company Program Today

- **199** captive insurers licensed to operate and **191** captive insurers are currently active, including:
  - Pure captive insurers – **153**
  - Protected cell captive insurers – **25**
  - Special purpose captive insurers – **16**
  - Risk retention groups - **5**



- **383** cells or series approved of which **355** are active
- In total, **554** captive insurance risk-bearing entities are approved, actively conducting business, and regulated by the NCDOI

2016
A Year of N.C. Captive Insurance Program Growth

- Number of N.C. licensed captive insurers nearly doubled in 2016
- N.C. ranked as the **#1** domicile in the world for number of captive insurance companies licensed during 2016
- N.C. ranked as the **#3** domicile in the U.S. for total risk-bearing entities ("risk-bearing entities" includes captive insurers, cells and series)
- N.C. ranked as the **#7** domicile in the world for total risk-bearing entities

Source: Captive Review

Size and Budget for Captive Insurance Regulation

- Budget for 2017-2018 amounts to $1.1 million
  (primarily comprised of personnel-related expenses of $1 million)

- Captive regulatory team consists of **10** team members comprised of 9 financial analysts *(including 3 new analyst positions)* and 1 administrator

- Other NCDOI analysts and examiners assist during peak periods such as December – March

Economic Impact



$41 million impact to N.C. economy 2014-2016



60+ jobs created 2014-2016



$23.0M Impact in 2016
$15.3M Impact in 2015
$ 2.5M Impact in 2014

What makes up this figure?



Premium tax revenue



Service provider revenue
(attorneys, actuaries, auditors, investment managers, captive managers, etc.)



Hospitality revenue

NC DEPARTMENT OF INSURANCE | MIKE CAUSEY • COMMISSIONER

Visitor Log
Joint Legislative Oversight Committee on General Government
12-05-17

Katie Stanley - DOA
Chris Kapsch - OSBM
Providence HAKIZIMANA - OSBM
David Green - Focus Carolina
Hugh Johnson - NCDA
Tim Walton DOA
John Cox DOA
John Webb - DOA
MARK SPEARS - DOA
Brad Young OSA
Chris Farr Dept. of Treasurer
[illegible] - DST
Kent Edwards - NCDA+CS
Laura Allan NCDA+CS
Fran Lawrence DST
Craig Oemke DST
Brenda Williams DST
Leo John Secy of State
Dale Folwell State Treasurer
Starnes DST
Molly Masich OAH
Ken Wyatt DOR
Sam Watts DST

Visitor Log
Joint Legislative Oversight Committee on General Government
12-05-17

Leo John	Secy of State
Meredith Henderson	NC Ind. Comm.
Marty Sumner	NC Dept of Insurance
Debra Walker	NC Dept of Insurance
Kendall Bourdon	NC Industrial Commission
Charles Duckett	NC Industrial Comm
Mark Tyler	NC Dept of Insurance
Brian Ratledge	NCIC
Brian Thyen	NCDOI/OSFM
David Horton	NC Center for Nonprofits
Will Parry-Hill	NCHFA
Doug Cassiler	NCSTA
Chris Emanuel	Emanuel Group

JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON GENERAL GOVERNMENT
February 6, 2018
544 Legislative Office Building

The Joint Legislative Oversight Committee on General Government met on Tuesday, February 6, 2018, at 9 AM. The meeting was held in Room 544. House members present were Representatives Brody, Cleveland, Floyd, Ford, and Ross. Senate members present were Alexander, Barringer, D. Davis, and Tarte. Representatives Lewis, Riddell, and Yarborough had an excused absence. Senators Horner and Woodard had an excused absence. Staff members present were C. Bridges, Darden, Hearley, Hollowell, Moses, Patterson, and Torain. The Committee Clerk was Pamela Ahlin. Included in the documentation is the list of House and Senate Sergeant at Arms who served the committee, and a listing of visitors to the committee.

Rep. George G. Cleveland, presided.

Minutes were reviewed and passed for the November 2017 and the December 2017 meetings.

Lisa Hollowell introduced Larry Hall, Secretary of the Department of Military and Veterans Affairs who made the presentation SL 2017-29 Review of Outcome Methods (Attachment # 1).
Sen. D. Davis asked how long it would take to implement the tracking of veterans across multiple agencies to show that NC is providing for veterans. Secretary Hall stated that with several information sources, including federal, there is a lag time and he would need some IT assistance. Secretary Hall stated that we are clearly providing for veterans. Counties provide support for their own county, and the state has support for those counties with a low military population. Secretary Hall discussed the 2014 Report from PED regarding the inventory issue. He stated that the inventory was outdated, and that should be remedied with a list of what exists, what is new, what are the government-based programs, and where does the funding come from. A link should be available to use. Sen. Davis asked who takes the lead on the strategic plan and whether it was the DMVA. Rep. Cleveland stated that the NCMAC is looking into oversight. Sen. Davis asked if the releasing of the Strategic Plan on November 1st would require additional funds. Secretary Hall stated that no resources were needed, although the weather had delayed progress. Sen. Tarte asked what the top programs in demand were, and what was the shortfall? Sec. Hall stated that homelessness, drug addiction, and suicide prevention are the top programs. Sen. Tarte asked if services are close to Vets, especially returning Vets. Sec. Hall said they are tracking that issue. Rep. Floyd wanted information on the cemetery and its possible expansion in Cumberland County. Sec. Hall stated that there is a $9 million expansion grant for the cemetery, and the expansion will be adjacent or very near. The Feds are out of the cemetery business, so no new funds are anticipated. Rep. Floyd brought attention to our aging population, and that the state needs to do some advance preparation to be ready for future burials.

Rep. Floyd stated that the grass was not green enough at the cemetery, and Sec. Hall replied that the problem is a landscaping issue problem. Sec. Hall said we need nursing homes for the aging population, and Rep. Floyd requested that any new nursing homes to be built should be east of I-95. After all, Fort Bragg and Fayetteville are a hub of military activity. Sen. Barringer and Sec. Hall commented on the DSS and other services in Cumberland County and an idea to restructure help. Sec. Hall stated that federal programs and private programs like the USO assist in some needy areas. Sen. Alexander had a question regarding slide 9 and the Strategic Plan. Is the funding sufficient? Will we get sufficient federal dollars? Sec. Hall stated that they do expect federal monetary aid.

Colonel Frank Bottorff, from the NC Military Affairs Commission, reviewed the SL 2017-64 MAC Annual Report-Review of Strategic Plan (Attachment # 2). His emphasis was that encroachment is the biggest threat to the work of the military in NC. Encroachment will need to be controlled to ensure the sustainability of military communities. Sen. Davis informed the committee that more BRAC would be taking place in 2019, or 2020, or 2021. Col. Bottorff said the plan was focused on reviewing current status and planning for the future, training of the military force, and that families want good educational prospects for their children. In order to keep the best retirees here in NC, we need to stop taxing military retirement benefits. Rep. Cleveland stated that the NCMAC is aggressively pursuing similar goals to the DMVA. Rep. Floyd stated that support for the military is mixed. The children of the military use the local public schools, but don't pay property tax if they live on the base. In that scenario, there is a cost to the locals and they don't always appreciate their higher tax burden.

The next presentation was regarding the Motor Fleet Fee Change (Attachment # 3), and was given by Ron Allison, Director of the Motor Fleet at the Department of Administration. Bill Forsythe, the Fleet Manager, brought information on telematics and praised the system for giving more data and being cost effective. Sen. Davis asked what the procedure was if an agency employee was speeding. Forsythe answered that agencies themselves must enforce safe driving by giving additional safety training, or removing the vehicle. However, there is no formal policy in place to discipline an employee for violations of safe driving. Rep. Floyd remarked that legislation is needed to have a policy in place for violations of safe driving. Forsythe said that all cars in the Motor Fleet will get the telematics system, and if the system is disabled, the Fleet Manager is notified. No one can opt out. The cost is $70 per vehicle per device. Sen. Tarte asked what percentage of the fleet was hybrid or electric and what the strategy was for transition. Forsythe answered that it was less than 1%, and they were beginning the process with the Nissan Leaf. Sen. Alexander asked if the data on speeding was public or private, and how the HIPPA laws would affect the availability of the data for public or agency view. The Department of Administration responded that they are working closely with their legal counsel to ensure the appropriate policies are in place to protect data that should remain confidential. The data's primary use is for the agency to better manage the total cost of fleet ownership and to make personnel decisions.

Barbara Gibson, State Human Resources Director, gave a presentation on Human Resources Classification and Compensation Implementation (Attachment # 4). Gibson stated that teachers are on a separate system, not the BEACON system. Rep. Brody questioned pay increases within a classification. Gibson said that the supervisor gives the classification, and the HR department gives the level. Rep. Floyd raised the issue of hiring for the job according to its classification. If a person is overly qualified, it creates a dilemma for how the pay is determined. An example would be advertising an opening for a paralegal, but then hiring an attorney. Gibson confirmed that there are 80,000 jobs listed in BEACON, and but only 65,000 agency employees. Sen. Davis asked if all the positions were advertised for. Sen. Alexander asked how often the number 80,000 was reviewed for accuracy. The gap in listings versus hires was discussed.

Dave Roseberry, Assistant Secretary for IT in the Department of Revenue, gave a presentation regarding the DOR IT Projects Update (Attachment # 5). There is a need to move forward into modern technology with Oracle cloud services and SAS on demand. Rep. Brody asked if the new system would allow taxpayers to contact the DOR via email. Roseberry said that email from taxpayers would create security issues, so that was not advisable. Rep. Brody asked if electric car owners support the road system, considering they do not pay fuel tax. Roseberry said to ask the Excise tax person, not the IT person. That would be the place to get information on any consumer tax.

There being no further business, the meeting was adjourned by the Chair at 12:05 PM.

George G. Cleveland

Rep. George G. Cleveland
Presiding

Pamela Ahlin

Pamela Ahlin, Committee Clerk

Joint Legislative Oversight Committee on General Government
February 6, 2018; 9:00 AM
LOB 544
Agenda

Chairs
Sen. John Alexander
Rep. Dennis Riddell
Rep. George Cleveland

NC Department of Military and Veterans Affairs SL 2017-29 Review of Outcome Methods	Larry Hall, Secretary Department of Military and Veterans Affairs
SL 2017-64 Military Affairs Commission Annual Report – Review of Strategic Plan	Col Frank Bottorff, USMC (Ret.) North Carolina Military Affairs Commission
Motor Fleet Fee Change	Ron Allison, Director, Motor Fleet Bill Forsythe, Fleet Manager Department of Administration
Human Resources Classification and Compensation Implementation	Barbara Gibson, State Human Resources Director
Department of Revenue IT Projects Update	David Roseberry, Assistant Secretary for IT, Department of Revenue

NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

January 10, 2018

MEMORANDUM

TO: Members, Joint Legislative Oversight Committee on General Government
FROM: Sen. John M. Alexander, Co-Chair
Rep. George G. Cleveland, Co-Chair
Rep. Dennis P. Riddell, Co-Chair

SUBJECT: Meeting Notice

The **Joint Legislative Oversight Committee on General Government** will meet at the following time:

DAY	DATE	TIME	LOCATION
Tuesday	February 6, 2018	9:00 AM	544 LOB

Rep. George G. Cleveland will preside.

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting http://www.ncleg.net/graphics/downtownmap.pdf.

If you are unable to attend or have any questions concerning this meeting, please contact Pamela Ahlin at clevelandla@ncleg.net.

cc: Committee Record _X_
Interested Parties _X_

NC Department of Military And Veterans Affairs

Presentation to Oversight Committee on General Government
Pursuant to Session Law 2017- 29
SB 62

February 6, 2018

ATTACHMENT # 1

BRIEF BACKGROUND

- North Carolina has six major military bases - Fort Bragg, Seymour Johnson AFB, MCB Camp Lejeune, MCAS Cherry Point, MCAS New River, and Elizabeth City Coast Guard Base as well as the NC National Guard and Reserves.
- The state has one of the largest veteran populations in the nation, which consist of over 700,000 veterans. North Carolina's military and veteran communities contribute more than $66 billion to the state's economy.

PURPOSE OF STUDY

Senate Bill 62 of S.L. 2017-29 directed the North Carolina Department of Military and Veterans Affairs (DMVA) to study ***potential*** methods for documenting, collecting, and analyzing the outcomes for individual military veterans and their families of various programs in NC. The legislation further directed DMVA to report its findings and recommendations to the chairs of the Senate and House of Representatives Appropriations Subcommittees.

APPROACH

- In response to **Senate Bill 62 of S.L. 2017-29**, DMVA examined modern and widely agreed upon methods of documenting, collecting, and analyzing the outcomes and effectiveness of programs and services. Based upon information and expertise provided by subject matter experts, DMVA determined that a mixed-method approach should be utilized to address this mandate.

KEY FINDINGS

- There are numerous methods available to evaluate the outcomes of programs and services. The correct evaluation methods depends upon the goals and objectives that are to be achieved.
- The state needs a comprehensive and strategic plan to address challenges faced by veterans and their families. That plan should include programs, services and other resources that are veteran centered.
- Included in that plan should be a monitoring and evaluation component customized to the program and or service. The measurement of the effectiveness of a program and or service needs to be included throughout the program and should not just occur in isolation or at the end of the program.
- A thorough and comprehensive inventory of all programs, services and other benefits available for veterans and their family members should be completed as a key step to accurately address tl effectiveness of programs and services.

OUTCOME EVALUATIONS

An outcomes based evaluation will measure the long-term effects of programs and services on the target population.

- Some of the questions that may be addressed through the evaluation process include:
- Were N.C. military veterans and their family members who received services from targeted programs more likely to demonstrate statistically significant improvements in core functioning areas (health, social supports, economic) than those who did not receive services?
- Did the select programs and services result in measurable changes in knowledge, attitudes, and skills among the members of the target population?
- Did the select programs have unintended (beneficial or adverse) effects on the target populations? For example, were the services provided to a substance addicted veteran effective in the treatment?

Outcomes evaluation methods would include the following:

- Survey questionnaires assessing behaviors, knowledge, skills at baseline and at multiple points throughout the process;
- Reports from service providers including health, housing, economic and other supports;
- Data collected from service providers on outputs including amount of services provided, (number of sessions, treatments, etc.) Number of participants who completed the program, referrals, length of time, and other points of contact.

IMPACT EVALUATION

An impact study will examine the short-term change on the target population. It would measure the degree to which the programs serving N.C. military veterans and families meet their specified and ultimate goals, and could provide evidence for future funding and policy decisions. This type of study will include data collection methods that allow for the analysis of input, and process type data including costs and financial audits, description of programs and services, descriptive data on participants and staff as well as program activities inputs.

Data collection methodologies for input evaluation will include:

- Participant satisfaction and experience surveys
- Direct observation
- Focus groups; program audits (records, data, etc.)
- Semi-structured and structured interviews with participants and service providers.

RECOMMENDATIONS

- The department realizes that there are various methods available to document, collect and analyze program outcomes. The following recommendation is just one suggestion. Additionally, we have included other recommendations for the committee to consider as the state seeks to fulfil its commitment to military veterans and their families in N.C.
- Based on our analysis we recommend a mixed-methods approach to evaluate the outcomes of current veteran programs and services. A mixed-methods approach would ensure that the strengths and weaknesses of each approach are maximized. A mixed-methods study would include both an outcomes and impact evaluation utilizing qualitative (focus groups, case studies, and interviews) and quantitative (longitudinal and cross-sectional survey) methods that would be conducted concurrently to assess the degree to which programs and services delivered to military veterans and families are having positive outcomes and effects across service needs. This method would be utilized to study areas such as the veteran's health conditions (mental and physical), social supports such as housing, and economic security including employment and other aid.

ADDITIONAL RECOMMENDATIONS

- (1) ***Appropriate resources for DMVA to develop a comprehensive strategic plan for veterans and their dependents.***

Currently a comprehensive strategic plan to address challenges faced by veterans and their families doesn't exist. The legislature could provide full funding and sufficient resources for DMVA to develop and execute a comprehensive strategic plan or work in partnership with other allies/stakeholders to develop this plan for veterans and their families.

- ***(2) Create a comprehensive and current inventory of veterans' programs in N.C.***

To effectively assess the needs of N.C. veterans and their families, the state should determine what programs and services are currently available and where additional supports are needed. general assembly staff or an independent research organization could create a comprehensive inventory of all federal, state and local programs including non-profits available to veterans and their families in N.C.

• (1) APPROPRIATE RESOURCES FOR DMVA TO DEVELOP A COMPREHENSIVE STRATEGIC PLAN FOR VETERANS AND THEIR DEPENDENTS.

ADDITIONAL RECOMMENDATIONS

(3) Create an interim legislative committee or direct an existing one to study solutions to increase access to programs and services to improve the quality of life for veterans and their families.

- DMVA recommends establishing an interim legislative study committee on veterans. The committee would create a plan of action to ensure the opportunity for a quality life for veterans and their families. The plan would address any barriers that currently exist but also opportunities for replication and or expansion of programs, services, resources, etc. The committee would study these and other issues and make appropriate policy recommendations.
- The committee would be comprised of legislators, military personnel and veterans, family members, subject matter experts and other external partners.
- The body would report its findings at the start of the 2020 legislative session.

ADDITIONAL INFORMATION

- **DMVA welcomes the opportunity to collaborate/consult on the use of the information requested and to work with the chairs of the subcommittee to advance a comprehensive and strategic approach to ensuring that military veterans and their family members are afforded every opportunity to live a productive and prosperous life in North Carolina.**

QUESTIONS?



Contact Us:
Website: http://www.milvets.nc.gov
Main Office Phone: 844-NC4VETS
Email: Larry.Hall@milvets.nc.gov

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

ATTACHMENT # 2

2017 NCMAC Annual Report

to the Joint Legislative Oversight Committee on General Government
Regarding Progress Under the

Strategic Plan for Supporting and Enhancing
North Carolina Military Missions and Installations

November 2017





NORTH CAROLINA MILITARY AFFAIRS COMMISSION

Dear Members of the Joint Legislative Oversight Committee on General Government,

The North Carolina Military Affairs Commission is proud of our distinguished record of exceptional support for our military services, military families, and the communities that support our national security. The connection between North Carolina and our military services is strong, mutually beneficial, and inextricably linked. The United States could not meet its military commitments without the installations or the soldiers, sailors, airmen, marines and coast guardsmen from North Carolina. We are and will remain a pivotal state for military installations and defense activities – and for military personnel, veterans, and their families.

This report was prepared in response to a requirement listed in Session Law 2017-64 (Senate Bill 63: Military Affairs Commission/Strategic Plan), which was passed into law by the General Assembly. Specifically, this report satisfies the requirement to have the NCMAC review our Strategic Plan for Supporting and Enhancing North Carolina Military Missions and Installations and report the results of the State's performance to the Joint Legislative Oversight Committee on General Government.

Working together with dedicated professionals in the Department of Military and Veterans Affairs and numerous stakeholders in the communities has enabled us to advance many of the recommendations laid out in the Strategic Plan. This report details our progress and paves the way for our future efforts. These accomplishments have been all directed towards the objectives listed in Senate Bill 63:

1. Supporting and enhancing existing military installations and missions.
2. Attracting new military assets and missions to North Carolina.
3. Expanding military related economic development in North Carolina.
4. Improving the quality of life for military members and their families, military retirees, and veterans.
5. Advocating military related issues to the General Assembly, the United States Congress, and State and federal agencies.
6. Any other topic related to enhancing North Carolina military installations and their missions.

We are honored to serve North Carolina, the military, veterans and their families. We look forward to continuing to lead the way for the Nation.



George W. Breece
Acting Chair, NCMAC

The North Carolina Military Affairs Commission thanks all who participated and offered their knowledge, guidance, and experience to develop the 2017 NCMAC Annual Report

NCMAC Members:

The Honorable Lawrence Allen
The Honorable John Bell
Col Frank Bottorff, USMC (Ret.)
The Honorable George Breece
The Honorable Harry Brown
The Honorable George Cleveland
Mr. Jeremiah Daniels
Ms. Julie Daniels
MajGen Robert Dickerson, USMC (Ret.)
Mr. Cresswell Elmore
SGT Patricia A. Harris, USA (Ret.)
SgtMaj William Hatcher, USMC (Ret.)
LtGen Gary McKissock, USMC (Ret.)
GEN Dan McNeill, USA (Ret.)
The Honorable Wesley Meredith
Ms. Etteinne Mitchell
RADM Steve Ratti, USCG (Ret.)
The Honorable Chris Rey
Mr. Dan Roberts
CAPT Tony Stimatz, USCG (Ret.)
COL Kirk Warner, USA (Ret.)

Ex-officio List:

Lieutenant Governor
Secretary of Military and Veterans Affairs
Secretary of Public Safety
Secretary of Commerce
Secretary of Transportation
Secretary of the Department of Environment Quality
The Commissioner of Agriculture
Adjutant General of the NC National Guard
The Mayor of Elizabeth City
The Mayor of Fayetteville
The Mayor of Goldsboro
The Mayor of Havelock
The Mayor of Jacksonville
The President of the University of North Carolina
The President of the North Carolina Community College System
The Superintendent of Public Instruction
Commanding General, 18th Airborne Corps, Fort Bragg
Commanding General, Marine Corps Installations East-Marine Corps Base Camp Lejeune
Commanding Officer, Marine Corps Air Station (MCAS), Cherry Point
Commanding Officer, 4th Fighter Wing, Seymour Johnson Air Force Base
Commanding Officer, US Army Corps of Engineers, Wilmington District
Commanding Officer, US Coast Guard Base, Elizabeth City
Commanding Officer, MCAS New River
Commanding Officer, Fleet Readiness Center East
Commanding Officer, Military Ocean Terminal, Sunny Point
Commanding Officer, Coast Guard Sector North Carolina
Commanding Officer, Naval Support Activity Hampton Roads
Executive Director of the NC League of Municipalities
Executive Director of the NC Association of County Commissioners

Senate Bill 63 requires the North Carolina Military Affairs Commission (NCMAC) to adopt a comprehensive strategic plan to enhance North Carolina military installations and their missions, to report on the State's performance under the plan annually, and to update the plan every four years. This report is generated to meet the annual requirement for evaluating the State's performance under the plan.

NCMAC Vision: North Carolina is the most military and veteran friendly state in the United States of America.

Background

The NCMAC was established within the Office of the Governor in August, 2013. With the coordination of the Department of Military and Veterans Affairs, the NCMAC commissioned the development of a Strategic Plan for Supporting and Enhancing North Carolina Military Missions and Installations (Strategic Plan) in 2015. The nearly yearlong effort culminated with publication in February, 2016.



The purpose of the NCMAC is to provide advice, counsel and recommendations to the Governor, the NC General Assembly, the Secretary of the Department of Military and Veterans Affairs, the Secretary of Commerce and other State agencies on initiatives, programs and legislation that will continue and increase the role that NC's military installations, the National Guard and Reserves play in America's defense strategy and the economic health and vitality of the State. The Commission recommends actions to protect the existing military infrastructure in North Carolina, maintain a high quality of life for military members and their families and to promote new military missions and economic opportunities for the State and its citizens. The military supports roughly 10 percent of North Carolina's employment; 578,000 jobs and 66 billion in gross state product. Our major military installations are the cornerstone of the second largest economic sector in North Carolina and are vital in attracting and retaining our 775,000 veterans that reside in every county across the state.

The NCMAC is comprised of an Executive Steering Group and a full commission of representatives from all military communities in the State. The Commission executes recommendation through the action of four committees.

The four NCMAC Committees are:

- Base Sustainability and Community Affairs
- Economic Development
- Quality of Life
- Legislative Affairs

The published goals of the NCMAC on their website https://www.milvets.nc.gov/ncmac are:

Protect North Carolina's existing military installations and missions

Goal 1



Use the Commission's membership, resources and partners to develop recommendations to advise the Governor on ways to protect North Carolina's military installations, infrastructure, training ranges and low level routes from encroachment or other initiatives that could degrade the military mission. Involve Commission members, both voting and ex-officio, working with community leaders, installation commanders, state and federal agencies, land use and environmental groups, developers and other partners to identify potential threats or problems and assist with resolving them before they encroach on installations or adversely affect military training and other missions.

Expand defense related economic development in North Carolina

Goal 2



Provide assistance, support and recommendations to the N.C. Secretary of the Department of Military and Veterans Affairs and the N.C. Secretary of Commerce that identify and support economic development opportunities that focus on leveraging the military, help create jobs and expand defense and homeland security related economic growth opportunities in North Carolina.

Improve quality of life for military members and families

Goal 3



Promote mutual understanding and support between military members on installations and adjacent communities and encourage joint planning, cooperation and sharing of services. Seek to improve the quality of life for military members and their families, retirees, and veterans who live in North Carolina by identifying and supporting initiatives, programs and legislation that protect and enhance military programs and benefits.

Provide legislative and state agency coordination for military related issues

Goal 4



Clarify and strengthen the ability of the General Assembly and State Agencies to carry out their functions and to write legislation appropriate to support the objectives of the State as declared in this document. Coordinate and leverage efforts among military installations, state agencies, military interest groups and others to take appropriate actions at the state level to promote base sustainability, economic development and quality of life.

Lead the state's efforts to prepare for the next Base Realignment and Closure (BRAC) process

Goal 5



Coordinate community, regional and state efforts in preparation for the next BRAC and define a process that communities should follow to prepare for the next BRAC.

Similar to the goals listed on the website, the goals listed in the 2016 Strategic Plan are:

Goal 1: *Support and enhance North Carolina's existing military installations and missions.*

Goal 2: *Increase the economic impact of the military and defense industry in North Carolina.*

Goal 3: *Improve the quality of life for Uniformed Service members, Veterans, and their families.*

Goal 4: *Provide legislative and state agency coordination for military-related issues.*

The strategic plan lists recommendations North Carolina can take to best support and enhance our military and homeland security installations and missions. This report provides an update as to where the state stands in relationship to the recommendations.

Though not specific recommendations in the Strategic Plan, there were two actions taken by the NCMAC and DMVA that will assist in implementing many of the recommendations. First, they funded an effort to produce a "Red-Yellow-Green" map that addresses state-wide issues related to vertical obstruction, alternative energy, and manmade structure siting. This has helped shape discussions in NCMAC meetings and the legislature when in comes to mission compatible development. Second, they also funded a Regional Joint Land Use Study (JLUS).

The Regional JLUS reduces potential conflicts between North Carolina military installations and surrounding areas while accommodating new growth and economic development, sustaining economic vitality, protecting public health and safety, and protecting the operational missions of North Carolina installations. The effort fully achieved the three core objectives of:

UNDERSTANDING. Convened communities, agency representatives, and installations to promote awareness and shared knowledge of the economic, physical and mutually beneficial relationship between them and their neighbors, taking into consideration community and military viewpoints and needs.

COLLABORATION. Encouraged cooperative land use and resource planning between installations, local jurisdictions and stakeholders to cultivate a consistent approach to community growth and development while safeguarding military operations and mission readiness in support of national defense objectives.

ACTIONS. Provided a set of recommended tools, activities, and procedures that local jurisdictions, agencies, and installations can use to implement the recommendations developed during the JLUS process.

Demographics

North Carolina has the third highest total of all states, behind only California and Texas, with just over 129,000 active duty and reserve members of the military according to the Defense Manpower Data Center May 2016 Active Duty Master Personnel File, Reserve Components Common Personnel Data System. North Carolina Military Affairs Commission (NCMAC) has been successful in recent years in connecting its veterans with federal benefits provided by the US Department of Veterans Affairs (DVA). While the nation has experienced roughly a 7% decline in the number of veterans since 2014, North Carolina has declined by only 6%. More impressively, however, while the nation's expenditures on veterans grew by 8%, over the same period, through North Carolina's aggressive veterans outreach, the state has increased the value of expenditures the DVA spends on supporting North Carolina's veterans by 15% - nearly double the national average.

Similarly, the number of military retirees has outpaced the national growth rate by 3 to 1, increasing the number of retirees from 87,000 in 2014 to just over 89,500 in 2016. North Carolina ranks 6th in the US in retiree population behind Texas, Florida, Virginia, California, and Georgia. While constituting only 12% of the state's veteran population, military retirees residing in North Carolina generate nearly $2.5 billion in annual military pension payments from the Department of Defense – or just over 36% of DVA expenditures realized in-state.

North Carolina Military Retiree Population and Pension Payments, 2014 - 2016

Region	2014	2016	Growth
North Carolina			
Retiree Population	87,127	89,581	3%
Pension Payments	$2,320	$2,452	6%
United States			
Retiree Population	1,970,816	1,989,861	1%
Pension Payments	$51,590	$53,173	3%

Source: US Department of Defense, Office of the Actuary

Recommendations

North Carolina's military installations contain unique assets and capabilities unlike any other state in the continental United States. Marine Corps Base Camp Lejeune is the center of Marine Corps training in the eastern half of the United States with diversity of terrain and over 14 miles of beach allowing realistic amphibious assault training. Marine Corps Air Station Cherry Point is the home to the 2nd Marine Aircraft Wing and is projected to host the Marine's largest F-35 contingent as well as Fleet Readiness Center-East which is the primary maintenance depot for the USMC and will be home for depot maintenance of the entire Joint Strike Fighter (F-35) fleet. Over-the-water ranges along with land based ranges allow for unfettered use of airspace for the entire DOD. Fort Bragg is the most populated Army installation and the premier location for Airborne and Special Operations training. Coast Guard Base Elizabeth City is the hub of Coast Guard long range aviation operations on the East Coast, the sole logistics and Depot level maintenance facility for all Coast Guard aircraft, and home of the Rescue Swimmer program. Ft. Bragg, Camp Lejeune, CGB Elizabeth City, Seymour Johnson AFB and MCAS Cherry Point host numerous tenant commands, reserve and guard units that create significant opportunities for classical associations and joint operations. Each of North Carolina's military installations provide opportunity for expanded operations and distinctive programs.

FORT BRAGG
MCB CAMP LEJEUNE
USCG ELIZABETH CITY
SEYMOUR JOHNSON AFB
MCAS CHERRY POINT
MILITARY OCEAN TERMINAL SUNNY POINT

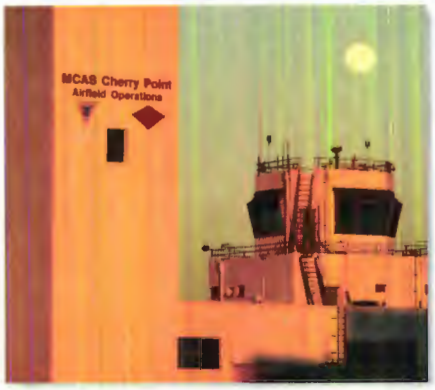
As required by Senate Bill 63, the following pages provide a review of the State's performance under the plan.















AN F-15E STRIKE EAGLE PREPARES TO BE REFUELED BY A KC-135R STRATOTANKER IN THE SKIES OVER SEYMOUR JOHNSON AIR FORCE BASE

Goal 1
Support and Enhance North Carolina's Military Installations and Missions.

1 Expand and protect North Carolina's Military Ranges Special Use Air Space, Military Training Routes, and Maritime Operating Areas

In 2014, after several months of site visits, interviews, research and critical analysis the North Carolina Military Affairs Commission (NCMAC) adopted a comprehensive strategic plan to support and enhance North Carolina's military installations and missions. Execution of the Strategic Plan began in 2015. Over the past three years, the NCMAC developed and executed a series of complex strategies to increase the military value of the military installations, missions and training ranges. These actions have had a positive impact on recent Air Force basing decisions and Navy and Marine Corps military construction decisions, and will impact future Department of Defense actions regardless of potential BRAC rounds or budget cuts. The efforts are focused on leveraging the unique attributes of North Carolina – deep ocean, littoral and coastal geography, density of high value joint military assets, and large unencumbered training ranges.

Encroachment Management

The Eastern North Carolina Sentinel Landscape Partnership will receive $9.2 million in funding as part of the 2017 DoD Readiness and Environmental Protection Integration (REPI) Program, announced in April 2017 as part of the REPI Challenge award.

The Eastern North Carolina Sentinel Landscape Partnership—which includes Seymour Johnson Air Force Base, Dare County Bombing Range, Marine Corps Base Camp Lejeune, Marine Corps Air Station New River, Marine Corps Air Station Cherry Point, Cherry Point Aviation Range Complex and Fort Bragg—is a joint effort between the Army, Marine Corps, Air Force, other Federal agencies, state and local governments, and non-profit organizations coordinating to protect rural and natural lands important to the Nation's defense mission across 33 counties in the state. The 2017 REPI Challenge award of $9.2 million will leverage $10.1 million in partner contributions to help the Partnership make significant progress toward its goal to maintain compatible land uses that enable military training and operations on installations while effectively considering landowner preferences.

In 2015 and 2016, the NCMAC supported congressional report language in the annual defense authorization bill to expand oversight over the DoD Clearinghouse by questioning its ability to approve mitigation plans without a firm assessment of the ability of these measures to reduce the impact to national security and by requiring a position and firm standards on approval of these measures in future wind and solar proposals.

The NCMAC position was supported by the North Carolina and Virginia congressional delegations and adopted in the FY16 National Defense Authorization Act. The language is as follows:

> *"Impact of Wind Energy Developments on Military Installations - The committee notes that the Department of Defense has negotiated mitigation efforts with proposed wind energy developments in proximity to military installations, training ranges, and low-level training routes. The committee is aware that some of these mitigations were negotiated prior to the completion of scientific studies to determine the effects of the wind energy structures and rotating blades on military aircraft's main and terrain-following radars. Without the results of these studies, the committee is concerned that the Department of Defense may not have the information necessary to determine the actual impact of mitigation efforts or the extent of risk to military missions. Therefore, the committee directs the Secretary of Defense, to provide a report to the congressional defense committees not later than October 1, 2015, on the science, standards, assumptions, and criteria by which the Department assesses the risks to military missions posed by wind energy developments in proximity to military installations or training ranges. The report shall also include the proposed parameters and distances from military training routes and ranges that are considered an acceptable risk, and a review of the success of mitigation measures included in past agreements with wind energy developments, including the cost of mitigation measures. Finally, the report shall include an analysis of feedback from local military installation commanders of the impact or effectiveness of proposed mitigation measures."*

The NCMAC continues to support state and federal efforts to identify wind energy developments and mitigate threats of such developments to our military installation and training ranges.

Maritime Operating Areas

Based on thorough analysis, the NCMAC submitted official comments in August 2017 to the U.S. Navy's Draft Environmental Impact Study (EIS) for the Atlantic Fleet Training and Testing Study Area. This was in support of the Navy's planned activities in the seaspace and airspace over the Atlantic Ocean and the eastern coast of North America, portions of the Caribbean Sea, and the Gulf of Mexico as it relates to impacts to entities in the State of North Carolina.

Pursuant to the National Environmental Policy Act (NEPA) of 1969 and regulations implemented by the Council on Environmental Quality, the Department of the Navy prepared and filed with the U.S. Environmental Protection Agency a Draft Environmental Impact Statement (EIS)/Overseas EIS (OEIS) for public release on June 30, 2017, to evaluate the potential environmental effects from training and testing activities conducted within the Navy's Atlantic Fleet Training and Testing (AFTT) Study Area. The Study Area is in the western Atlantic Ocean and encompasses the waters along the east coast of North America, the Gulf of Mexico, portions of the Caribbean Sea, Navy pierside locations and port transit channels, waters near civilian ports, and inland waters (e.g., lower Chesapeake Bay). The Study Area covers approximately 2.6 million square nautical miles of ocean area and includes designated Navy operating areas and special use airspace.

2 Promote Seymour Johnson AFB as the Final Basing Location for the first Reserve KC-46A Pegasus Tanker

On September 8th, 2017 the Secretary of the Air Force signed a Record of Decision confirming the beddown of a Reserve Squadron of 12 KC-46A aircraft refueling tankers at Seymour Johnson Air Force Base. This landmark event for North Carolina was the culmination of efforts championed by the NCMAC.



Photo Credit: Ken Fielding/http://www.flickr.com/photos/kenfielding CC BY-SA 3.0

KC-46A PEGASUS TANKER

The 916th Air Refueling Wing (ARW) of the Air Force Reserve Command is the State of North Carolina's first Air Force Reserve unit with nearly 1,100 reservists assigned to Seymour Johnson AFB. The unit is the first KC-135R Active Association in Air Force history, gaining an active duty squadron in early 2008, as part of the 2005 BRAC recommendations. The Wing flies 12 KC-135R Stratotanker air-to-air refueling aircraft and is more than 50 years old. The KC-46A aircraft will replace the aging tanker fleet in support of the ongoing mission to provide worldwide refueling and add cargo and aeromedical evacuation support.

In April 2015 the Air Force announced that Seymour Johnson AFB was one of four "candidate" bases for the first Air Force Reserve KC-46 Main Operating Base. In October 2015 the Secretary of the Air Force announced that Seymour Johnson AFB was the "preferred alternative" to base a Reserve Squadron of 12 KC-46A tankers. The proposed basing alternatives included: Seymour Johnson Air Force Base (AFB), Grissom Air Reserve Base (ARB), Tinker AFB, and Westover ARB. Along with the No Action Alternative, all four bases were evaluated as alternatives in the EIS. The EIS process took about 18 months to produce a final recommendation by the Secretary of the Air Force.

The NCMAC has been working to secure this new mission since 2014. The consulting and advocacy team worked to demonstrate to the Air Force that Seymour Johnson would be the best location for the future tanker. The team provided support to the North Carolina congressional delegation, Governor, Secretary for Military and Veterans Affairs, and local community throughout the process. The NCMAC team drafted letters, comments and briefing materials for the EIS scoping meetings, public hearings and the Draft EIS.

3 Promote Fleet Readiness Center East (FRC East) as the location for the F-35B Lift Fan Maintenance and Test Facility and other F-35 Depot level maintenance requirements

The President's FY18 Budget Request included $15.6 million for construction of the F-35B Vertical Lift Fan Test Facility at Fleet Readiness Center - East. The House and Senate Defense authorization and appropriations committees have supported the funding request through floor consideration. As of this report drafting, the final bills are in conference committees. North Carolina committed $3 million to support the construction and outfitting of the new F-35B lift fan test facility. The NCMAC has been coordinating actions between the Congress, North Carolina, Department of the Navy, MCI-East, and FRC-East for execution.

In the NCMAC Strategic Plan, the Commission supported the concept of a military bond bill or direct state appropriations to help capture new defense missions. The F-35B Lift Fan facility was still in limbo as to the need and location for construction. Given the tremendous opportunity to grow the workforce and secure the future of FRC-East, the NCMAC engaged the Navy Secretariat to rebuild the relationship between North Carolina, MCAS Cherry Point and the Navy. NCMAC arranged meetings with the Navy leadership at several Association of Defense Communities conferences and invited representatives of Allies for Cherry Point Tomorrow to attend. Over the past few years the NCMAC has met with Assistant Secretary of the Navy Steve Iselin, Captain Andrew Schulman and Deputy Assistant Secretary of the Navy James Balocki to brief the proposed partnership opportunity to fund construction of the F-35B lift fan facility at FRC-East. When the NCMAC was informed that funding for the lift fan facility was at risk of



F-35 JOINT STRIKER

being dropped from the Navy-Marine Corps FY17 military construction request, the Commission took action. Within days the Governor sent a letter to the Secretary of the Navy to help the Marine Corps fund construction of the facility at FRC-East.

4 Enhance current operations

The NCMAC is currently spearheading a Strength, Weaknesses, Opportunities, Threats (SWOT) validation effort led by our consultants with the cooperation of all our major military installations and communities. The SWOT validation effort captured the gains made over the past 2 years, validated the vulnerabilities of installations and communities, and most importantly identified numerous recommendations the NCMAC can pursue in the future to support and enhance current operations. The SWOT validation is the foundational step of the strategic plan update which will occur in 2018.

5 Promote the Early Deployment of F-35B to MCAS Cherry Point

The NCMAC has made it a top legislative priority to accelerate military construction projects planned for MCAS Cherry Point.

There are two important projects that need to be funded in the next couple years – P-199 F-35 Aircraft Maintenance Hangar and P-235 F-35 Flight Line Utilities Upgrade, Phase I. The NCMAC is actively engaged to help secure federal funding for these projects to place MCAS Cherry Point in the best possible position.

6 State Investment in Military Facilities, Compatible Land Use, and Infrastructure

The state funded the Red-Yellow-Green Compatibility Study and the Regional Joint Land Use study as well as dedicating state funds to marry with government funding for the FRC East Lift Fan Facility. In addition to helping enhance and attract future military missions, capital investment in and around the state's military installations can act as a catalyst for economic development in the local communities. For example, expansion of Fleet Readiness Center – East at Marine Corps Air Station Cherry Point will enhance the effort to secure supply chain opportunities for the F-35.

7 State Management of Resources affecting military installations

As indicated in the Strategic Plan, inter-departmental collaboration is required to synchronize efforts between installations and North Carolina State agencies to protect military assets. The Department of Defense's approval and recognition of North Carolina's Sentinel Landscapes Partnership earlier this year is a unique initiative that will ensure public and private properties around military bases and ranges are managed in concert with current and future military needs. Effective management of such properties is of paramount importance for evolving mission needs such as UAV and Counter-UAV detection, discrimination, and defeat. Proliferation of both military and private UAV use is expanding exponentially and DOD has limited, dedicated facilities to conduct counter drone exercises and R&D. North Carolina's mix of Army, Navy, USMC, Air Force, Coast Guard, and state university assets presents unique joint opportunities to create a center of excellence for counter drone technology development and training. It will be important to identify an area in the State, away from our current military aviation training ranges and bases, which could support this evolving private sector opportunity without encroaching upon existing military training.



Goal 2
Increase the Economic Impact of the Military and Defense industry in North Carolina.

8 Pursue North Carolina basing of the suppliers of F-35B maintenance and logistics support

With MCAS Cherry Point planned to be the single largest site for F-35B basing in the USMC and FRC East having a major role in depot-level maintenance, it is only natural that logistics and maintenance suppliers will cluster in the area.

The NCMAC and DMVA partnered to apply for a Defense Industry Diversification Initiative grant from DoD's Office of Economic Adjustment. This NC Defense Industry Diversification Initiative is led by the DMVA and NC State's Industry Expansion Solutions team. The project will map the NC Defense Sector Supply Chain, support the diversification of impacted defense contractors across the state, and result in an Action Plan supporting the market diversification of other defense contractors. More information can be found at their website, https://www.ncdidi.com/.

9 Support the Establishment of a Joint Government / Contractor Engineering Support Facility

There is an ongoing local effort to meet the short and long term requirements for FRC East. A short term solution was achieved through a local off-base contracted facility. We continue to support and advocate for a long term MILCON solution to meet FRC East engineering requirements.

10 Support for Customs and Border Patrol Expansion

While we know this opportunity will be significant in years to come, this recommendation has not been pursued yet, but is expected to be prioritized in the next strategic plan.

11 Aggressively Pursue New additional Missions

Significant effort has been expended to pursue new mission for the NC Air National Guard, NC National Guard and Seymour-Johnson AFB.

North Carolina Air National Guard

In 2018, the Air Guard is planning to convert the 145th Airlift Wing's C-130 mission to the C-17 strategic heavy lift aircraft at Charlotte IAP. This is the most significant growth area for the Guard in North Carolina. The Air Force will place a significant number of C-17s into the Air Guard over the next few years, and Charlotte has been identified as one of those beddown locations. Air Mobility Command (AMC) already understands the value of the region, given its robust highway, railroad, and air bridge networks. Stakeholders from the Air Guard estimate $40M – $50M will be required to modify hangars, ramps, and fuel systems to accommodate the new airframe. This investment will secure a weapon system that will be operational for many decades in North Carolina.

NORTH CAROLINA AIR NATIONAL GUARD, 145TH MAINTENANCE SQUADRON AT THE NORTH CAROLINA AIR NATIONAL GUARD BASE, CHARLOTTE-DOUGLAS INTL. AIRPORT.





AIRMEN AND SOLDIERS FROM THE NORTH CAROLINA NATIONAL GUARD TRAIN FOR CYBER GUARD 15, CONDUCTING A "RED VS. BLUE" CYBER EXERCISE

North Carolina National Guard

The Army and Air Force continue to ramp up investment in cyber mission forces. There is also great synergy with the Intelligence Communities to partner with North Carolina, other agencies and academic institutions. The Future Structure of the Air Force Commission Report recommended moving most of the Air Force's Cyber capabilities into the Reserve Component. The NCMAC team is meeting with MG Lusk, Adjutant General of the North Carolina National Guard on November 6, 2017 to discuss NC Guard priorities and next steps.

U.S Air Force

The Air Force is unable to generate enough Adversary Air (ADAIR) sorties to meet training and readiness requirements. Today's annual ADAIR sortie shortfall of 30,000 is expected to double to 60,000 by FY30 without action. In March 2016, Air Combat Command tasked the Acquisition Management and Integration Center (AMIC) for a business case analysis of organic and outsourced alternatives: a contractor-owned, contractor-operated solution emerged as the best option. Installations with the greatest impact on readiness and pilot production are the focus of this contract effort. Formal Training Units like the 333rd and 334th Fighter Squadrons at Seymour Johnson support all F-15E fighter aircrew production and quality syllabus accomplishment. This mission will likely require 3,000 to 3,500 square feet of operations space. Maintenance space will require about the same. Ramp space for parking will be over 7,000 square feet but possibly over 10,000 square feet based on the aircraft selected. There must also be fueling support that is responsive. The NCMAC is advocating for Seymour-Johnson Air Force Base to be identified by Air Combat Command as one of the installations with the greatest impact on readiness and pilot production.

The NCMAC, in coordination with the Department of Commerce and the Economic Development Partnership of North Carolina, will continue to look for alternative and competitive options for meeting an off-base solution for contractor owned and operated Adversary Air.

12 Support Military Host Communities

The NCMAC and the DMVA established a competitive-based grant program to assist defense communities. After a series of sub-committee meetings in late spring/early summer of 2016, members from various defense communities, NCMAC leadership, and DMVA staff, created a draft program for the Secretary of Military and Veterans Affairs to approve. On July 15, 2016, the Secretary announced the availability of $200,000 in grant funding from the state's Military Presence Stabilization Fund aimed at enhancing North Carolina's thriving military presence.

The purpose of the grants was to increase the military value at North Carolina installations and improve the local communities' ability to support the military and military families. Eligible projects could include those that enhance the quality of life for military members and their families, protect against encroachment, or improve infrastructure at military installations and surrounding communities. Two community projects were awarded grants. The first Project is for the MCAS Cherry Point Community to develop Military Overlay Districts. The second Grant is going to the MCB Camp Lejeune community for two aquifer monitoring wells. The funds have not yet been distributed as of the date of this report.

13 Support for non-host communities

While we know this opportunity will be significant in years to come, this recommendation was not pursued since publication of the Strategic Plan.

A non-host community is a community with a large active military population but not the primary host community of the installation.

14 Fully Leverage Army Research Office Research Potential

The U.S. Army Research Laboratory's Army Research Office (ARO) mission is to serve as the Army's principal basic research agency in the engineering, physical, information and life sciences to enable the Nation's technological superiority.

While the NCMAC knows this opportunity will be significant in years to come, this recommendation was not designated for specific effort since the publication of the Strategic Plan.





VETERANS CAREER DAY AT CENTRAL PIEDMONT COMMUNITY COLLEGE

CHILDCARE AT SEYMOUR JOHNSON AFB

Goal 3

Improve the Quality of Life for Uniformed Service members, Veterans, and their families.

15 Support Options to Improve K-12 Education in Military Host Communities

K-12 educational quality is a major concern for the serving military and their families. Streamlined successful school transition and meaningful integration for military dependents are essential to quality of life. Military-friendly schools are a significant factor when service members decide where to retire or end their service. A positive K-12 Educational system will certainly be a factor when force structure and basing decisions are considered. The NCMAC supports the quality of K-12 education for military and veteran connected children in North Carolina by engaging and coordinating with the Department of Public Instruction, State Military Liaison Counselors, Troops to Teachers Grants, the Military Child Interstate Compact and the Military Child Education Coalition to achieve a comprehensive plan of educational support for our military families and host communities.

16 Eliminate Income Tax on Military Retirement

An important recommendation stemming from the 2016 Strategic Plan was for the state to study the fiscal impacts of exempting qualified military retiree pensions from state income tax. With the passage of Senate Bill 153, the North Carolina General Assembly has taken the first steps necessary to effectively pursue this recommendation. The bill required the NC Department of Revenue (DOR) to estimate the fiscal impacts associated with this policy. The DOR estimated a $32 million impact to state revenue by FY 2022. The bill has been referred to the House Finance Committee and is awaiting action by the House.

17 Retain Military Talent and Integrate into the North Carolina Workforce

The NCMAC is an ardent supporter and partner of the NC Veterans Foundation, which administers a program called NC4ME. North Carolina for Military Employment (NC4ME) is a comprehensive public-private partnership designed to make NC the number one state for military employment. Established by the Governor in 2015, NC4ME leverages existing workforce development resources and technology to implement an employer-centric strategy that:

- Educates NC's business leaders on the value of hiring a military workforce,
- Shows small businesses and human resource professionals how to hire military personnel, and
- Connects military talent to open jobs, education, and training opportunities in North Carolina.

Between 2015 and 2018, 78,000 service members will transition out of the military through NC's DoD installations, adding strength to the 778,000 veterans already living in North Carolina. North Carolina's businesses strive to support these veterans and service members by leveraging their skills to fill critical talent requirements, but often lack the resources needed to identify and hire qualified military candidates.

By centering its focus on the "demand side" of the employment equation, NC4ME serves as a perfect complement to the vast number of programs currently preparing veterans for civilian employment and gives a much needed boost to military job seekers in North Carolina. More than just the "right thing" to do, hiring veterans drives business results for North Carolina's employers and economic growth for our state.

Goal 4
Provide legislative and state agency coordination for military-related issues.

18 Support Military-Community Partnerships

There has been significant success in the public-public/public-private (P4) partnership arena in North Carolina. A P4 initiative refers to opportunities and agreements to share resources and responsibilities among government and private entities to reach common goals or provide mutual support. Partnerships can be regional or local in scope with a varied focus, including municipal services, health services, facilities, work force, education, transportation, land use, etc.

The City of Goldsboro, NC, and United States Air Force are partnering together on a lease agreement for the construction of the Seymour Johnson Air Force Base-Goldsboro Multi-Sports Complex. This P4 collaboration between the City of Goldsboro and Seymour Johnson Air Force Base is part of a pilot project to share resources and responsibilities among government and private entities to reach common goals or provide mutual support. In this case the City will lease a 62.35 acre property from the Air Force to create the crown jewel of the Goldsboro Parks and Recreation Department and the joint sports leagues of the Family YMCA, Boys and Girls Club, and SJAFB Athletics Department.

Officials from Camp Lejeune, the city of Jacksonville and Onslow County have signed three partnership agreements, including one allowing the parties to share aerial images and other data used in geographic information systems. Two other memorandums of understanding are intended to help Marine Corps families navigate the challenges associated with school transitions. Importantly, more than 22 other partnership memorandums are planned to be implemented in the coming months between Camp Lejeune and the surrounding communities.

The Elizabeth City/Pasquotank Airport Authority is working with the U.S. Coast Guard, the City, the County, and NCDOT on reopening a closed cross runway for expansion of general aviation opportunities and support of current and future economic development expansion within the Airport and the Aviation Research and Development Park.

The NCMAC and DMVA have encouraged the installations and communities to take advantage outside expertise in the public-public/public-private partnership arena. We briefed the Commanders Council and full NCMAC meetings on two separate occasions about the opportunity to have outside led education and brain-storming sessions. While the success to date is notable, the NCMAC should continue its efforts in this arena as new opportunities continually arise and new leaders flow in and out of the installations and communities frequently.

19 Implement a Strategic Communication and Messaging Plan

The NCMAC and the DMVA established a framework for strategic communications and messaging. A strategic communications team, with members from the NCMAC and DMVA staff met several times in the summer of 2016 to build a program to effectively educate all regions of the State of North Carolina on the value and benefits Carolinians realize as a result of the large defense outlays in the state. The purpose of the plan was to educate communities and enable elected officials at every level to protect North Carolina's defense establishment.

Recognizing the need for tailored messaging, the framework included details (who, what, why, and how) for the following constituencies: Federal audience (House, Senate, Department of Defense, Department of Homeland Security, Department of the Interior, etc); State audience (General Assembly, Governor's office, Department of Environmental Quality, Department of Agriculture, Department of Transportation, Department of Commerce, etc); Local audience (Chambers of Commerce, elected officials, defense-connected businesses, NC League of Municipalities, NC Association of County Commissioners, NC City County Managers Association, community based groups, Institutes of higher learning, and local/regional economic development organizations), and Economic audience (NC Department of Commerce, Economic Development Partnership of North Carolina, NC Military Business Center, NC Military Foundation, and NC Defense Business Association).

To further advance our messaging, we enlisted the assistance of several students from the UNC School for Media and Journalism-Public Relations. We provided them the Strategic Plan for Supporting and Enhancing North Carolina Military Missions and Installations and some background on what the Commission is doing. The UNC group was asked to review the NCMAC web site, printed material, and other supporting documentation and help identify and target areas for a more effective communications plan. They provided a series of recommendations to the communications team in the fall of 2016.

20 Continue Engagement on Federal Legislative Priorities

The NCMAC team has briefed the NCMAC Strategic Plan and Legislative Priorities to the new Governor's representative in Washington, DC and the new Military Legislative Assistants in the North Carolina congressional delegation.

The State of North Carolina's congressional delegation has experienced significant turnover over the past few years. In addition, congressional districts have been redrawn and challenged, making it difficult for House Members to know which military installations they would be representing. With the traditional turnover in congressional offices, the NCMAC has made it a priority to brief the legislative staff of the NC CODEL on a regular basis.

NCMAC also seeks opportunities to leverage other congressional delegations that have similar interests that do not conflict with the goals of the Strategic Plan. NCMAC regularly participates in events sponsored by the Association of Defense Communities and briefs Pentagon and Armed Services leadership.

Conclusion

Fort Bragg, Camp Lejeune, Marine Corps Air Stations Cherry Point and New River, Seymour Johnson Air Force Base, and U.S. Coast Guard Base Elizabeth City are well postured for mission growth in the future. Through the diligent efforts of the North Carolina Military Affairs Commission, our missions and opportunities were increased. We must periodically update the Strategic Plan and aggressively pursue the recommendations to continue of this upward trajectory. This requires understanding the national political and military currents, the significant and unique value of our military installations and missions, and most importantly having the NCMAC lead a coordinated effort among all stakeholders.



North Carolina Military Installations

1. NSGA Northwest Annex
2. US Coast Guard Air Station Elizabeth City
3. Harvey Point Defense Testing Activity
4. Dare County Range
5. Marine Corps Air Station Cherry Point
6. Marine Corps Auxiliary Landing Field Bogue
7. Marine Corps Base Camp Lejeune
8. Marine Corps Air Station New River
9. USCG Sector North Carolina
10. Military Ocean Terminal Sunny Point
11. Fort Fisher Training Center
12. Seymour Johnson AFB
13. Camp Butner
14. Morrisville Army National Guard
15. NC National Guard Joint Force Headquarters
16. Pope Army Airfield
17. Fort Bragg Military Reservation
18. Camp Mackall Military Reservation
19. Rowan County Airport / NC National Guard
20. NC Air National Guard Headquarters

GENERAL ASSEMBLY OF NORTH CAROLINA
SESSION 2017

SESSION LAW 2017-64
SENATE BILL 63

AN ACT to require the military affairs commission to adopt a comprehensive strategic plan to enhance North Carolina military installations and their missions.

The General Assembly of North Carolina enacts:

SECTION 1. Article 14 of Chapter 143B of the General Statutes is amended by adding a new section to read:

"§ 143B-1310.1. Strategic plan.

(a) Strategic Plan. – The Military Affairs Commission shall adopt a comprehensive strategic plan to enhance North Carolina military installations and their missions. The strategic plan shall include specific objectives related to the following topics:

(1) Supporting and enhancing existing military installations and missions.

(2) Attracting new military assets and missions to North Carolina.

(3) Expanding military-related economic development in North Carolina.

(4) Improving the quality of life for military members and their families, military retirees, and veterans.

(5) Advocating military-related issues to the General Assembly, the United States Congress, and State and federal agencies.

(6) Any other topic related to enhancing North Carolina military installations and their missions.

(b) Update, Review, and Report. – The Commission shall update this plan every four years. The Commission shall annually review the State's performance based on this plan and shall annually report the results of its review to the Joint Legislative Oversight Committee on General Government."

SECTION 2. The Military Affairs Commission's February 2016 "Strategic Plan for Supporting and Enhancing North Carolina Military Missions and Installations" satisfies the requirements of G.S. 143B-1310.1(a). The Military Affairs Commission shall complete its first annual review and its first annual report to the Joint Legislative Oversight Committee on General Government by November 1, 2017. The Military Affairs Commission shall complete its first update of the strategic plan by November 1, 2020.

SECTION 3. This act is effective when it becomes law.

In the General Assembly read three times and ratified this the 19th day of June, 2017.

s/ Philip E. Berger
President Pro Tempore of the Senate

s/ Tim Moore
Speaker of the House of Representatives

s/ Roy Cooper
Governor

Approved 6:10 p.m. this 28th day of June, 2017



For More Information Contact:

NORTH CAROLINA MILITARY AFFAIRS COMMISSION

4001 Mail Service Center
Raleigh, NC 27699-4900
984-204-8331

Rev. 2017 11 20

North Carolina Department of Administration

Joint Legislative Oversight Committee on General Government

2018 Motor Fleet Management Annotation

Ron Allison - Director Motor Fleet Management

Tuesday, February 06, 2018



ATTACHMENT # 3

AGENDA

- ❑ Review of SB 257-Budget –DOA cost to agencies to maintain and operate Motor Fleet.
- ❑ Overview of the prior fee structure and rationalization of new structure
- ❑ New Monthly & Per Mile Rate
- ❑ Timeline of implementation and communication of changes to agencies
- ❑ Efforts to Right-Size Fleet & Find Cost-Savings
- ❑ Telematics implementation
- ❑ Questions and Answers

SB 257-Budget

DOA cost to agencies to maintain and operate Motor Fleet

SECTION 31.3.(a):
On January 1, 2018, the Department of Administration (hereinafter "Department") shall increase the amount allocated and charged to State agencies to which transportation is furnished as authorized by G.S. 143-341(8)i.6. For calendar year 2018, the Department shall, from funds available to it, subsidize the amount of the increase allocated and charged to State agencies. On June 30, 2018, the Department shall transfer to the motor fleet fund any unexpended and unencumbered funds from the General Fund to help offset deficiencies in the motor fleet fund that resulted from subsidizing the increase to State agencies. Beginning January 1, 2019, State agencies shall, from the funds available to them, pay the full amount allocated and charged for transportation furnished by the Department and the Department shall not subsidize any part of the amount allocated and charged

SECTION 31.3.(b):

The Department and Motor Fleet Management Division shall consult with each State agency to which transportation is provided to determine the types and sizes of vehicles needed by the agency and shall aid the agency in making adjustments to the size of its fleet to achieve maximum cost efficiency.

SECTION 31.3.(c):

The Department shall determine the amount required by each agency to cover the cost of the increase in the amount allocated and charged for transportation for fiscal biennium 2019-2021. Notwithstanding the provisions of Chapter 143C (State Budget Act) of the General Statutes, the OSBM shall include the increase in the amount allocated and charged for transportation in the base budget for each State agency for fiscal biennium 2019-2021.

SECTION 31.3.(d) G.S. 143-341 reads as rewritten:

§ 143-341. Powers and duties of Department.

The Department of Administration has the following powers and duties: To establish and operate a central motor fleet and such subsidiary related facilities as the Secretary may deem necessary, and to that end: To allocate and charge against each State agency to which transportation is furnished, on a basis of mileage or of rental, furnished its proportionate part of the cost of maintenance and operation of the motor fleet. The amount allocated and charged by the Department of Administration to State agencies to which transportation is furnished shall be at least as follows: take into account all of the following:

- (i) vehicle replacement cost,
- (ii) maintenance cost,
- (iii) insurance,
- (iv) use of telematics devices, and
- (v) the Department's administration cost.
- I. Pursuit vehicles and full size four-wheel drive vehicles $.24/mile.
- II. Vans and compact four-wheel drive vehicles – $.22/mile.
- III. All other vehicles – $.20/mile.

Overview of Prior Rate

Prior Rate = Fuel + Maintenance + Depreciation + Replacement

- Motor Fleet Management demonstrated in the early fall of 2016 that the old rates were not keeping up with the necessary replacement schedule. Over the fall of 2016, OSBM and Motor Fleet Management worked together to come up with cost-effective models for the State fleet.

- The old rates were not allowing for Motor Fleet Management to recoup its full costs.

- The prior structure fee used a mileage rate from .27 to .65 per mile used, with an additional $35.00 insurance fee per vehicle – to offset damages from state vehicle involved accidents.

- Fuel was taken out of the rates to promote cost-efficient behaviors

New Rate Effective January 1, 2018

The updated model, effective January 1, 2018, will promote better utilization of the State fleet; give agencies more flexibility and control over their costs; and ultimately allow the State to be more cost-effective with its fleet.

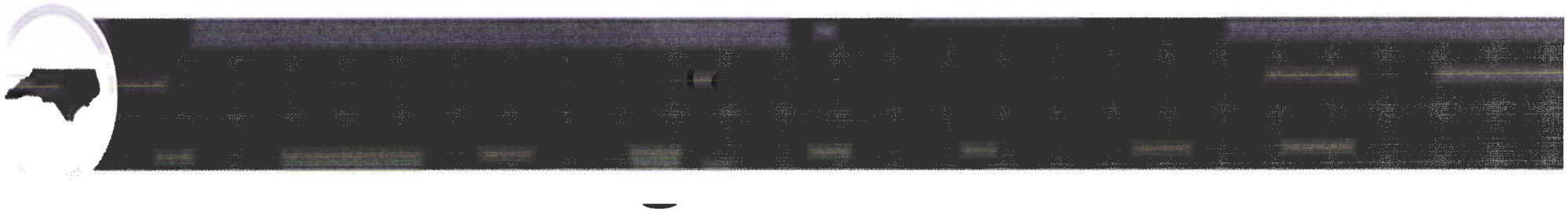
Charges a fixed monthly rate up to 1050 miles to cover: *(See Motor Fleet subsidy in Year One):*

- Replacement costs covers purchase price and Highway Use tax (3%)
- Maintenance costs cover unplanned and preventive maintenance
- Administrative costs consist of salaries, expenses, ARI, etc. (*subsidized in 1st year*)
- Insurance fee covers liability and repairs to damaged vehicles (*subsidized in 1st year*)
- Telematics cost covers monthly service fee (subsidized in 1st year)

Charges a per mile rate over 1050 miles to cover:

- Replacement Cost
- Maintenance
- Administrative

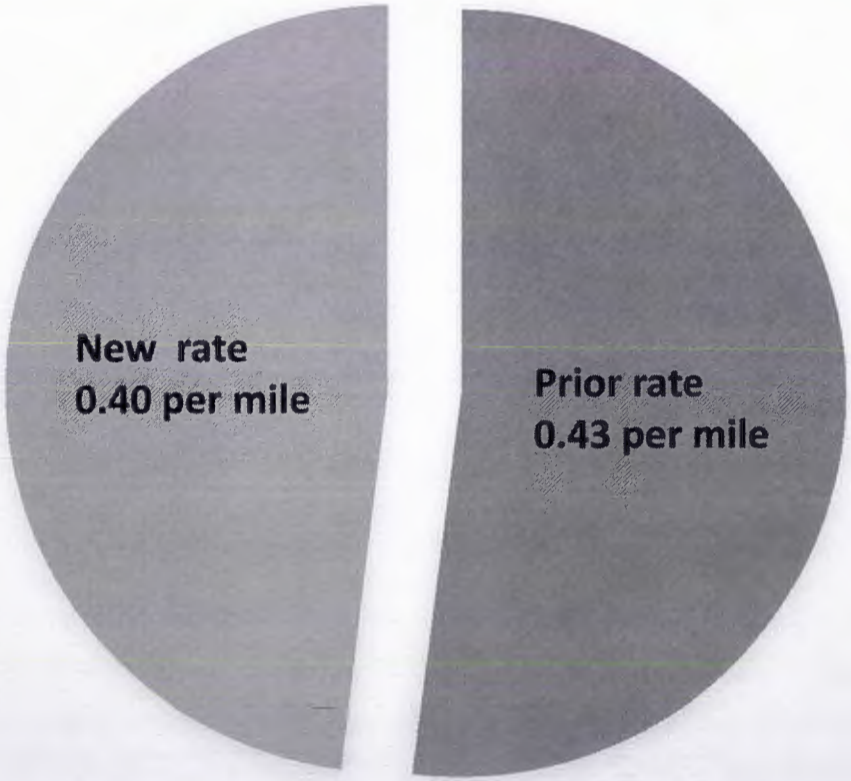
Agencies will see first bill in February 2018.



- DOA Secretary and OSBM Budget Officer collectively sent memo out March 1st 2017
- Two CFO meetings - March 31 and September 29, 2017
- Two Deputy Secretary Meetings - June 15 and November 29, 2017
- Agency Vehicle Coordinator Meeting - August 2, 2017
- Reminder Memo in Mid-December from the DOA Secretary

2018 Rate Variance

Agencies can apply the 0.03 per mile new rate savings to help offset the cost of fuel purchases.



GOALS

- Provide passenger vehicles to state agencies employees in the performance of their official duties in the most cost-effective manner.

- Realize cost savings by lowering maintenance costs, increasing resale value and increasing fuel efficiency.

- Replace vehicles before they age out resulting in repair costs that exceed value of the vehicle. The replacement formula is constructed to predict a vehicle's lifecycle of years in service. Current target is to replace vehicles at 7-8 years on average. Ten years is the maximum vehicles remain in service.

- Right size vehicles for specific business application, agency purpose and to condense inventory of underutilized vehicles to cost effective levels. To date (since July 1, 2017) we have seen 166 vehicles right-sized resulting in $582K cost reduction.

Cost Saving Strategies Vehicle Utilization & Right-Sizing

Right-Sizing: *A fleet management practice of ensuring that vehicles in a public or private sector are utilized by the right employees, at the right times, in the right locations, for the right amount of time based on the job tasks associated with use of the vehicles. Motor Fleet is working with Agency vehicle coordinators to provide resources to better manage their fleets.*

- Increase vehicle sharing between agency divisions.
- Evenly utilize vehicles - prioritize driving vehicles that have not reached 1050 miles for the month.
- Turn in vehicles where there may be a less expensive option to meet the same goal.
- Goal is to provide the lowest cost of travel to the state:
  - State-owned vehicle (pool)
  - Private rental
  - Personal reimbursement

Cost Saving Strategies – Vehicle Rightsizing

- Motor Fleet anticipates $2,500 average savings per vehicle replaced.
- Each time a vehicle is replaced, we are looking to find the most cost effective vehicle that enables the business unit to operate more efficiently.
- Vehicles very close to their expected replacement times will generally not be repaired and will become a priority for replacement.
- Steady stream of replacements available each month (except for trucks).
- Agencies should centralize rightsizing activities to ensure rightsizing is done consistently during the replacement process.

Right Sizing - Cost Saving Strategies & Vehicle Utilization

Agency	Total Rightsizing Savings FY17-18	# of Vehicles Rightsized	Total Replacements	Average Savings Per Vehicle
Department of Administration	$ 13,783.54	2	3	$ 4,594.51
Department of Agriculture	$ 19,468.80	2	10	$ 1,946.88
Board of Cosmetics	$ 5,490.06	3	3	$ 1,830.02
Department of Commerce	$ 6,271.21	1	4	$ 1,567.80
Community College System	$ (6,879.89)	0	5	$ (1,375.98)
Department of Natural and Cultural Resources	$ 35,801.39	4	7	$ 5,114.48
DHHS	$ 20,771.65	4	16	$ 1,298.23
Department of Transportation	$ 21,567.66	3	9	$ 2,396.41
Department of Environmental Quality	$ 17,204.14	4	6	$ 2,867.36
Department of Insurance	$ -	0	1	$ -
Department of Justice	$ 35,021.55	2	5	$ 7,004.31
Department of Labor	$ 15,993.47	3	5	$ 3,198.69
Department of Military and Veterans Affairs	$ 2,230.47	1	1	$ 2,230.47
Department of Public Instruction	$ 18,464.46	3	7	$ 2,637.78
Department of Public Safety	$ 55,685.31	10	127	$ 438.47
Department of Revenue	$ 7,665.26	1	3	$ 2,555.09
UNC System	$ 67,331.93	9	31	$ 2,172.00
Total	**$ 335,871.02**	**52**	243	$ **1,382.19**

Telematics Advantage 2018 and Beyond

Focus on the Driver - By monitoring driving behaviors telematics helps minimize collisions, speeding tickets, and downtime, ensuring drivers are able to get their jobs done and arrive home safely.

Advanced Safety Training - Telematics can help identify unsafe driving practices and then target those specific habits for training.

Data Integration - Integration helps ensure that the automatic reports and analysis you get create a more accurate picture of your fleet's performance

Utilization Analysis - Provides in-depth information about the performance of each vehicle, allowing to better maintain the fleet at its optimal size and performance levels.

- *As the saying goes, you can't fix what you don't track. Telematics provides the raw data that allows Motor Fleet Management the insightful data to make changes that result in a safer, more reliable and cost-effective fleet.*

Telematic Program Operations

- Installation is ongoing to MFM vehicles under 110,000 miles.
- Motor Fleet will have 15 different installation locations throughout NC selected to reduce driver travel for installation – with a goal of full implementation in 2018.
- Motor Fleet will collect data on usage, idling, seat belt use, and to confirm or deny driver behavior. Mileage will be collected monthly to relieve agencies of data entry into the MFM system.
- Agencies will have access to system to monitor their drivers location and routes.
- No vehicles are exempt at this time.
- Fuel data feeds from all sources will be tracked in the telematics system:
  - Fraud reports will sync vehicle location and fueling location.
  - Tracks driver behaviors that increase fuel cost at the vehicle level (e.g. excessive idling; harsh acceleration).
  - Streamlines fuel invoice verification.

Cost Saving Strategies – Telematics & Fuel

- In partnership with NCDOT, telematics service was renegotiated:
  - Annual telematics service costs decreased by 28% with future cost reduction guarantees as vendor costs for the technology decline.
  - Service level improvements – 'active' tracking and free roadside assistance included. $90/per year per vehicle that will be passed along to agencies directly.
  - Prioritized on cellular network during emergencies.

- Agencies have access to use this contract for their owned vehicles (915A). Now three tiers (formerly 1 tier at $25/month):
  - $8.50/month basic
  - $15.00/month pro
  - $18.00/month pro plus

Telematic Program and ROI Strategies

- Route optimization
  - Studies have shown increased oversight along with commitment will lead to reductions in personal use mileage that equates to lower fuel costs

- Prevents vehicle breakdowns:
  - Agencies will see lower roadside assistance and towing costs
  - Reduction in vehicle downtime
  - More warranty recovery on newer vehicles



Thank You!

New Rates and Anticipated Impact

Agency Name	Total Increase (Decrease)
Admin Office Of Courts	($14,405.79)
Administration, Dept. of	$173,912.39
Agriculture, Depart. of	$69,142.27
Auditor, Office of State	($797.32)
Commerce, Dept. of	($6,740.31)
Community College System	$16,211.07
Cultural Res, Dept. of Natural and	$73,197.92
DHHS	($124,303.21)
DIT - Gov. Office	$10,945.17
DOT-Transportation	$345,413.69
Environmental Quality Dept. of	$119,615.86
General Assembly	$3,179.08
Governors Office	($618.00)
Insurance, Dept. of	$43,293.76
Justice, Dept. of	$18,272.25
Labor, Dept. of	$52,685.94
Military and Veterans Affairs, Dept	$2,840.53
MISC-Bd Barber Exam	($748.15)
MISC-Bd Cosmetics	($7,455.85)
NC Ports Authority	($3,544.53)
Office of Administrative Hearings	$861.31
Public Instruction, Dept of	($35,384.36)
Public Safety, Dept. of	$1,146,771.61
Revenue, Dept. of	$24,344.42
Secretary Of State, Dept. of	$6,417.63
Treasurer, Dept. of State	$543.40
Wildlife Resources Commission	$9,105.74

- Total impact to agencies is $2,542,451.
- This assumes the state's fuel cost is $2 per gallon.
- Agencies that have actively rightsized their fleets have seen the biggest decrease.

NORTH CAROLINA
OFFICE OF STATE HUMAN RESOURCES

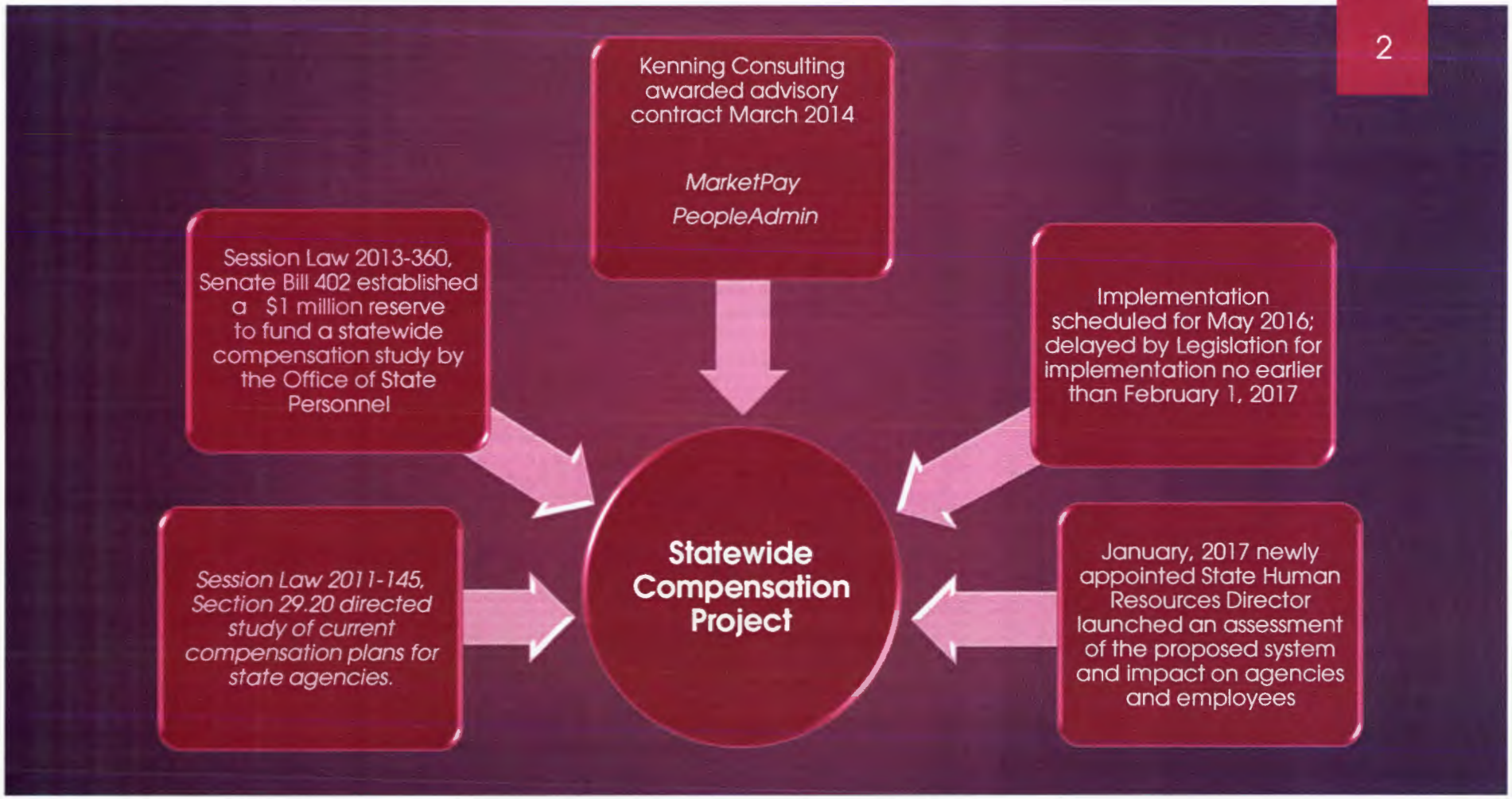
Barbara Gibson, Director

Joint Legislative Oversight Committee on General Government

Update of Statewide Compensation System Implementation

February 6, 2018

ATTACHMENT # 4


Kenning Consulting awarded advisory contract March 2014
MarketPay
PeopleAdmin
Session Law 2013-360, Senate Bill 402 established a $1 million reserve to fund a statewide compensation study by the Office of State Personnel
Implementation scheduled for May 2016; delayed by Legislation for implementation no earlier than February 1, 2017
Session Law 2011-145, Section 29.20 directed study of current compensation plans for state agencies.
Statewide Compensation Project
January, 2017 newly appointed State Human Resources Director launched an assessment of the proposed system and impact on agencies and employees

Current State Human Resource System

OSHR provides Program Structure & Consultation

OSHR provides delegated authority to agencies for classification, salary setting, and recruitment.

Exceptions to policy and guidelines are sent to OSHR.

Project Vision as of 2015

The State of North Carolina is committed to attracting and retaining a diverse workforce of high performing employees with the competencies, skills, knowledge, and dedication needed to consistently meet continually evolving strategic goals.

The state's compensation system should be reflective of occupational trends and best practices.

The system should be meaningful and easily understood by employees and managers, and administered by Human Resources professionals in a consistent manner.

Project Vision as of 2015 –continued

North Carolina's compensation system should be guided by the following key total compensation principles

Market Responsiveness

Position total compensation competitively with relevant labor markets

Recognize that labor market factors differ for specific occupations

Equitable & Affordable Compensation

Align internal pay within occupational groups while avoiding adverse impacts

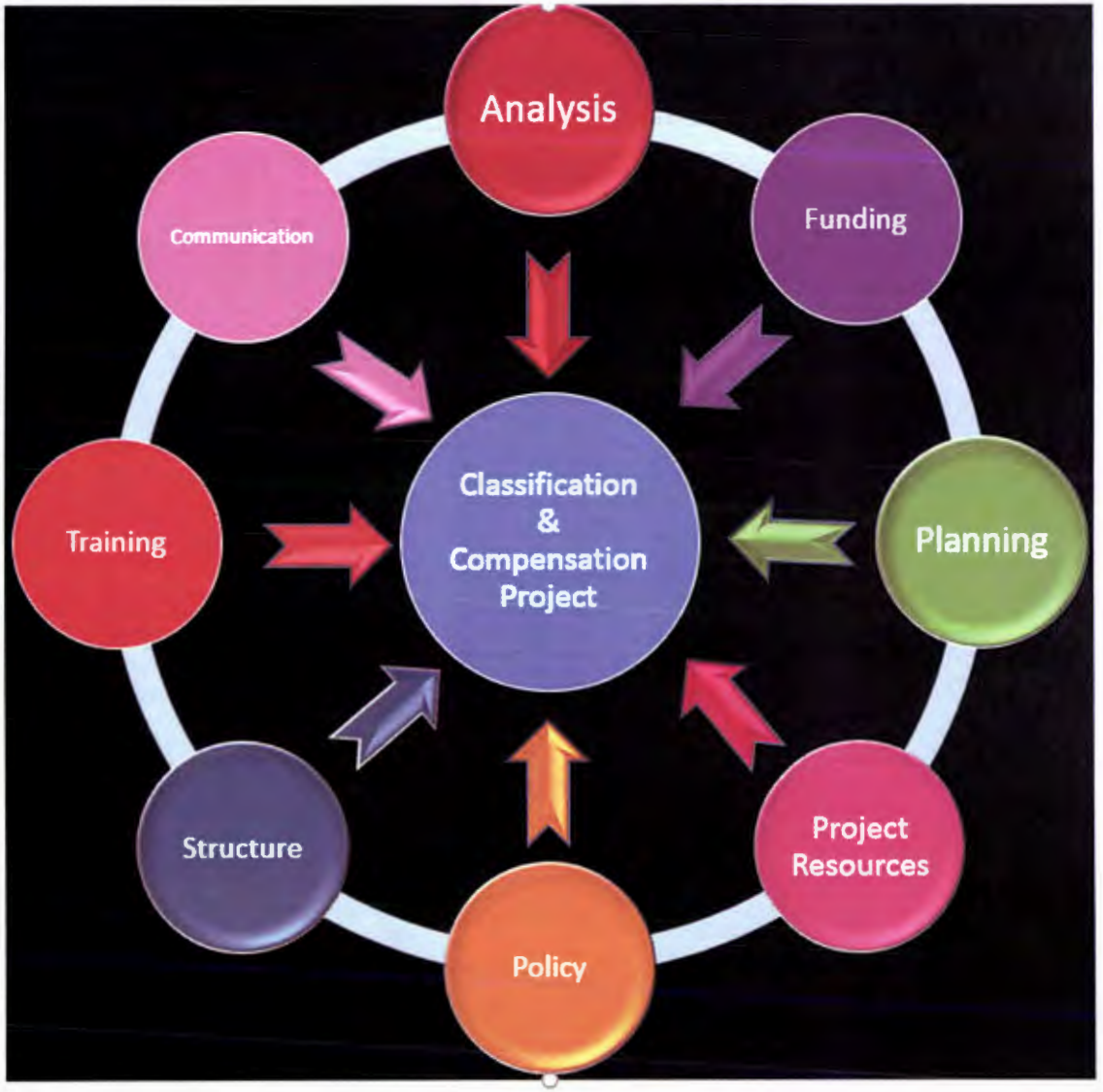
Maintain internal classification structure alignment

Maintain fiscal responsibility

Pay Delivery

One component is to recognize and reward employee performance

Classification and Compensation Project Overview



Implementation Status

Project Status on January 1, 2017

Elements in Place:

- MarketPay Tool
- Market Salary Data
- PeopleAdmin Tool
- Pay Structures
- Classification Specifications (1,400+)
- Initial Agency Allocations
- NCVIP

Implementation Status

Project Status as of Summer, 2017



Inadequate / Incomplete:

- Sufficient Documentation
- Classification Review
- Market Analysis
- Salary Administration Guidelines
- Recruitment Plan
- Communication and Training (mixed messages)
- Performance data in NCVIP

Implementation Status

Issues resolved between January 2017 – January 2018

Documentation

- Drafted Project Executive Summary
- Compiled general documentation

Classification

- Identified missing/inaccurate job descriptions; agency HR updating
- Conducted cross-agency reviews
- Class specifications (1,400+) reviewed & updated, new classes added
- Review IT; supporting Optimization project
- Trained agency HR staff – basic classification/market analysis
- Developing library of benchmark job descriptions for consistency

Market

- Documented how classes priced to market
- Developing methodology for updating market data after implementation

Salary Administration

- Developing more detailed & comprehensive salary administration policy

Recruitment

- Updating requirements and systems

Communication/Training

- Conducted employee & manager focus groups to educate and provide input into communication process
- 120 day Communication and Training plan

Performance Management

- Conducted survey of over 5,000 employees including managers/supervisors
- Made requested improvements

Implementation Status

Continuing to resolve for June 2018 Implementation & Ongoing

Documentation

Classification

- Monitor quality of job descriptions
- Continue to collect benchmark job descriptions (have approximately 204, need a total of approximately 500-600)
- Continue allocation review and address impact/issues
- Review grade assignments and pay plans

Market

- Continue to assess matching

Salary Administration

- Salary Administration policy and guidelines
- Assess funding needs
- SAF to meet new minimums

Recruitment

- Recruitment training for agency recruiters

Communication/Training

- Training to move employee through fewer, wider grades while making responsible, consistent, defensible salary decisions
- LOTS OF TRAINING! (HR, Managers, Employees)

Performance Management

- Continue to improve performance system

Going Forward

- **Advantages to Moving Forward**
  - Operate in one system
  - Reduce the number of classifications
  - Provide decision-makers better data for targeted funding
  - Better market data for recruitment and retention
- **Cautions & Concerns**
  - ***THIS IS NOT A MAGIC FIX***
  - Consistency across agencies
  - Understanding by managers, employees
  - Managing expectations

This system must be implemented consistently & equitably - with proper funding - to assist in effectively recruiting and retaining State Employees.

Project Milestones

➢ OSHR Analysis & Final Allocations	January – February
➢ Moratorium on Classification Actions	February
➢ Allocation of $3.9 Million for Classification and Compensation system	April (Effective 2/1)
➢ Training & Communication Materials (Drafting)	January - February
➢ Agency Training & Communication	February - April
➢ Beacon (Pre-Implementation Work)	March – May
➢ Classification Implementation	June
➢ Salary Admin/Compensation (Phase-In)	August - October

Questions?

?

?

?

NCDOR | NORTH CAROLINA DEPARTMENT OF REVENUE

Joint Legislative Oversight Committee on General Government

IT Projects Update
February 6, 2018

David Roseberry
Assistant Secretary CIO & CISO

Presented 02/06/2018

ATTACHMENT # 5

NCDOR | NORTH CAROLINA DEPARTMENT OF REVENUE

Transformational Projects

Projects that add, or significantly enhance, capabilities of the Department of Revenue

NCDOR

Joint Legislative Oversight Committee for Information Technology

COLLECTIONS CASE MANAGEMENT PROJECT

NCDOR

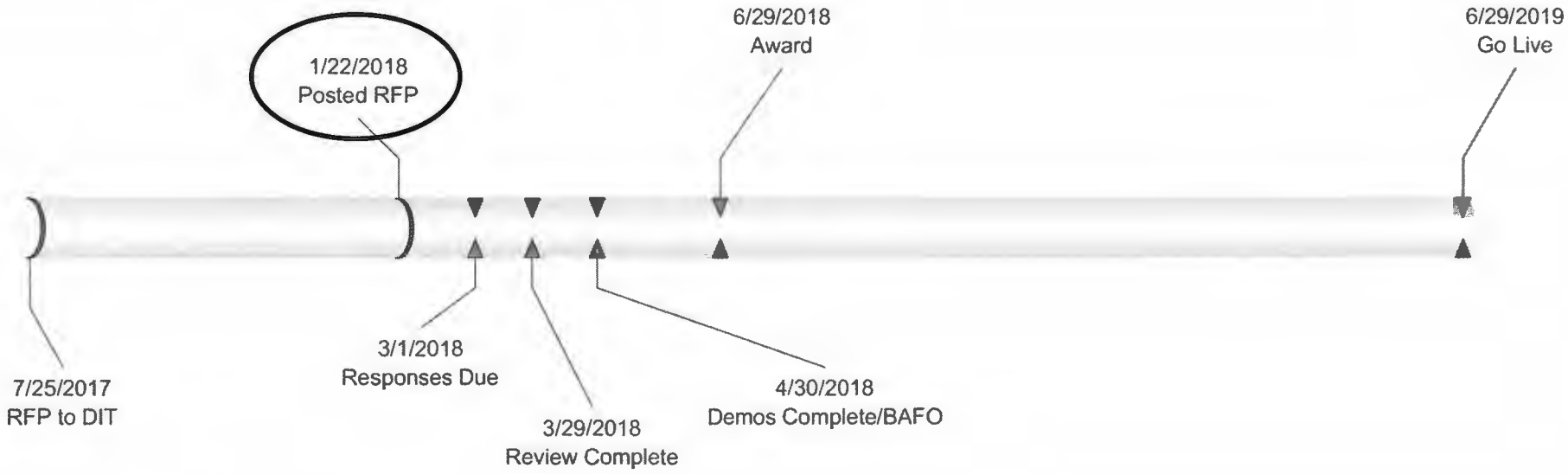
Objectives

Current systems are partially proprietary and the original system architects have retired. Malfunction could potentially reduce collections ($600m annually)

- Implement a new collections case management system
- Retire internal applications used to augment the existing collections processes

NCDOR

Timeline



Key Issues & Next Steps

- Final billed only (Notice of Collection)
- If cloud based, must meet IRS regulations
- Budget ($20m one time, $5m recurring) will need to carry with the majority of the spend being around June 2019
- Project risks minimized
  - Process engineering work completed
  - Performance metrics already in place
  - Real world example will be provided to vendor for demo (must prove system can perform)
  - Pay for deliverables only

- (Later) Extended to proposed assessments for Exams, USUB and Excise taxes

NCDOR

Joint Legislative Oversight Committee for Information Technology

E-SERVICES MODERNIZATION PROJECT

NCDOR

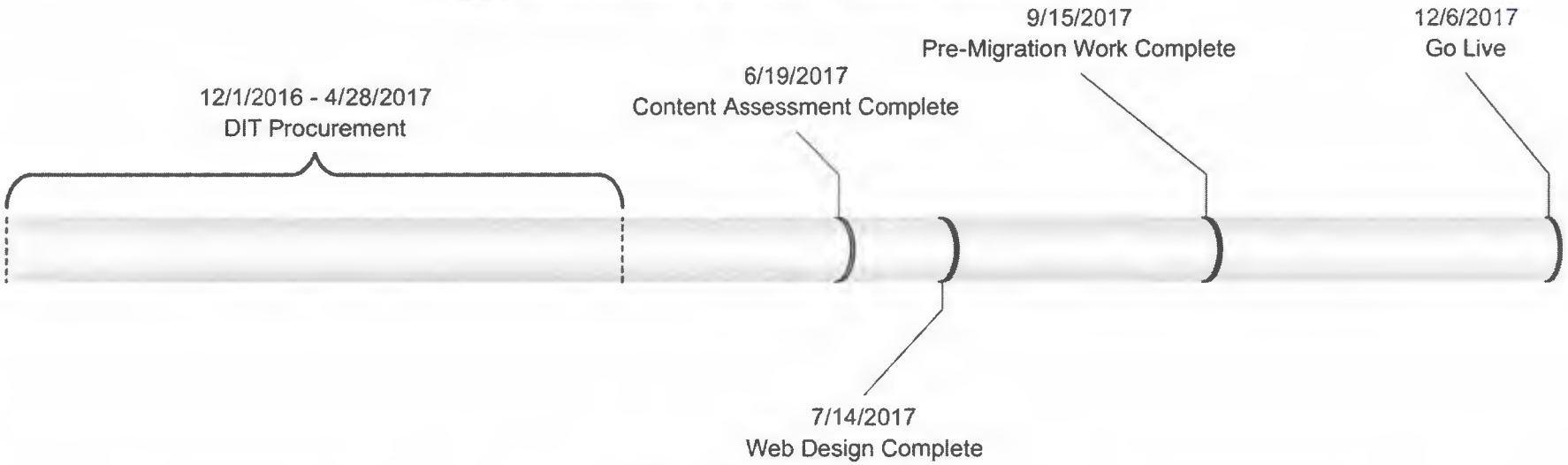
Objectives

- Provide a modern web portal
- Provide a modern platform to enable Agency businesses to take responsibility for content management.
- Position the Agency to expand upon existing services
- Create opportunities for future constituent services
- Update all eServices applications in successive waves

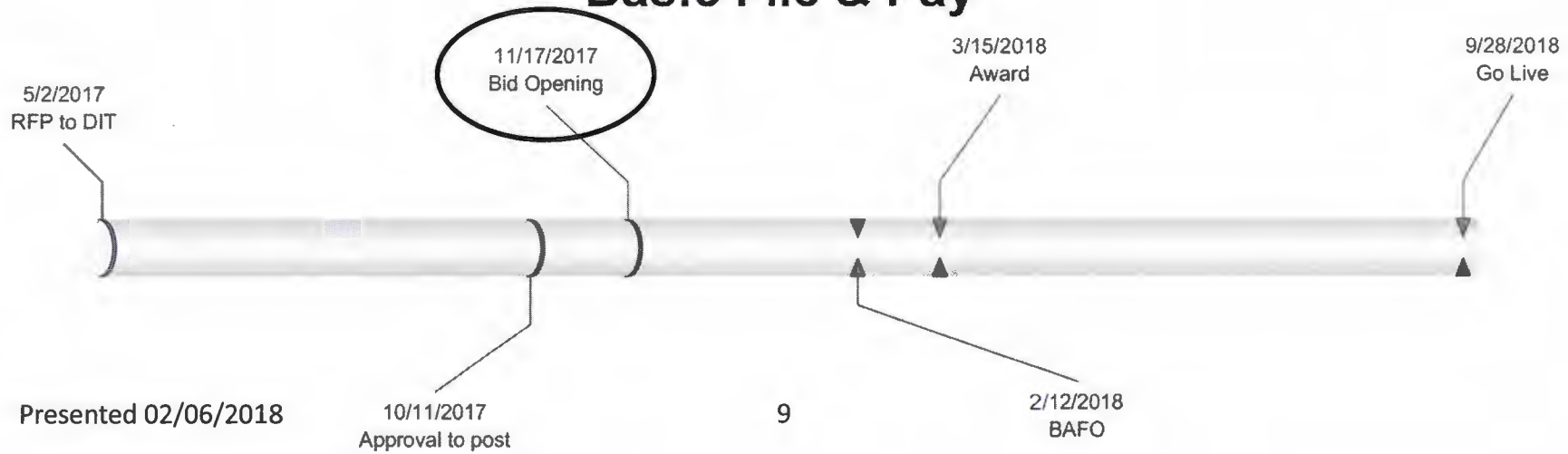
NCDOR

Timelines

☑ Static Web Content

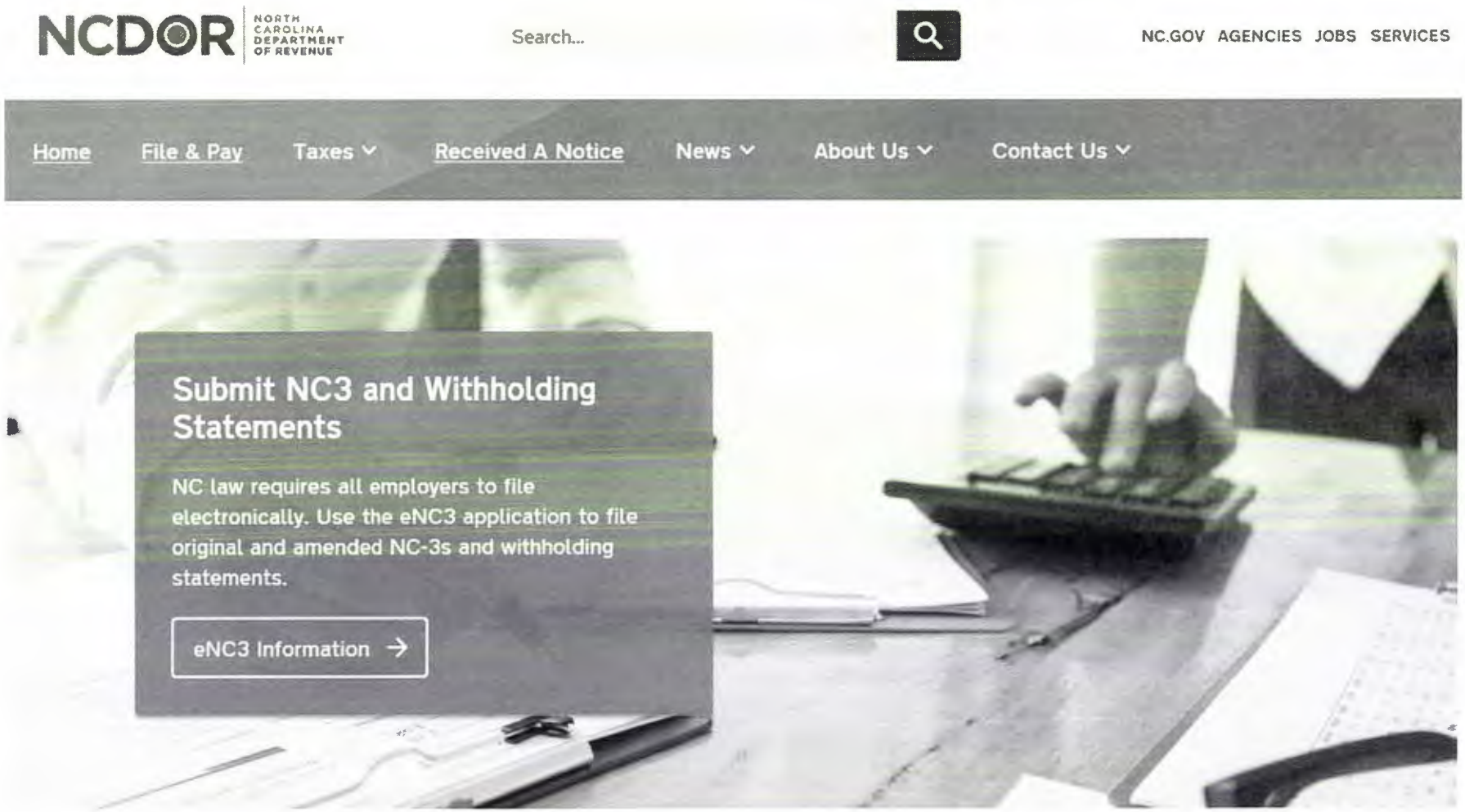


Basic File & Pay



NCDOR

Success!



NCDOR

Next Steps

- Award contract to vendor for non-validated file & pay applications
- Determine how much additional work DOR staff can do without assistance
- Prepare for eBusiness center work (significant)

NCDOR

Joint Legislative Oversight Committee for Information Technology

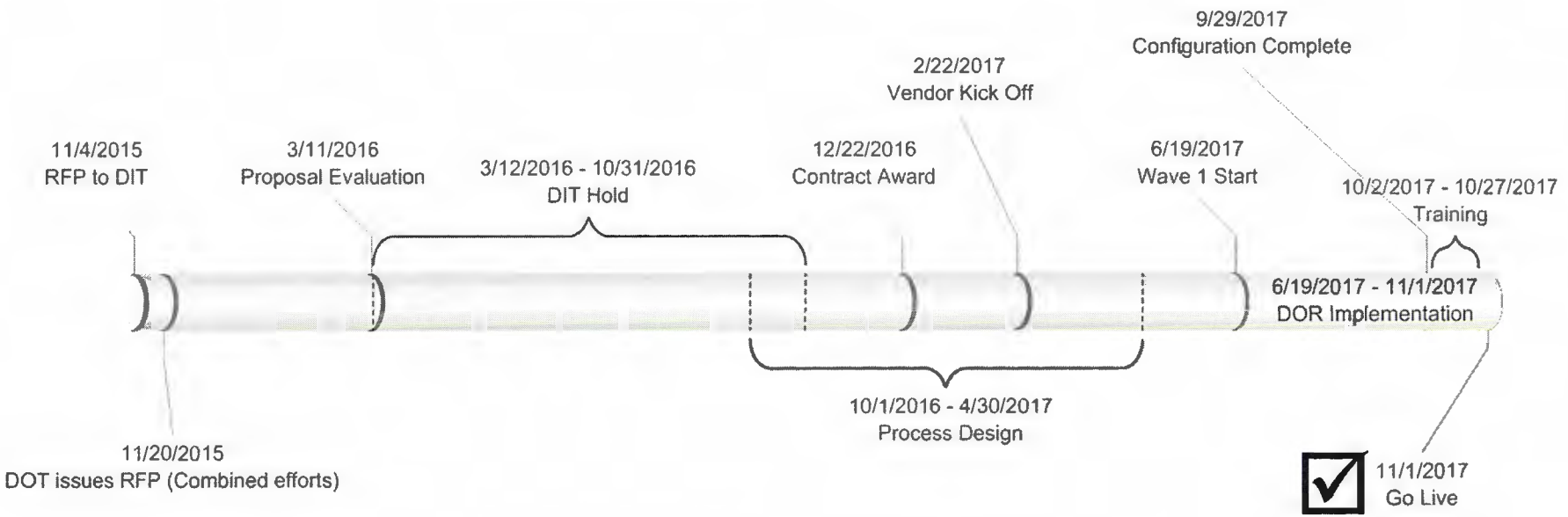
SERVICE NOW PROJECT

NCDOR

Purpose

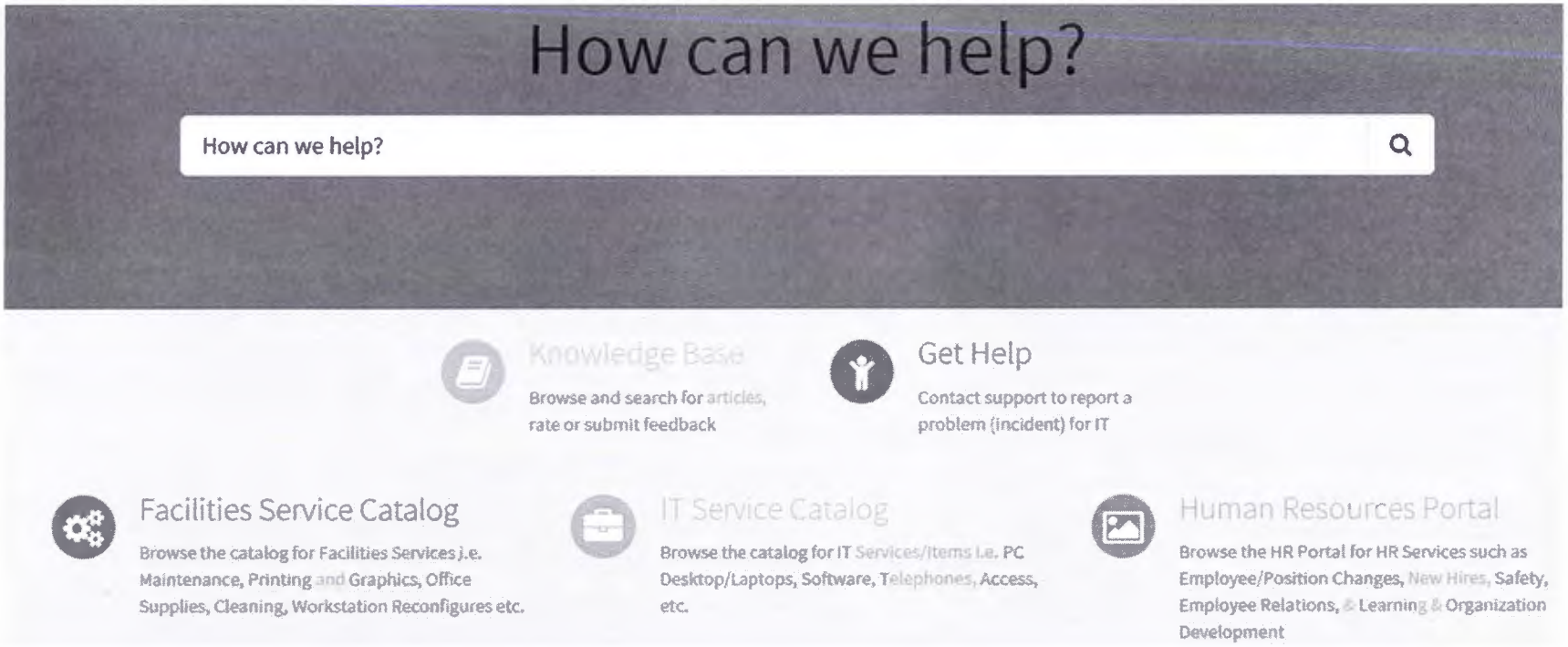
- Implement a workflow capability for the agency that supports cross divisional processes, automates work when possible and reduce paper
- Wave 1: IT, HR and Facilities first
- Implement in successive waves

Timeline


11/4/2015
RFP to DIT
3/11/2016
Proposal Evaluation
3/12/2016 - 10/31/2016
DIT Hold
12/22/2016
Contract Award
2/22/2017
Vendor Kick Off
9/29/2017
Configuration Complete
6/19/2017
Wave 1 Start
10/2/2017 - 10/27/2017
Training
6/19/2017 - 11/1/2017
DOR Implementation
10/1/2016 - 4/30/2017
Process Design
11/20/2015
DOT issues RFP (Combined efforts)
11/1/2017
Go Live

NCDOR

Success!



NCDOR

Next Steps

- Wave 2 (start March 1, 2018)
  - Taxpayer Assistance
  - Office of Taxpayer Advocacy
  - Request for Review
  - Asset Management
  - Contracts
  - IT Change Management
  - Extend reporting capabilities

NCDOR | NORTH CAROLINA DEPARTMENT OF REVENUE

Operational Projects

Significant upgrades or overhauls of existing capabilities

NCDOR

Joint Legislative Oversight Committee for Information Technology

DATA WAREHOUSE UPGRADE

NCDOR

Purpose

- Take responsibility for annual work to reduce dependency on vendor; transfer savings into additional capacity and capabilities
- Update systems to current standards; add capacity, features, increase power and security
- Utilize cloud services to lower maintenance and receive expert support

NCDOR Key Issues & Next Steps

- ✓ Complete documentation of existing support processes (runbooks)
- Procure Oracle cloud services (PaaS)
- IRS 45 day notice
- 3rd party vendor certify software
- Needs to be live by June 2018 to be ready for TY18 tax season

NCDOR

Joint Legislative Oversight Committee for Information Technology

SAS SOLUTION ON DEMAND

NCDOR

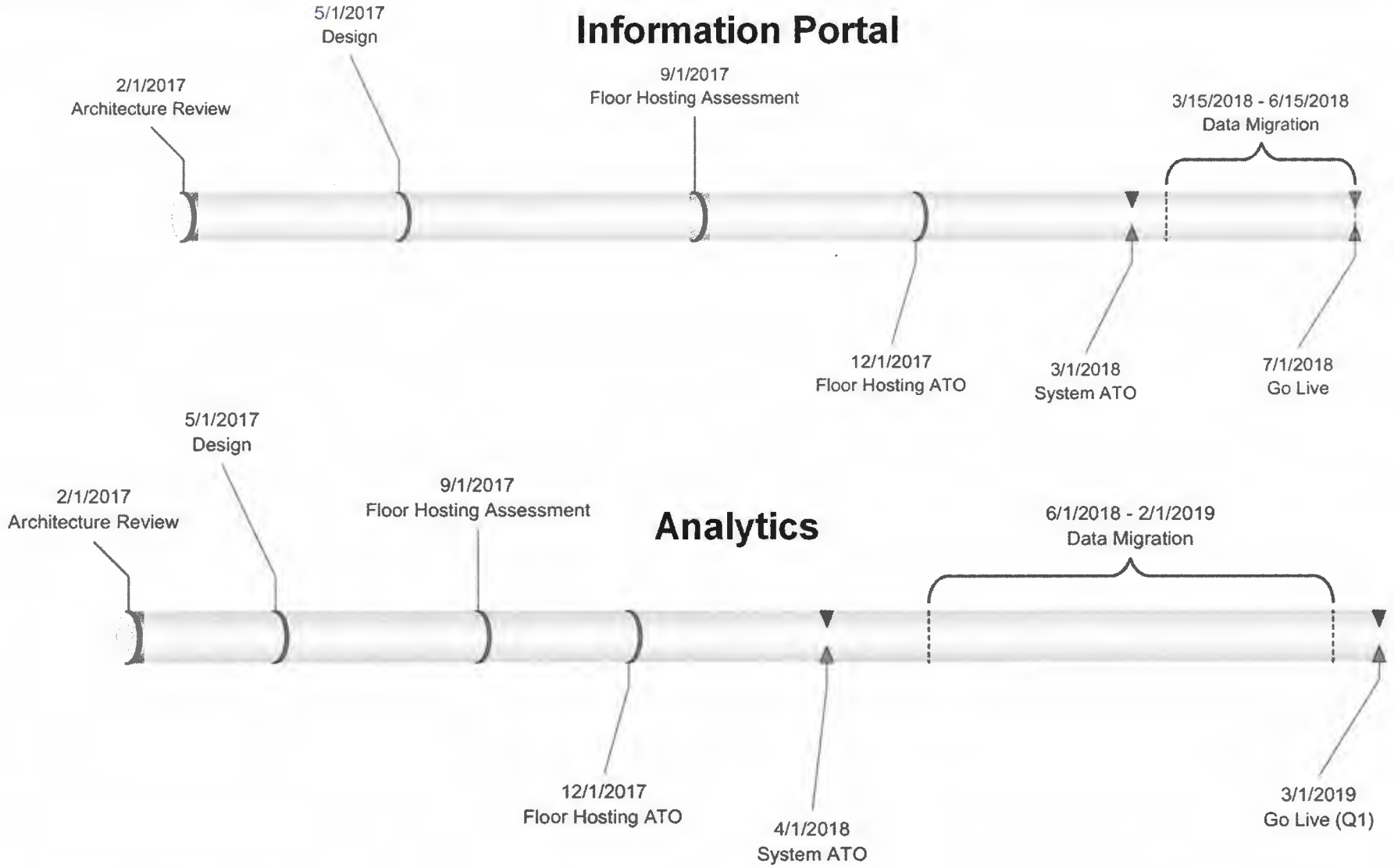
Purpose

- Move Information Reporting Portal to SAS Solution On Demand to increase capability, improve performance, take advantage of SAS expertise

- Move Advanced Analytics system to SAS Solution On Demand to increase capability, improve performance, take advantage of SAS expertise

NCDOR

Timeline



NCDOR

Joint Legislative Oversight Committee for Information Technology

INFORMATION REPORTING UPDATE

NCDOR

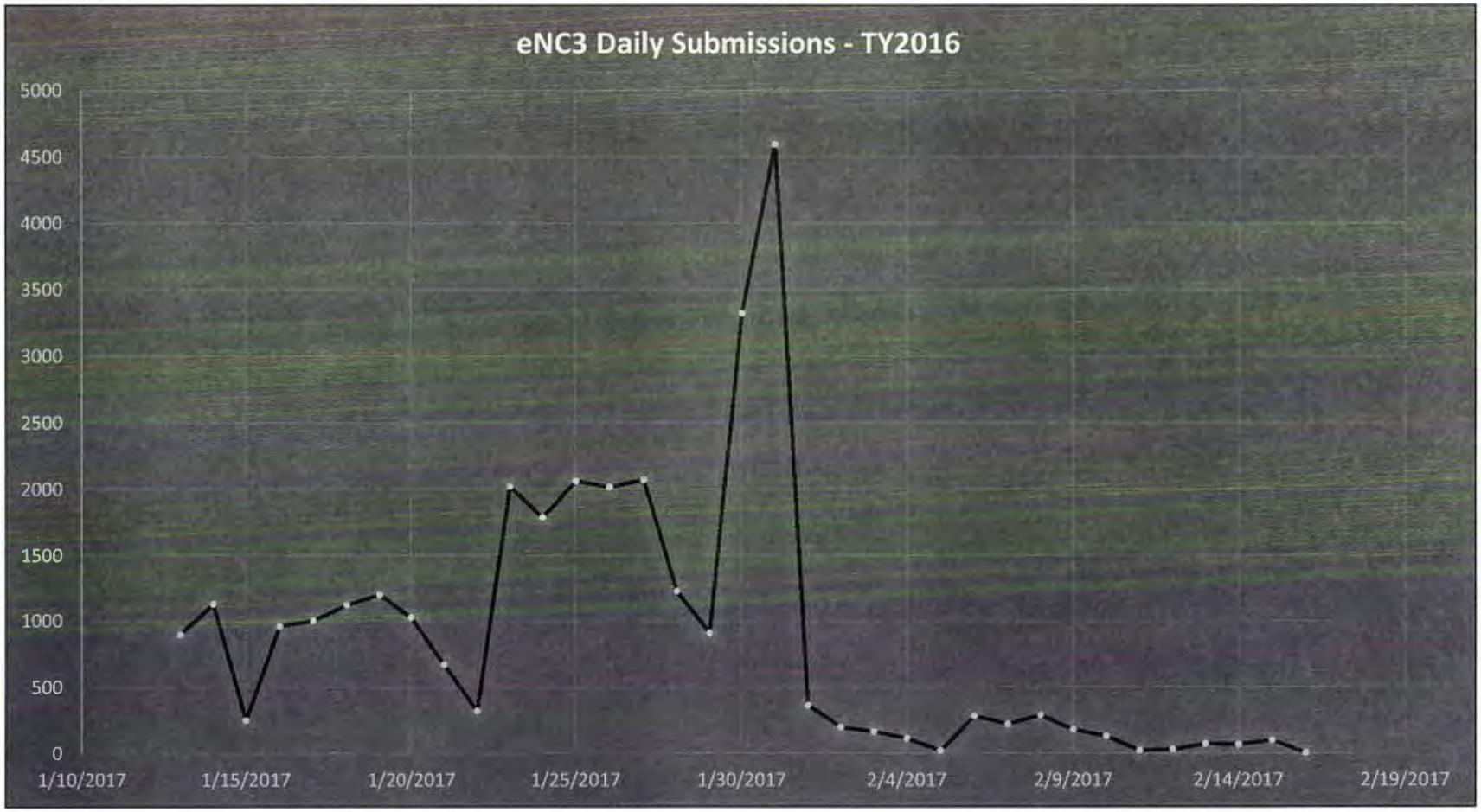
Business Purpose

- Information reporting portal
  - NC-3 – G.S. 106-163.7
  - Alcohol vendor – G.S. 105-251.2
  - 1099K – G. S. 105-251.2
- Support refund fraud
- Generates assessments (i.e. Period 7/1/2017 – 10/31/2017)
  - Alcohol Vendor Data
    - 23 Cases
    - $1.2m in assessments
  - 1099K data (Pilot Audit Program)
    - 34 Cases
    - $1.6m in assessments

Project to update interface to improve compliance and reduce paper and CD submissions

NCDOR

eNC3 Stats



- Submission can contain many items such as w2 and 1099 forms
- Total TY16 w2 submissions via portal – 1,139,346
- Total TY16 1099 submissions via portal – 268,278

NCDOR

Results

- ✓ Project completed & Filing season closed 1/31/2018
- Enhance ABC compliance for TY18

NCDOR

Joint Legislative Oversight Committee for Information Technology

FUEL TRACKING SYSTEM UPGRADE

NCDOR

Purpose

System is utilized by taxpayers to file motor fuel tax returns or claims for refund electronically. Vendor proprietary application is out of support. Upgrade to the vendor's latest version of the application (cloud based).

- Bring application up to date with the vendor's application releases
- Add credit card payment capability
- Application will have self-service functionality that should reduce end-user support currently provided by Excise Tax staff.
- Application will require less IT support/maintenance needs

Next Steps

- ✓SOW completed
- Sign MOU with DOT (funding and project)
- Start implementation 3/1/2017
- Target completion 3/1/2018

New Rates and Anticipated Impact

Agency Name	Total Increase (Decrease)
Admin Office Of Courts	($14,405.79)
Administration, Dept. of	$173,912.39
Agriculture, Depart. of	$69,142.27
Auditor, Office of State	($797.32)
Commerce, Dept. of	($6,740.31)
Community College System	$16,211.07
Cultural Res, Dept. of Natural and	$73,197.92
DHHS	($124,303.21)
DIT - Gov. Office	$10,945.17
DOT-Transportation	$345,413.69
Environmental Quality Dept. of	$119,615.86
General Assembly	$3,179.08
Governors Office	($618.00)
Insurance, Dept. of	$43,293.76
Justice, Dept. of	$18,272.25
Labor, Dept. of	$52,685.94
Military and Veterans Affairs, Dept	$2,840.53
MISC-Bd Barber Exam	($748.15)
MISC-Bd Cosmetics	($7,455.85)
NC Ports Authority	($3,544.53)
Office of Administrative Hearings	$861.31
Public Instruction, Dept of	($35,384.36)
Public Safety, Dept. of	$1,146,771.61
Revenue, Dept. of	$24,344.42
Secretary Of State, Dept. of	$6,417.63
Treasurer, Dept. of State	$543.40
Wildlife Resources Commission	$9,105.74

- Total impact to agencies is $2,542,451.
- This assumes the state's fuel cost is $2 per gallon.
- Agencies that have actively rightsized their fleets have seen the biggest decrease.

Committee Sergeants at Arms

NAME OF COMMITTEE Joint Legislative Oversight Committee on General Government

DATE: 2/6/2018 Room: 544

House Sgt-At Arms:

1. Name: Warren Hawkins
2. Name: Doug Harris
3. Name: Malachi McCullough, Jr
4. Name:
5. Name:

Senate Sgt-At Arms:

1. Name: Terry Barnhart
2. Name: Larry Hancock
3. Name:
4. Name:
5. Name:

VISITOR REGISTRATION SHEET

General Governtment Joint Leg. Oversight Cmtee — Feb 6, 2018

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Margaret C Reader	Secretary of State
Leo John	Secretary of State
Fred Bonn	Bonn CPA's
Canaan Idris	MVA
Da'Rocksberry	Revenue
DANIEL GARNER	DOR
Demetrius Deloatch	Troutman Sanders
Nate Denny	NC DIT
Jim Stewart	NARFC
Aaron Kuh	NCDMV
George Robinson	DOI

VISITOR REGISTRATION SHEET

General Goverment Joint Leg. Oversight Cmtee — Feb 6, 2018

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Markeeta Walton	DOA
Ronald Allison	DOA / Motor Fleet
William Forsythe	DOA / Motor Fleet
Nancy Astrike	OSHR
Lars Nance	OSHR
Ronnie Lundsey	OSHR
Barbara Gibson	OSHR
Tonya Hoam	OSHR
Andrea Clinkscales	OSHR
Melody Hunter-Pillion	OSHR
Lou Ann Phillips	OSHR

VISITOR REGISTRATION SHEET

General Governtment Joint Leg. Oversight Cmtee — Feb 6, 2018

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Amy Bowman	OSHR
Sarah Harris	OSHR
John R. Bogner Jr.	OSHR
Katie Stanley	DOA
Pamela Peterson	OSHR
Susanna Davis	DPS
Shanice Zachary	Fayetteville State University, MSW program
Starnes	OST
	MWC

VISITOR REGISTRATION SHEET

General Governtment Joint Leg. Oversight Cmtee — Feb 6, 2018

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ken Wright	NCDOR
Angela Altice	NCDOR

VISITOR REGISTRATION SHEET

General Governtment Joint Leg. Oversight Cmtee — Feb 6, 2018

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mike Arnold	SOS

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT
April 10, 2018
Room 544

The Joint Legislative Oversight Committee on General Government met on Tuesday, April 10, 2018 at 9:00 AM. The meeting was held in Room 544. Senators present were: Alexander, Barringer, D. Davis, Horner, and Tarte. House members present were: Cleveland, Floyd, Ford, Lewis, Ross, and Yarborough. Staff members Cara Bridges, Amy Darden, Lisa Hollowell, Gayle Moses, Bill Patterson, and Myra Torain were in attendance. The Committee Clerk was Polly Riddell. Attached to the minutes are the lists of the Sergeants at Arms and the Visitor Registration Log for agency representatives and public visitors.

Rep. Dennis Riddell presided.

Rep. Riddell called the meeting to order at 9:00 AM, welcomed everyone, and recognized all Chairs, Committee Staff Members and Sergeant at Arms.

Minutes were approved for the February 2018 meeting.

Linda Combs, State Controller, began the presentation, "Financial Backbone Replacement" (Attachment 1), by introducing Jim Dolan, Chief Deputy State Controller, who gave an update on ERP, Enterprise Resource Planning, and the need for updating the system. Chief Deputy Dolan stated that our current financial system won't be supported in another five years due to the aging support team. The project is critical to the State of North Carolina and they have made significant progress in their plan for updating it. They are currently working on securing a vendor and are hoping to finalize that decision in April. However, continued funding is necessary to proceed. There was a short time of question and discussion from the committee members.

Erin Matteson, Assistant State Budget Officer from the Office of State Budget and Management and Walker Wilson, Assistant Secretary for Policy from the Department of Health and Human Services, presented the Results First Initiative (Attachment 2). As their first policy area to review, OSBM, DHHS, and the Governor' Office chose programs that focus on reducing the incidences of chronic diseases and programs to improve birth outcomes. Some examples include Diabetes Prevention Program; Eat Smart, Move More, Prevent Diabetes; 5As Tobacco Cessation, and Safe Sleep. OSMB is on track to complete the study in August of 2018 and then hopes to begin a second policy area in the spring of 2018. There was a short time for questions and discussion from the committee members.

Kiernan McGorty, Principal Program Evaluator for PED reported on PED's Measurability Assessment and Efficiency Study of selected DOA functions. Mr. McGory started with his presentation, "Measurability Assessments of the Department of Administration's 12 Programs" (Attachment 3). He states this is best for certain types of programs including social programs, educations programs, and pilot projects. There was a short time of questions and discussion from the committee members. Mr. McGorty closed stating that this has provided a template for evaluating other departments. It was a huge undertaking and in the future would be best to contract out. It was not intended to evaluate an entire department.

Chuck Hefren, Principal Program Evaluator for PED, presented a report entitled "Opportunities Exist to Improve the Efficiency of the State's Administrative Services" (Attachment 4). The result of the evaluation indicated potential efficiency opportunities in several areas including: State Property, Facility Management, Purchase and Contract, Motor Fleet Management, Mail Service Center, and State Parking. Mr. Hefren's report gives 13 suggestions for improvement in each of these areas under DOA's purview. There was a short time of question and discussion for the committee members.

Following the presentations from PED, DOA Secretary Machelle Sanders gave her "Formal Response to Draft Report" (Attachment 5) In Secretary Sanders' response, she addressed each of the 13 recommendations by explaining how the department is currently handling the area of responsibility and discussing how the recommendation would affect the work DOA currently does. Sec. Sanders explained the current work DOA is doing and expressed the department's plans to develop priorities that would help them move forward in making the suggested changes. She also expressed how proud she was of her department's ability to assist with this evaluation, which took 3,000 hours, on top of the daily duties that DOA carried out in the process. There was a short time of question and discussion from the committee members.

Commissioner Terre Jessup, NC Division of Motor Vehicles, introduced Colonel Steve Watkins of the NC License & Theft Bureau division of NCDMV. Col Watkins presented "NCDMV License and Theft Investigative Assistance Regarding the DWI/Felony Speeding to Elude Vehicle Seizure Program Audit" (Attachment 6). The objective of this study was to determine the disposition of 234 specific vehicles identified by the State Auditor as entering the DWI/Felony Speeding to Elude Seizure Program within the timeframe of July 1, 20111 and June 30, 2016. The findings resulted in 5 key recommendations including: Requiring proper paperwork for release of the vehicle, towing facilities maintaining detailed program records for 4 years, training required on the seizure program, on-site VIN verification by law enforcement, and regular audits of contractors conducted by DOA. State Auditor Beth Wood's response (Attachment 7) to the investigative report indicates that this investigation was costly to the state and could have been avoided by proper cooperation from contractor, MEA. Robert Riddle, Director, Surplus Property Department of Administration also gave a response, "Surplus Presentation" (Attachment 8). Sandy Sands of Nixen Pruitt spoke on behalf of his clients claiming the audit was biased. There was a short time of discussion from the committee members.

There being no further business, the meeting adjourned at 12:25.

Dennis Riddell

Rep. Dennis Riddell
Presiding

Polly Riddell, Committee Clerk

NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

March 26, 2018

MEMORANDUM

TO: Members, Joint Legislative Oversight Committee on General Government
FROM: Sen. John M. Alexander, Jr., Co-Chair
Rep. George G. Cleveland, Co-Chair
Rep. Dennis Riddell, Co-Chair

SUBJECT: Meeting Notice

The **Joint Legislative Oversight Committee on General Government** will meet at the following time:

DAY	DATE	TIME	LOCATION
Tuesday	April 10, 2018	9:00 AM	544 LOB

Representative Riddell will preside.

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting http://www.ncleg.net/graphics/downtownmap.pdf.

If you are unable to attend or have any questions concerning this meeting, please contact Polly Riddell at riddellla@ncleg.net.

cc: Committee Record _X_
Interested Parties _X_

Joint Legislative Oversight Committee on General Government
April 10, 2018; 9:00 AM
LOB 544
Agenda

Chairs
Sen. John Alexander
Rep. Dennis Riddell
Rep. George Cleveland

Office of State Controller - Update on ERP	Dr. Linda Combs, State Controller Jim Dolan, Chief Deputy State Controller
Results First Initiative	Erin Matteson, Assistant State Budget Officer Office of State Budget and Management Walker Wilson, Assistant Secretary for Policy Department of Health and Human Services
PED's Measurability Assessment and Efficiency Study of selected DOA functions	Kiernan McGorty, Principal Program Evaluator Chuck Hefren, Principal Program Evaluator Program Evaluation Division, NCGA
DWI/Felony Speeding to Elude Vehicle Seizure Program Investigation Report	Commissioner Torre Jessup, NC Division of Motor Vehicles
OSA Response	State Auditor Beth Wood
DOA Response	Robert Riddle, Director, Surplus Property Department of Administration
**DOA Response to PED Reports	Secretary Machelle Sanders Department of Administration

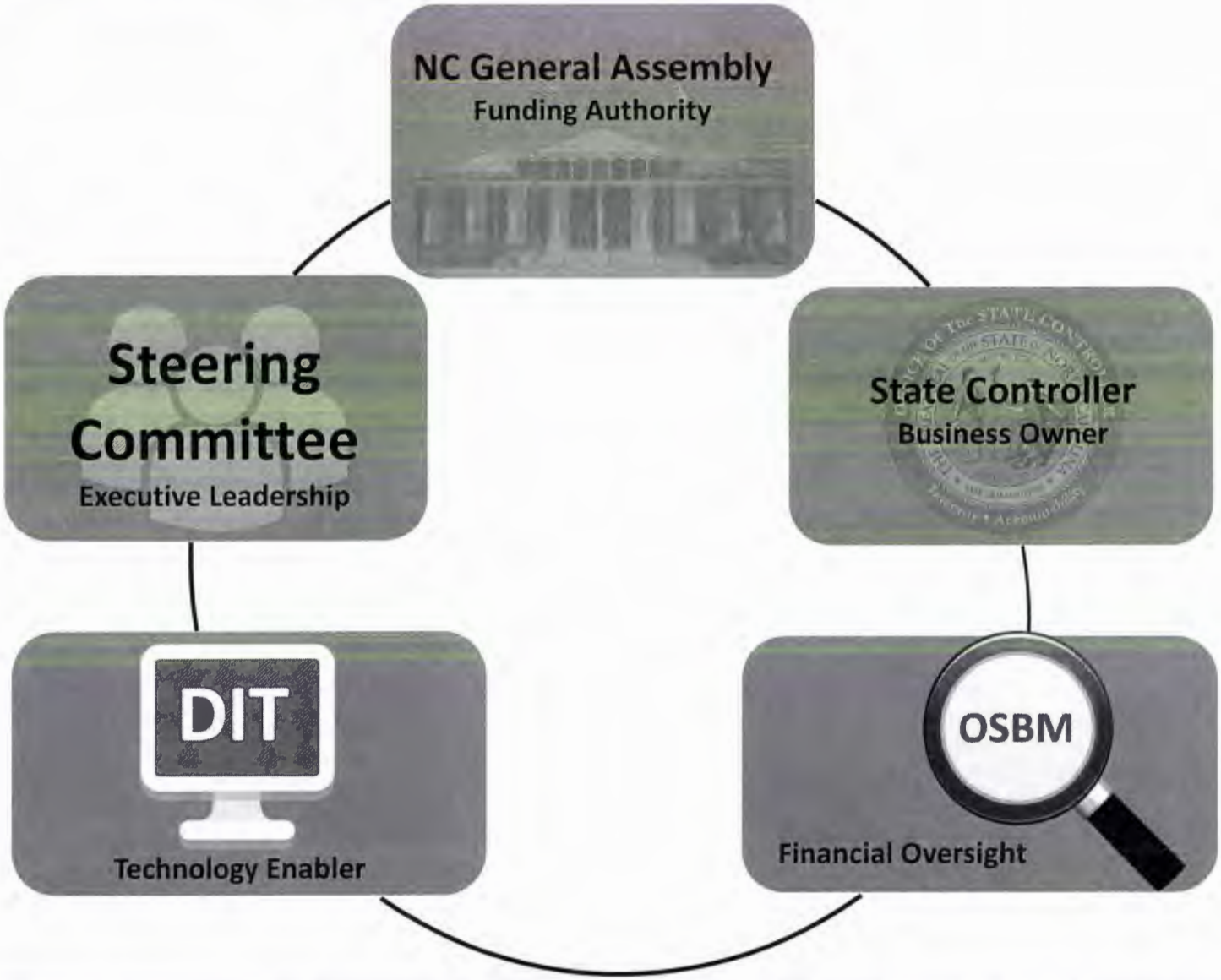
Financial Backbone Replacement

The Core of North Carolina's Enterprise Resource Planning (ERP)

Linda Combs, State Controller
Jim Dolan, Chief Deputy State Controller

ATTACHMENT 1

Governance Team



NC Financial Backbone/ERP
SITUATION: CRITICAL
By the Numbers



Slow, Dated, Clunky Design:

- End of life **2023**
- Accounting system for 50+ State Agencies/Entities
- Cash Management for **ALL** agencies



Needed Funding:

- Need additional **$27 Million appropriated by June 30, 2018**
- NCGA Appropriated $13 Million for FY 2017/2018 - FY 2018/2019
- Additional funding will be required in subsequent years

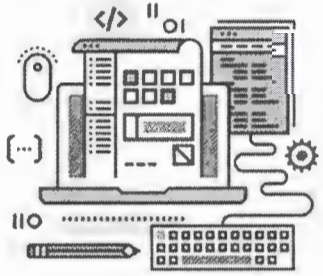
Security:

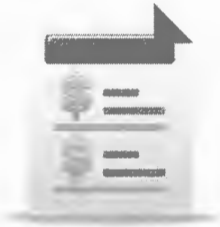
- **Limited Security** due to system age/design
- Increasing vulnerability each day



COBOL-Based Platform:

- COBOL Programming is a **dying skillset**
- In US, mostly maintained by RETIRED programmers





Minimal Reporting Capability:

- **Does not** address needs of NCGA, NC Auditor, and 50+ State Agencies/Entities.
- Was adequate for 1990's

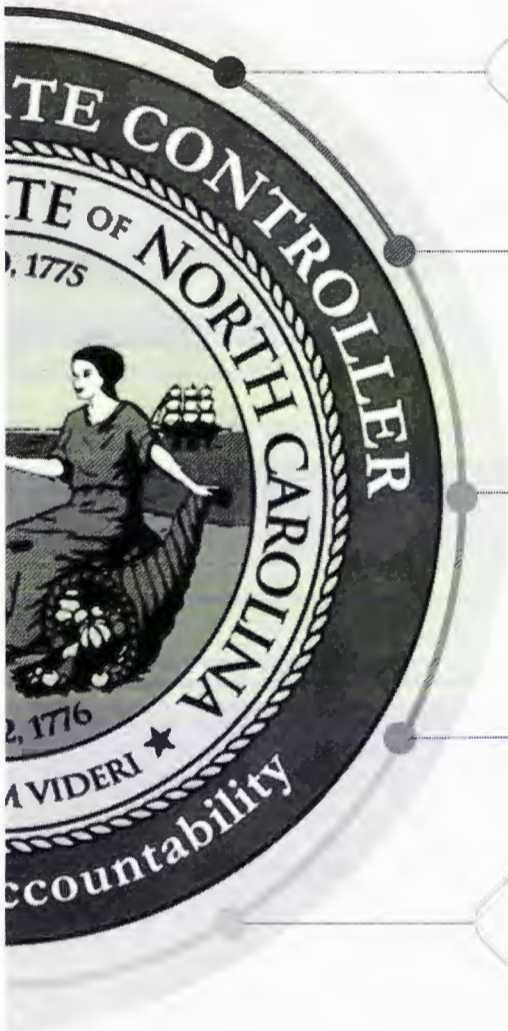


Aging Support Team:

- Eligible for retirement now or by **2022**
- Ages of support staff range from 50s – 60s

DELAYING COULD BE CATASTROPHIC TO THE STATE AND ITS CITIZENS!
New system takes a minimum of 3 years to deploy.

It has been a very busy year...



$500,000 appropriated 2016/2017 Session
~$120,000 Remaining

Committed two full-time people from OSC to work with consultant who organized and conducted agency work sessions.

- Held **37** agency work sessions over many weeks.
- Involved **over 300** participants from **24** state agencies.
- Identified **388** pain points

- Existing software was evaluated
- RFP for Software Vendor issued

- Two weeks of Vendor demos completed
- Vendor negotiations are currently in progress

Much work to be done...

Timeline 2018



Milestone	Action	Action	Actions	Milestone
Software Vendor Selection	Deployment Support Bid Posting	Deployment Support Bids Due	• Deployment Support Vendor Meetings • Deployment Support Evaluations and Recommendations	Deployment Support Decision Point

Next Steps



Implementation Phase Begins



RFP Awards



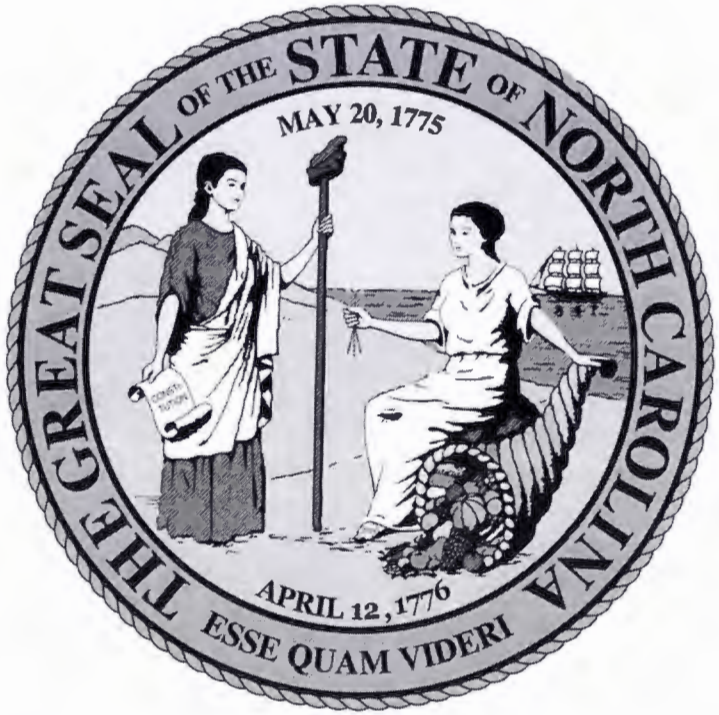
By June 30: General Assembly provides incremental project funding ($27 Million)



Provide General Assembly with frequent updates

Summary

- ✓This project is critical to the State of North Carolina
- ✓Significant progress to date
- ✓Vendor negotiations in process
- ✓Funding is required to commit vendors
  - ✓Project stops without it



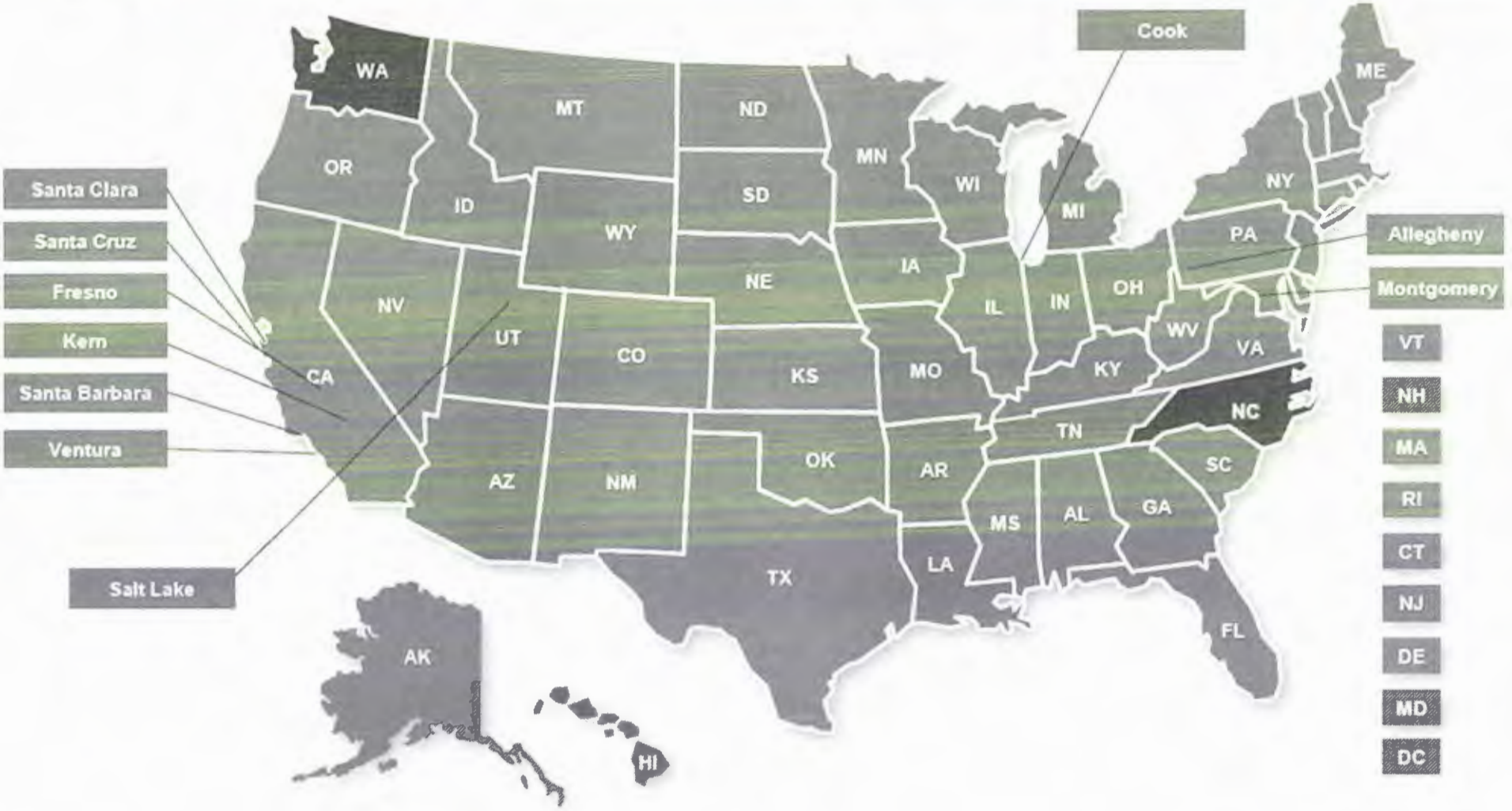
Results First Initiative in North Carolina

April 2018

THE PEW CHARITABLE TRUSTS | MacArthur Foundation

ATTACHMENT 2

Pew-MacArthur Results First Initiative

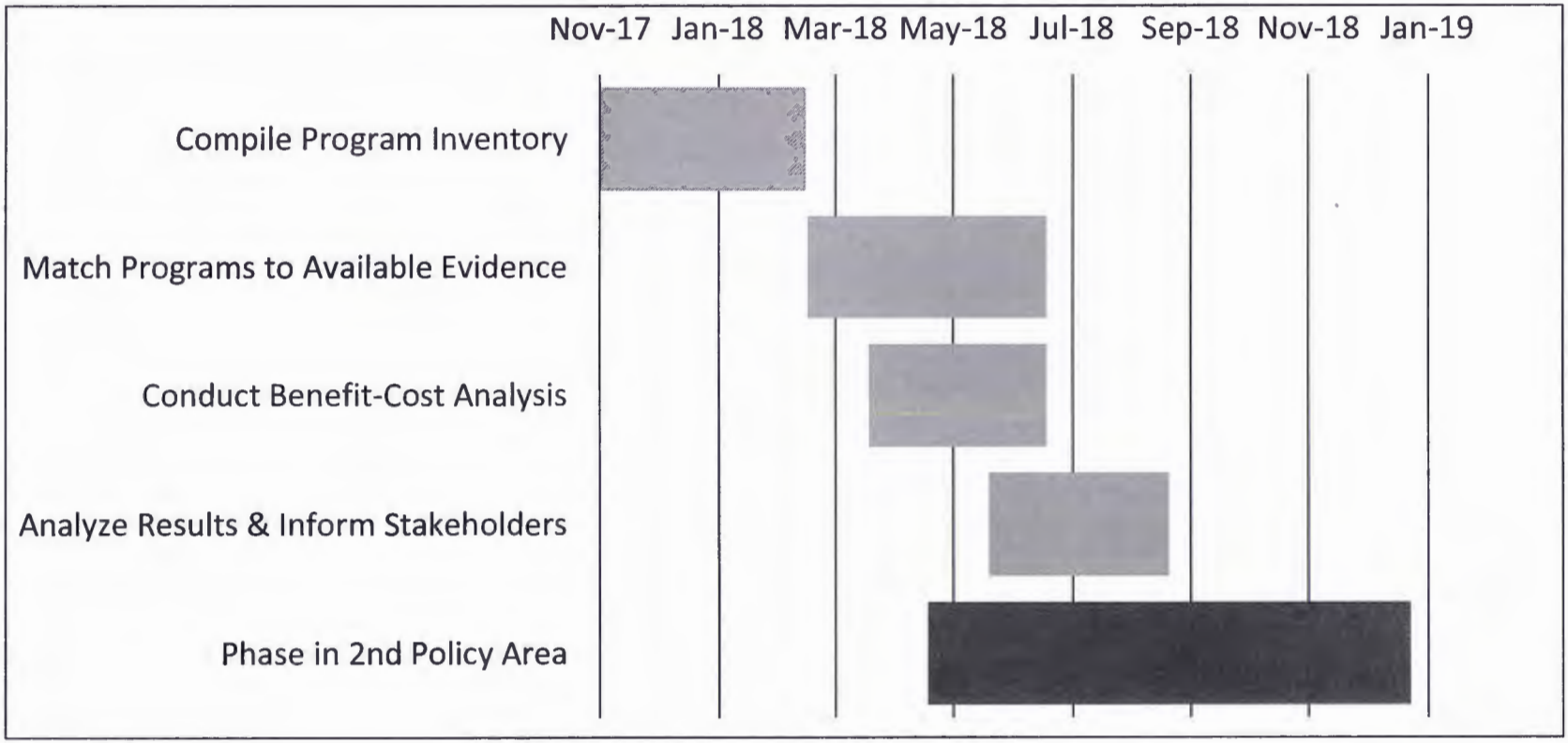


Results First Four-Step Process

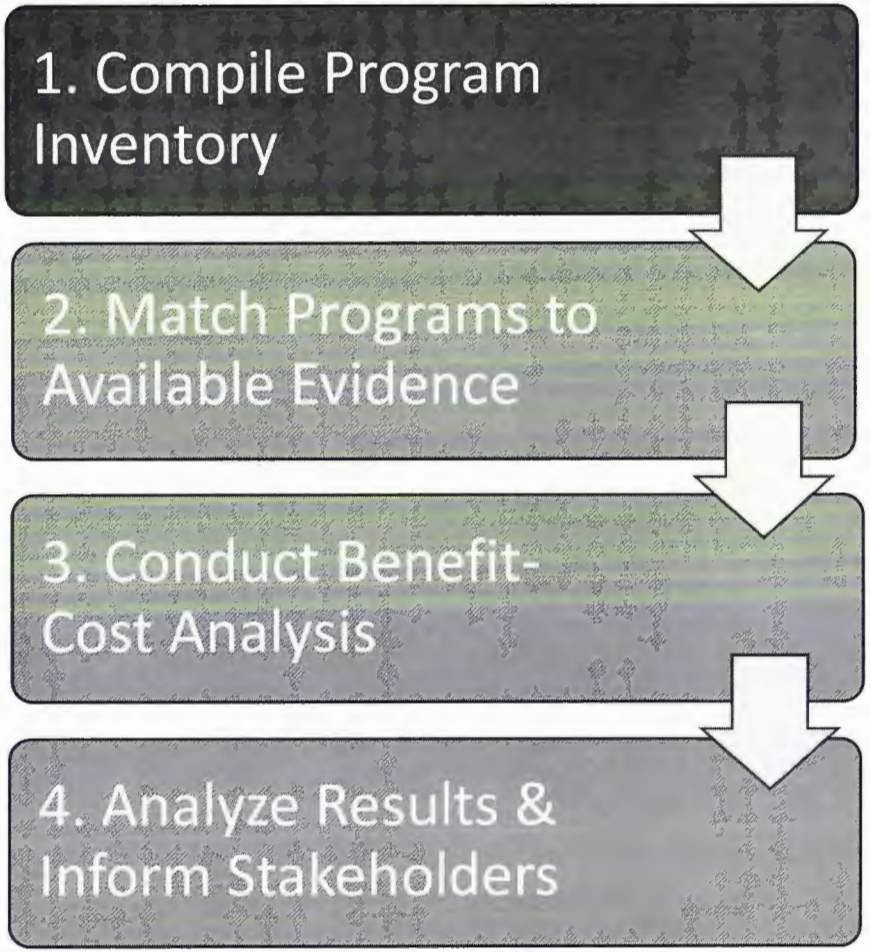
1. Compile Program Inventory
2. Match Programs to Available Evidence
3. Conduct Benefit-Cost Analysis
4. Analyze Results & Inform Stakeholders

- OSBM partnered with DHHS and Governor's Office to select first policy area of child and family health.
- Review programs that focus on the following outcomes:
  - Reducing the incidences of chronic diseases such as Type 2 diabetes and obesity.
  - Improve birth outcomes and prevent infant mortality, low birthweight, and preterm births.

Implementation Timeline



Step One: Health Program Inventory

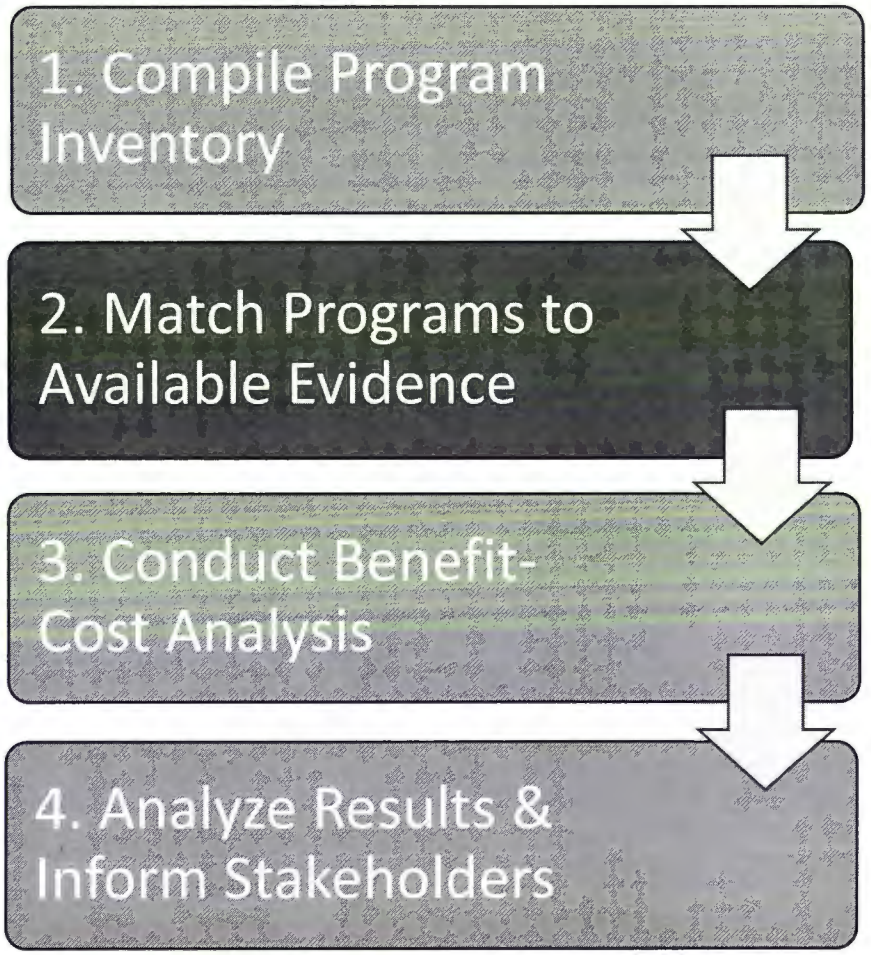


- Programs are defined as "systematic activities that engage participants in order to achieve desired outcomes."
- State partners develop a comprehensive list of all the programs in the health policy area, along with the following:
  - Average duration & frequency
  - Oversight agency
  - Delivery setting
  - Target population

- Using the DHHS Open Window system, DHHS identified programs related to the chosen scope.

- Some examples of programs are:
  - Diabetes Prevention Program (DPP)
  - Eat Smart, Move More, Prevent Diabetes (ESMMPD)
  - 5As Tobacco Cessation
  - Safe Sleep

Step Two: Match Programs to Available Evidence



An evidence-based program is one where the program has been rigorously evaluated to demonstrate an actual cause and effect relationship between a program and the results or outcome of the program.

Results First Tiers of Evidence

Highest Rated	• Program had a positive impact based on the most rigorous evidence.
Second-Highest Rated	• Program had a positive impact based on high-quality evidence.
No Evidence of Effects	• Program had no impact based on the most rigorous or high-quality evidence.
Mixed Effects	• Program had inconsistent impacts based on the most rigorous or high-quality evidence.
Negative Effects	• Program had a negative impact based on the most rigorous or high-quality evidence.
Not Rated	• Program is not in the Results First Clearinghouse Database.

Research Limitations

Not all programs will be in the Results First Clearinghouse Database. This does not mean that they are not effective programs.

- Rigorous evaluation has not been conducted.
- Too small to warrant a rigorous evaluation.
- Ethical concerns with denying access to a program.

Research Limitations

- Results First model is not meant to accomplish everything.
- Purpose of the approach is not to eliminate programs simply because they are not in the Clearinghouse.
- Provides evidence-based information and insight but doesn't answer every question.
- Not intended to discourage innovation when designing or adapting programs.

- Improve evidence-based programs to maximize impact.
- Scale up what works.
- Shift resources towards effective, high-return programs.
- Identify key programs for evaluation where evidence is unavailable.
- Aid strategic planning and performance management.

Next Steps

- OSBM incorporating evidence into the budget development cycle.
- On track to complete first topic area in August 2018.
- OSBM anticipates beginning a second policy area in Spring 2018.

Results First Policy Areas



Questions

Erin C. Matteson
Assistant State Budget Officer
NC Office of State Budget & Management
Erin.Matteson@osbm.nc.gov

Walker Wilson
Assistant Secretary for Policy
NC Department of Health and Human Services
Walker.Wilson@dhhs.nc.gov

ATTACHMENT 3

Measurability Assessments of the Department of Administration's 12 Programs

A presentation to the Joint Legislative Oversight Committee on General Government

April 10, 2018

Kiernan McGorty, Principal Program Evaluator

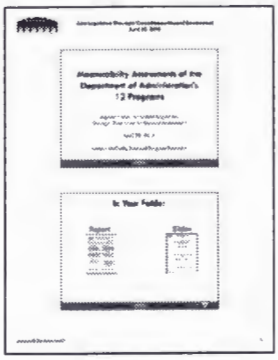
Program Evaluation Division North Carolina General Assembly

In Your Folder

Report



Slides



Program Evaluation Division North Carolina General Assembly 2

2 Ways PED Evaluates State Programs

- **Evaluations (since 2007)** – in-depth studies of existing state programs to determine effectiveness and efficiency

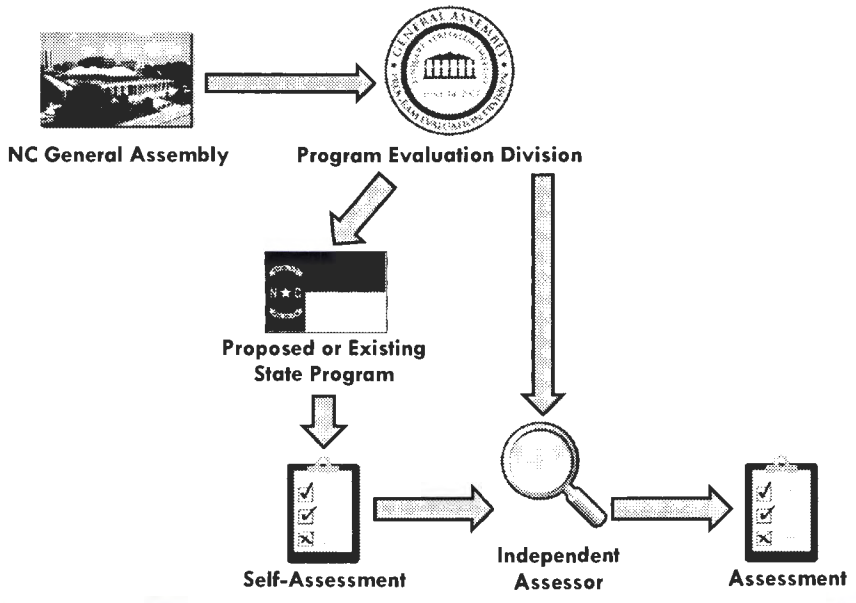
- **Measurability Assessments (2017) – brief, technical** assessments of existing & **new** state programs to determine whether they are well-designed, well-managed & collect the performance information necessary to inform future inquiries into effectiveness and efficiency

Measurability Assessment Program

Measurability Assessment Act of 2016

- A measurability assessment is an independent evaluation of a program's progress on 14 indicators
- PED responsible for establishing standards for conducting and reporting measurability assessments

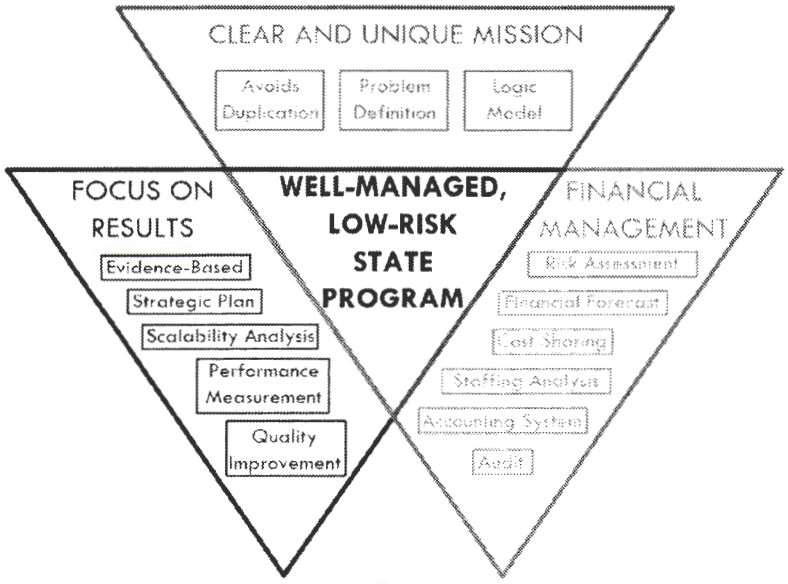
Measurability Assessment Process



Measurability Assessment Documents

- RFQ for independent assessors
- Tools for performing assessments
  - Measurability Assessment Guidebook
  - Self-Assessment Form
  - Measurability Assessment Form

Measurability Assessment Framework



Measurability Assessments of 12 DOA Programs

Our Charge

- **Directive:** Session Law 2017-57 directed PED to conduct measurability assessments of DOA programs to improve department accountability reporting
- **Agency:** Department of Administration
- **Team:** Kiernan McGorty, Brent Lucas, Carol Shaw, Joanne Brosh, and Adora Thayer

12 DOA Programs

Operations Programs	Advocacy Programs
Facility Management	Indian Affairs
Mail Service Center	Women & Youth Involvement
Motor Fleet Management	Historically Underutilized Businesses
Non-Public Education	
Purchase & Contract	
State Construction	
State Parking	
State Property	
Surplus Property	

Performed Well

- **Cost Sharing** – all programs that require cost sharing have a description of cost sharing requirements; all programs that do not require cost sharing have a description of why not
- **Accounting System** – all programs use North Carolina Accounting System

In Progress

- **Logic Model** – most programs have a logic model with inputs, activities, outputs, outcomes, and impacts but did not demonstrate their logic models have been shared with key stakeholders or are updated periodically

- **Strategic Plan** – most programs have a mission and vision statement and are in the process of updating their strategic plans to include goals, objectives, and performance measures

In Progress

- **Performance Measurement** – most programs have some types of measures (i.e., inputs, outputs, efficiency/process, quality, outcomes) but do not have all types of measures; most programs have a standard format for reporting measures but did not demonstrate they have a defined method for collecting performance data, validate their measures periodically, or regularly report their measures to managers, staff, and key stakeholders

Received Partial Credit

- **Risk Assessment** – DOA has a system of internal control, but most programs have not conducted a risk assessment to identify potential financial, fraudulent, or legal hazards

- **Financial Forecast** – most programs annually conduct a financial forecast but did not demonstrate they project revenues and expenditures for at least 5 years or explain trends

Received Partial Credit

- **Audit** – all programs have a description of audit requirements that demonstrate accessibility of persons, documents, and property, but most do not have a record of prior audits or a record of corrective actions taken in response to audit findings and recommendations

Most Improvement Needed

- **Quality Improvement System** – most programs do not have a quality improvement system
- **Staffing Analysis** – most programs do not have a staffing analysis

Summary Documents in Report

	Pages
Summary of Overall Indicator Ratings	iv
Degree to which Indicators Are Met by 12 Programs	v
Degree to which Programs Meet 14 Indicators	vi
Summary of Key Element and Overall Indicator Ratings	vii-xii

Opportunities Exist to Improve the Efficiency of the State's Administrative Services

A presentation to the Joint Legislative Oversight Committee on General Government

April 10, 2018

Chuck Hefren, Principal Program Evaluator

ATTACHMENT #4

Handouts

The Full Report


Opportunities Exist to Improve the Efficiency of the State's Administrative Services

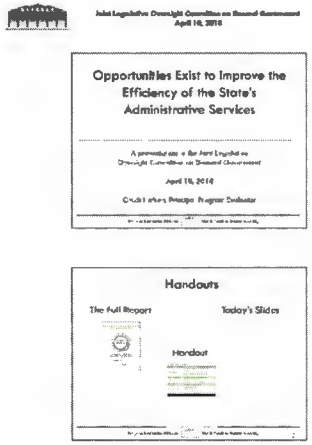
GENERAL ASSEMBLY · SEQUAR VIRTUTEM IMPERIO · JUNE 14, 2007 · PROGRAM EVALUATION DIVISION · NCGA

Final Report to the Joint Legislative Program Evaluation Oversight Committee

Report Number 2018-04

March 30, 2018

Today's Slides


Joint Legislative Oversight Committee on General Government
April 16, 2018

Opportunities Exist to Improve the Efficiency of the State's Administrative Services

April 16, 2018

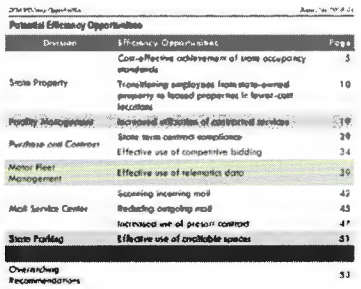
Handouts

The Full Report

Today's Slides

Handout

Handout


Potential Efficiency Opportunities

Division	Efficiency Opportunities	Page
State Property	Cost-effective achievement of state occupancy standards	5
	Transitioning employees from state-owned property to leased properties in lowest-cost locations	10
Facility Management	Increased utilization of underused services	19
Purchase and Contract	State term contract compliance	28
	Effective use of competitive bidding	34
Motor Fleet Management	Effective use of telematics data	39
Mail Service Center	Scanning incoming mail	42
	Reducing outgoing mail	43
	Increased use of presort contract	47
State Parking	Effective use of available spaces	51
Overarching Recommendations		53

Study Directive

- Consult with State Auditor to identify potential efficiency opportunities
- Utilize results of measurability assessments to identify efficiency opportunities
- May utilize contracted services to obtain subject matter expertise
- State Auditor shall review draft report and provide written response to be included in final report
- Final report due March 30, 2018

DOA Divisions with Identified Efficiency Opportunities

- State Property Office
- Facility Management
- Purchase and Contract
- Motor Fleet Management
- State Parking
- Mail Service Center

Potential Efficiency Opportunities

Division	Efficiency Opportunities
State Property	Cost-effective achievement of state occupancy standards
	Transitioning employees from state-owned property to leased properties in lower-cost locations
Facility Management	Increased utilization of contracted services
Purchase and Contract	State term contract compliance
	Effective use of competitive bidding

Potential Efficiency Opportunities

Division	Efficiency Opportunity
Motor Fleet Management	Effective use of telematics data
Mail Service Center	Scanning incoming mail
	Reducing outgoing mail
	Increased use of presort contract
State Parking	Effective use of available spaces

Background

- DOA provides centralized administrative support for state agency operations
  - Fiscal Year 2016-17 expenditures: $260 million
  - Authorized FTE: 457

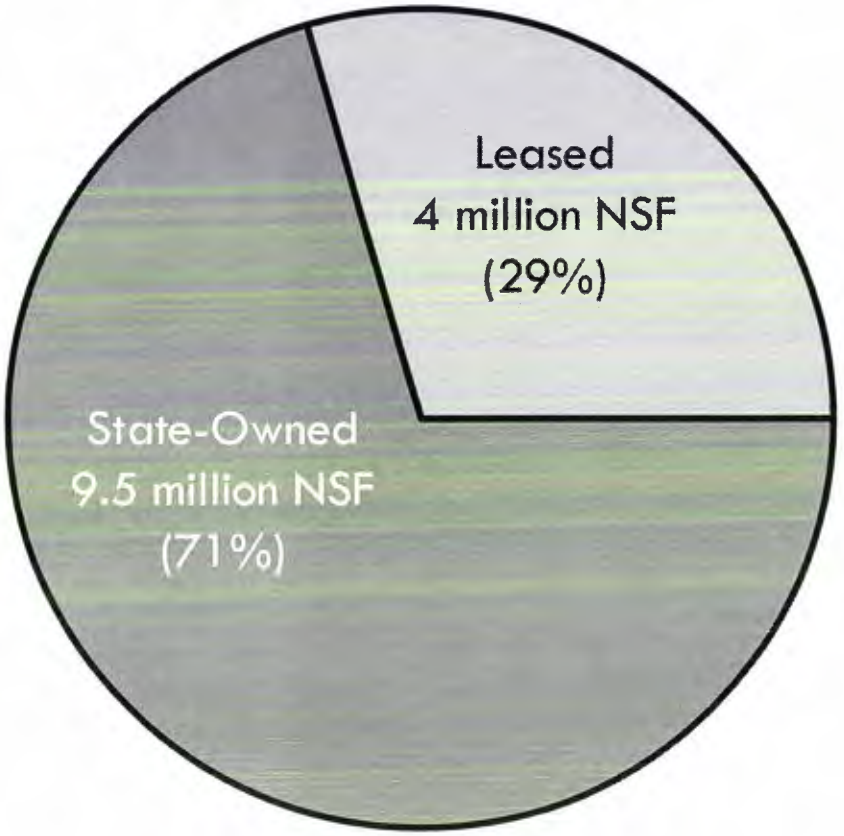
Efficiency Opportunities

State Property Office

Objective: Manage the State's real estate transactions on behalf of state agencies and maintain a complete and accurate inventory of state-owned property

State Property Office

In Fiscal Year 2016–17, the State Property Office Managed 13.5 Million Net Square Feet of Office Space



State Property Office
State Occupancy Standards

- Reducing the average amount of office space utilized by state employees is a cost-effective way to reduce facility management costs
- The amount of space allocated to each employee should be unique for each state-owned and leased office facility
- SPO does not have readily-available and valid information identifying employees assigned to each office facility

State-Owned Office Facilities in Downtown Raleigh Have Not Been Renovated in Several Decades

Building	NSF	Year constructed	Year renovated
Highway Building	137,023	1951	1968
Highway Building Annex	38,040	1918	1968
Agriculture	50,981	1923	1970
Agriculture Annex	45,945	1954	1975
Labor	24,926	1888	1970
NC Department of Justice	121,447	1938	1975
Old Revenue	102,606	1927	1927
Justice	48,539	1940	1980
Court Of Appeals	34,239	1913	1975
TOTALS	603,746		

Expiring Office-Space Leases Provide the Best Opportunity to Cost-Effectively Achieve Space Standards

Lease Expiration	Number of Properties	Net Square Feet (NSF)	Average cost/NSF	Total Annual Cost
Before July 1, 2017	179	1,002,991	$15.63	$15,677,628
July 1, 2017- June 30, 2018	135	604,808	16.07	9,718,492
July 1, 2018- June 30, 2019	103	383,743	15.48	5,938,584
July 1, 2019- June 30, 2020	90	368,706	17.47	6,441,072
July 1, 2020 – June 30, 2021	53	513,891	15.54	7,985,509
July 1, 2021- June 30, 2022	30	315,686	15.80	4,987,927
After June 30, 2022	40	786,542	15.53	12,060,660
Total	630	3,976,367	$15.80	$62,809,871

State Property Office Transitioning Employees

- Current inventory of state-owned property may no longer be cost-effectively contributing to the State's goals and objectives
- Land sites in downtown Raleigh have reached unprecedented values due to the surge in residential, commercial, and retail development

State-Owned Office Facilities in Downtown Raleigh Have High Value and Significant Reported Deferred Maintenance and Repairs Requirements

Building	Tax Assessed Value (Property)	Tax Assessed Value (Land)	Total Assessed Value	Deferred Maintenance
Highway Building Annex	$5,842,821	$13,315,971	$32,525,849	3,085,290
Highway Building	$12,860,490			2,110,400
DOT-Parking Deck	$506,567			
Agriculture	$8,067,198	$8,812,079	$27,294,566	$36,021,310
Agriculture Annex	$7,597,717			30,044,300
Labor	$2,712,434			2,162,420
Service Garage	$105,138			
DOJ	$21,878,982	$23,237,840	$107,500,554	277,550
Nature Research Center	$39,560,748			901,550
NRC-Parking Deck	$7,421,238			
DOA-Parking Deck	$15,401,746			
Old Revenue	$11,016,753	$4,112,334	$15,129,087	15,535,000
Justice	$8,961,247	$2,154,094	$11,115,341	6,434,090
Court Of Appeals	$4,401,515	$2,154,094	$6,555,609	$2,241,850
TOTALS	$146,334,594	$53,786,412	$200,121,006	$98,813,760

State Property Office Transitioning Employees

- Some of the available alternatives to transfer rights and responsibilities to another private or public entity are:
  - Retain ownership of the property (land and building) and lease the existing building to a private sector tenant
  - Retain ownership of the land, lease the land to a private sector developer, and allow the developer to build whatever type of building has the most commercial value
  - Sell the property (land and building) to the private sector

State Property Office Transitioning Employees

To achieve best value, a systematic process should be undertaken to determine whether to sell or lease a state-owned property

- Categorize properties by State's goals for future use
- Determine use of proceeds from sale or lease
- Perform an economic analysis
- Ensure authority to sell or lease each property

State Property Office Recommendations

1. The General Assembly should direct the Department of Administration to establish and enforce space utilization criteria for each state-owned and leased office facility
2. The General Assembly should direct the Department of Administration to evaluate alternatives to reduce facility management costs and generate additional revenue through more effective use of state-owned and leased office facilities

Facility Management

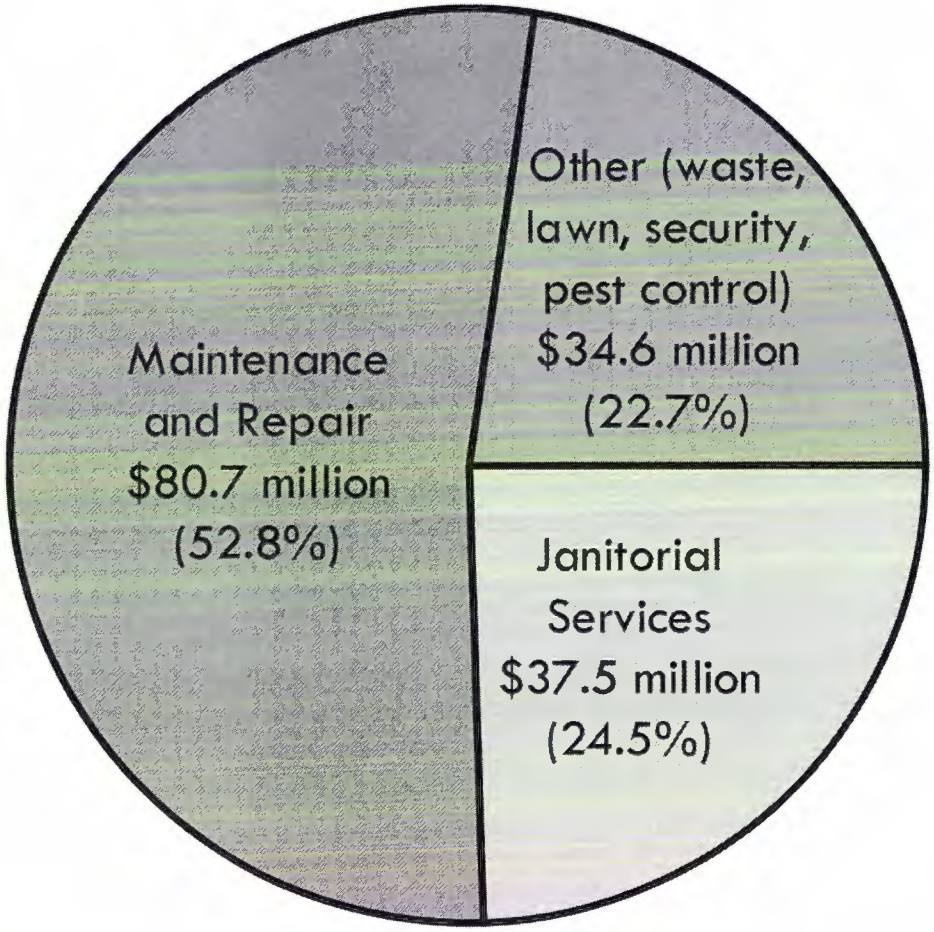
Objective: Provide a safe and healthful work environment for employees and the general public in a cost-effective and energy-efficient manner

Activities:

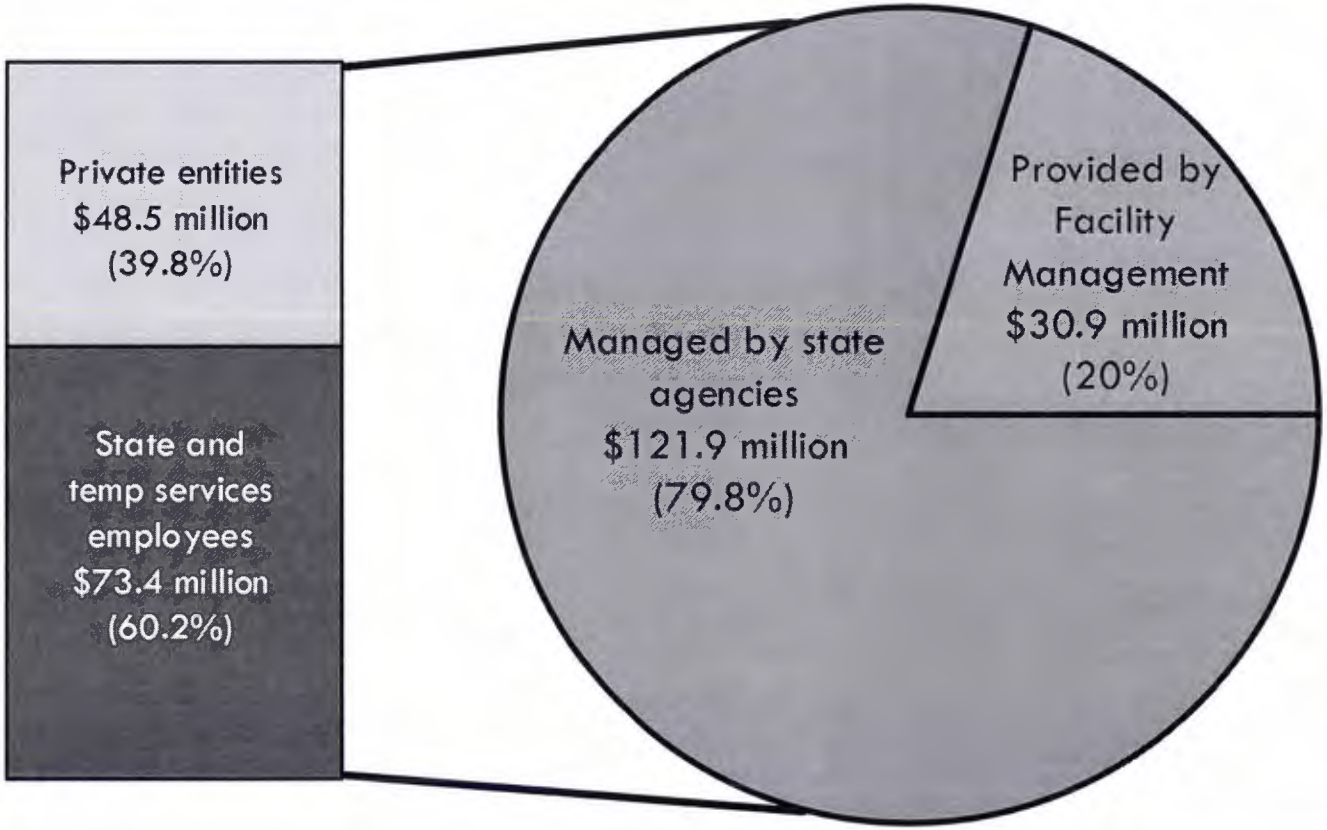
- Perform maintenance on 169 state-owned facilities with a total of 5.8 million net square feet

Facility Management
Increased Use of Contracted Services

In Fiscal Year 2016–17, Facility Maintenance and Repair Activities Accounted for More Than Half of the $152.8 Million Expended to Ensure Operability of State-Owned Facilities



In FY 2016–17, Services Provided by Facility Management Only Accounted for 20% of the $152.8 Million Expended to Ensure Operability of State-Owned Facilities



Facility Management
Increased Use of Contracted Services

- A recent business case analysis of the Facility Management division found numerous obstacles and risks that may adversely impact the effectiveness and efficiency of its operations
  - Processes are not documented
  - Systems are outdated
  - Current approach to maintenance is "run to fail" and responding to "the latest crisis"
  - Staffing—specifically talent attraction, retention, and turnover—is a major challenge

Facility Management
Increased Use of Contracted Services

- Tennessee reported annual savings of $5 million from implementation of a single-source contract for facility management services
  - Contract includes financial performance incentives
  - Cost savings realized by changes in four specific areas
    - Procurement leverage
    - Improved training/skills
    - Optimized staffing
    - Labor savings

Facility Management
Increased Use of Contracted Services

- To ensure North Carolina's General Assembly has the necessary information to determine whether to pursue a single-source contract for the management of state-owned facilities, a business case analysis should be performed
- Activities associated with the business case development process should include:
  - identification of available service delivery options,
  - development of complete and reliable cost, benefit, and performance data
  - consideration of any limitations on the use of a competitive bidding process to select a provider

Facility Management Recommendations

3. The General Assembly should direct the Department of Administration to perform a business case analysis of facility management services performed on state-owned property

Purchase and Contract

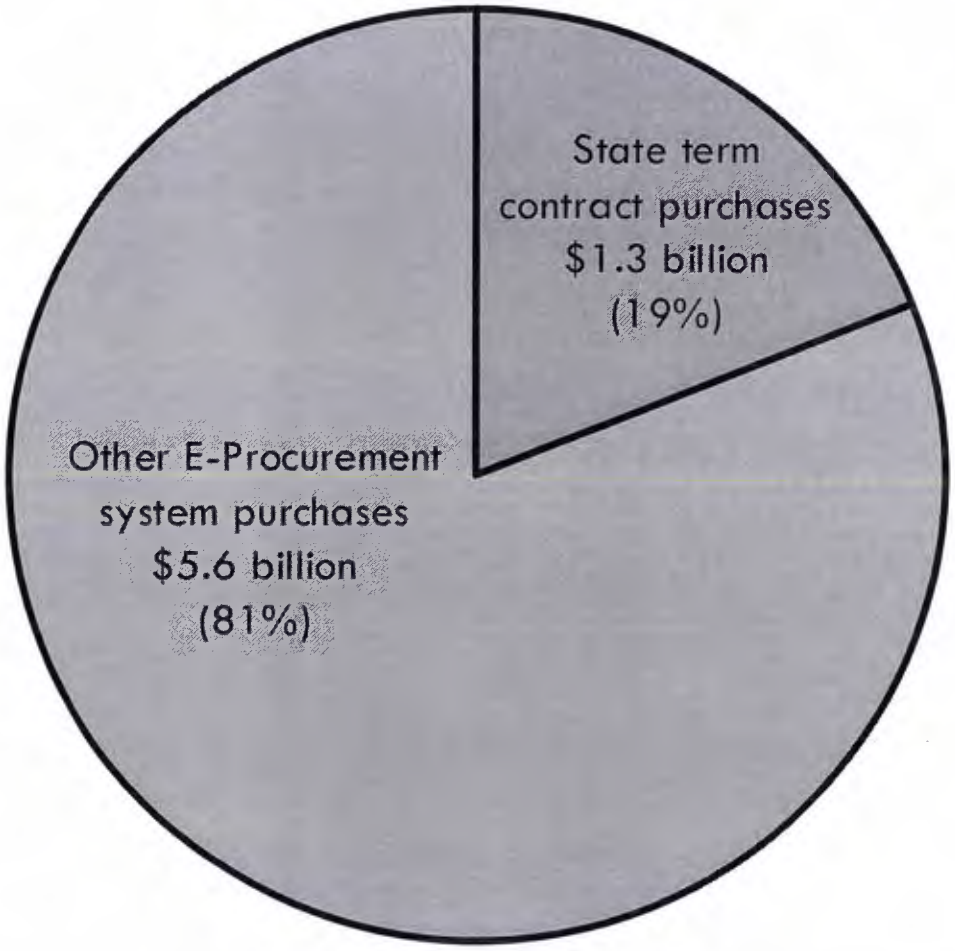
Objective: Obtain best value for all purchases made by state agencies

Fiscal Year 2016-17 Activities:

- Managed 58 state term contracts with purchases exceeding $1.31 billion
- Authorized 297 awards for contracted services totaling $223.6 million

Purchase and Contract

State Term Contract Purchases Accounted for 19% of the Nearly $7 Billion Expended Through E-Procurement System in Fiscal Year 2016–17



Vendor Analysis of Nine State Term Contracts Determined Full Compliance Would Save Nearly $39M

Contract	Savings %	Total Documented Spend	Total Documented Savings
Office Supplies- 615A	31.1%	$36,566,197.66	**$16,511,107.54**
Office Paper- 645A	9.3%	$10,693,534.38	**$1,092,363.90**
Lab Supplies- 493A	13.9%	$12,701,389.78	**$2,044,117.95**
MRO- 445B	13.2%	$22,291,672.00	**$3,389,198.87**
Diesel- 405B	7.1%	$55,385,560.32	**$4,215,258.30**
Gasohol- 405C	2.4%	$36,945,826.82	**$901,322.04**
Auto Parts- 060A	13.7%	$2,538,178.82	**$403,766.35**
Tires- 863A	11.5%	$37,213,444.16	**$4,833,071.07**
Vehicles- 070A	5.7%	$90,797,241.82	**$5,488,274.43**
Total	**12.74%**	**$305,133,045.76**	**$38,878,480.45**

Purchase and Contract
Effective Use of Competitive Bidding

- Review of 133 high-value service contracts identified 18 contracts with 31 separate extensions totaling $56 million
- To reduce costs, Florida directed state agencies in 2011 to request a 10% reduction in the prorated amount of the contract as a condition of contract extension without a competitive bidding process
  - Obtained 100% acceptance from vendors

Purchase and Contract Recommendations

4. The General Assembly should direct the Department of Administration to monitor enforcement of statutory compliance with state term contract utilization requirements by state agencies

5a. The General Assembly should direct the Department of Administration to procure and implement a contract management system for state agency-administered contracted services

5b. The General Assembly should direct the Division of Purchase and Contract to require state agencies to obtain a 10% reduction from the annual value of the original contract as a condition of awarding an amendment to a contract that extends the period of time in which a service provider is authorized to expend funds

Motor Fleet Management

Objective: Provide savings to the taxpayers of North Carolina by providing a low-cost, centralized source of passenger vehicles to state agencies and state employees in the performance of their duties

Assets:

- 7,591 vehicles
- 83.2 million miles driven by managed vehicles

Motor Fleet Management
Effective Use of Telematics Data

- Provides information to improve performance in the following areas:
  - improved driving behavior achieved through reductions in fuel consumption and number of accidents,
  - more efficient route planning,
  - optimized vehicle inventorying,
  - higher resale value achieved through improved preventative vehicle maintenance,
  - lower vehicle repair costs,
  - identification of unauthorized usage

Motor Fleet Management
Effective Use of Telematics Data

- Entire fleet will have telematics installed by June 30, 2018 at a cost of $1.9 million
- Immediate savings associated with changes in driving behavior
  - Will dissipate over time if not monitored and enforced
- Additional savings can be achieved by optimizing the fleet inventory
  - Nearly 60% of fleet not meeting minimum mileage requirements

Motor Fleet Management Recommendations

6. The General Assembly should direct the Department of Administration to establish or modify current business processes to ensure realization of potential reductions in the total cost of ownership for managed vehicles

Mail Service Center

Objectives:

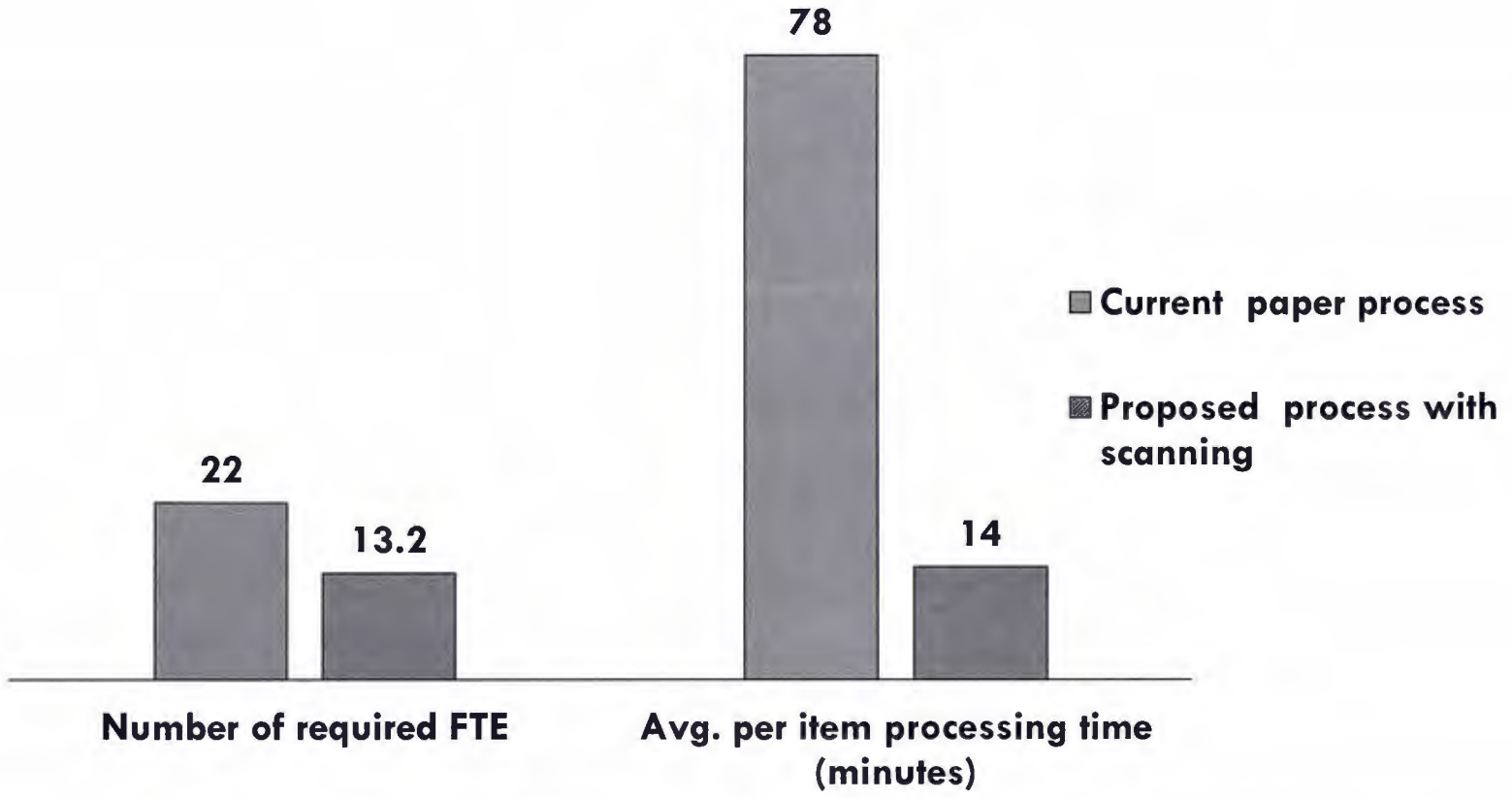
- Processing incoming mail and delivering it in a timely manner to the appropriate agency mail service center
- Providing presort mail services for state agencies to obtain discounted postage charges

Mail Service Center

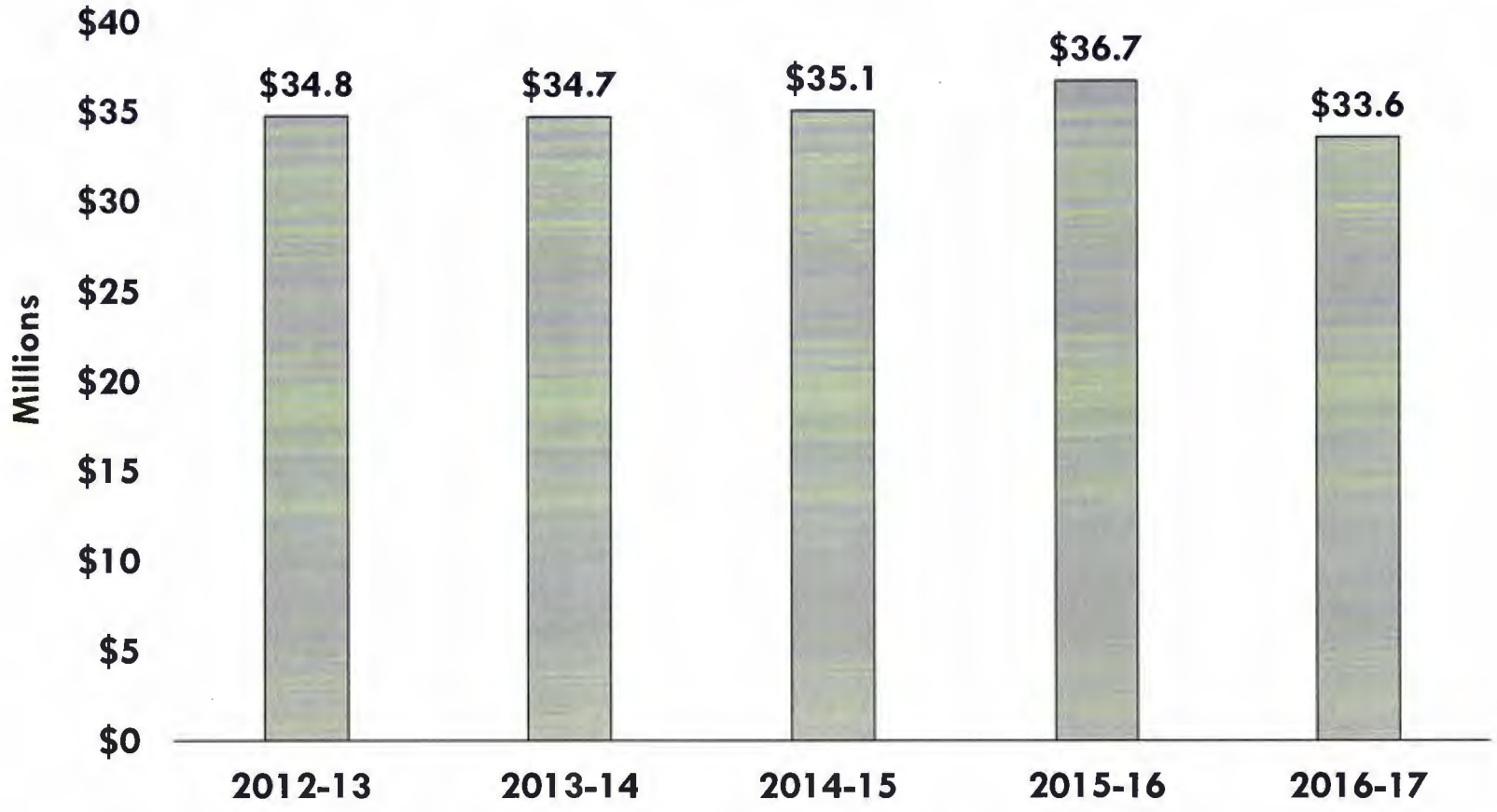
In Fiscal Year 2016–17, the Mail Service Center Processed and Delivered an Estimated $4.7 Million Pieces of Mail

Mail Category	Estimated Volume (FY 2016–17)
Letters	2,676,348
Flats	1,986,528
Parcels	67,284
Total	4,730,160

Department of Revenue Estimates Transitioning to a Document Management System with Scanning Capability Would Lower Cost While Improving Performance



State Agency Mail Service Expenditures Have Not Significantly Changed During the Past Five Years



Mail Service Center
Increased Use of Presort Contracts

- Mail Service Center realized savings of $1.3 million through utilization of presort contract with USPS
  - 33% discount in outgoing mail cost
- However, $11.4 million in outgoing mail postage expenditures did not use presort contract

Mail Service Center Recommendations

7. The General Assembly should direct the Department of Administration to conduct further study and develop a business case to compare incoming mail scanning to the current incoming mail process, and report to the General Assembly for next steps
8. The General Assembly should direct the Office of the State Auditor to conduct a performance audit to identify alternatives to reduce outgoing mail service costs
9. The General Assembly should direct the Department of Administration to conduct further analysis to identify cost-effective alternatives to increase the utilization of presort contracts for outgoing mail services

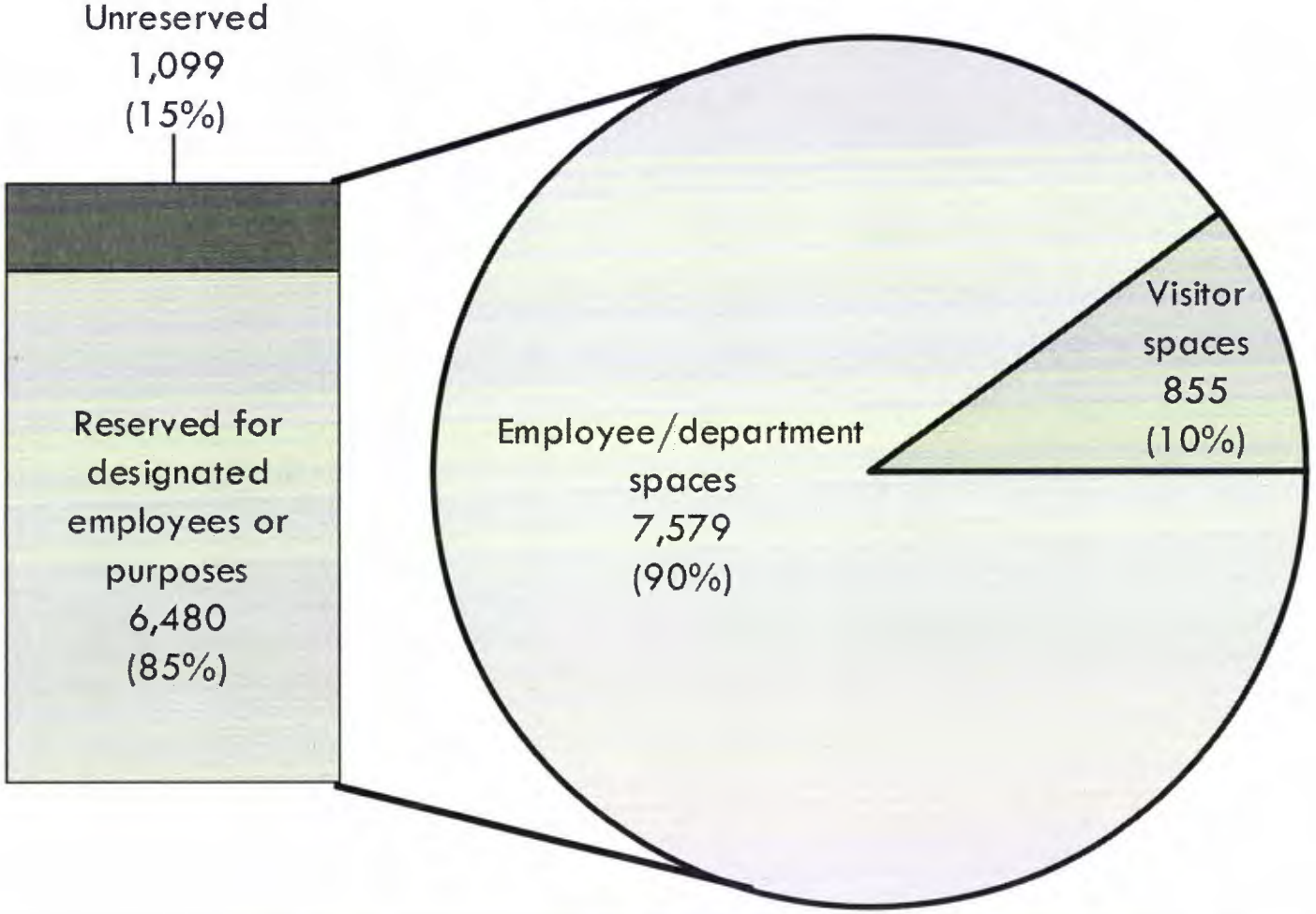
State Parking

Objective: To provide effective and efficient parking and transportation options that enable employees, departments, and visitors to have access to the downtown state government complex

Assets:

- 24 lots designated for state entities and their employees containing 7,579 spaces
- 4 parking facilities that are designated for visitor parking containing 855 spaces

Eighty-Five Percent of Employee/Department Spaces Managed by State Parking Division are Reserved



State Parking Recommendations

10. The General Assembly should direct the Department of Administration to conduct analysis on available opportunities to increase revenue receipts derived from state-owned parking facilities

Overarching Recommendations

11. To ensure that Department of Administration performance can be effectively monitored and managed, the General Assembly should amend statute to include legislative performance measures and require DOA to provide an annual report that includes prior year results for each identified measure as well as the performance target for the upcoming fiscal year

Overarching Recommendations
Legislative Performance Measures

Division	Legislative Performance Measure
Facility Management and State Property Office	Annual Facility Management Cost/FTE
Motor Fleet management	Total Cost of Ownership
Purchase and Contract	State Term Contract Compliance
	State Term Contract Savings
	Percentage of annual expenditures for contracted services procured through a competitive bidding process
Mail Service Center	Annual Cost of Incoming Mail Processing
State Parking	Annual Receipts net Operating Expenses

Overarching Recommendations

12. To ensure effective consideration of efficiency opportunities involving potential outsourcing of services or transfer of the responsibility for asset management to the private sector, the General Assembly should establish requirements for an associated business case analysis

Overarching Recommendations

13. To help ensure the proper conduct and timely delivery of recommendation(s) pertaining to each authorized efficiency opportunity, the General Assembly should direct the Department of Administration to establish a dedicated Project Management Office


GENERAL ASSEMBLY
PROGRAM EVALUATION DIVISION
LOQUERE VERITATEM IMPERIO
JUNE 14, 2007

ATTACHMENT 5

STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION

ROY COOPER
GOVERNOR

MACHELLE SANDERS
SECRETARY

April 4, 2018

John Turcotte
Program Evaluation Division, Director
North Carolina General Assembly
212 Legislative Office Building
300 N. Salisbury Street
Raleigh, NC 27603

Re: Formal Response to Draft Report – *Efficiency Evaluation of the NC Department of Administration*

Dear Mr. Turcotte,

The NC Department of Administration appreciates the opportunity to review and respond to the above-mentioned study that began in the fall of 2017. I commend your staff for their time devoted to this major study to identify opportunities for efficiency in state government.

As the business manager for state government, the Department is fully engaged in providing core services to each state agency as directed by general statute. In order to provide superior service to the state, each Division has aligned its activities with the following strategic imperatives:

1- Explore new and improved ways to deliver effective and efficient services to create value for taxpayers;
2- Provide superior customer service; and
3- Create a culture of trust through enhanced employee engagement, openness and inclusiveness

When the legislature adjourned in August 2017, the Department engaged in five Program Evaluation studies – the largest of which is the Efficiency Evaluation. DOA Deputy Secretaries, Division Directors, and key staff have invested over **3,000 hours** during the past 6 months to engage in interviews with Program Evaluation staff and Pro Comm consultants, provide baseline data, and to explain our decision-making processes and relevant statutory authority.
After further review of the efficiency measures and recommendations, please consider the Department's perspective regarding conclusions drawn in the Efficiency Evaluation Report:

Mailing Address:
NC DEPARTMENT OF ADMINISTRATION
1301 MAIL SERVICE CENTER
RALEIGH, NC 27699-1301

Telephone: (919) 807-2425 *Fax:* (919) 733-9571
COURIER #51-01-00
E-mail: Machelle.Sanders@doa.nc.gov
Website: www.ncadmin.nc.gov

Location:
116 WEST JONES STREET
RALEIGH, NORTH CAROLINA 27603

Background:

The Department of Administration oversees the following: (1) Government operations , i.e. state building construction, purchasing and contracting for goods and services, managing state vehicles, acquiring and disposing of real property, facility maintenance (2) Auxiliary services, i.e. courier mail delivery and state and federal surplus property sales, and (3) Advocacy programs, providing assistance and services through state and federal grants to diverse segments of the state's population that have been traditionally underserved.

Recommendation 1: The NCGA should direct DOA to establish and enforce space utilization criteria for each state-owned and leased office facility.

The suggested directive in Recommendation 1 is a replication of existing mandates, in *Session Law 2016-119*. The Department strongly believes that in order to continue successful implementation of space utilization standards, the State Property Office database must first be funded, giving the state capability to capture the necessary data. Though $552,000 was earmarked for a study in 2015, funding has yet to be identified to fully execute *SL 2016-119*. We are actively engaged in training all state agencies to ensure compliance. It is important to note that the State Property Office is an agent of the state and therefore is reliant on agencies to convey their needs. Acting as an agent of the state, *SL 2016-119* gives DOA legislative authority to collect from each state agency a five-year property management plan, and then to develop a statewide property management plan as referenced by the following session law (*2016-119*) requiring DOA to:

> (1) develop a comprehensive State facilities plan (due December 1, 2018);
> (2) establish a performance management system to measure the State's achievement of the priorities required in (a)(1) (due December 1, 2018);
> (3) develop and distribute procedures to State agencies to be used to measure the utilization of state-owned and leased property (completed December 2016);
> (4) develop and distribute to State agencies space planning standards (completed December 2016).

In lieu of yet another study, the Department believes the state's greatest return on investment comes from investing funds in the completing the mandates of *Session Law 2016-119* rather than creating a duplicative study that could thwart efficiency gains.

Recommendation 2: NCGA should direct DOA to evaluate alternatives to reduce facility management costs, and to generate additional revenue, through more effective use of state owned and leased facilities.

The Department believes the most prudent way to evaluate the state's facility cost and make the most effective use of state property is to complete a Capital Area Master Plan, as requested in the 2017-2019 biennium budget. The Department is fully engaged in implementation and compliance with *Session Law 2016-119*, as we are evaluating state property for efficiencies and effectiveness.

Recommendation 3: NCGA should direct DOA to perform a business case analysis of Facility Management services performed on state-owned property under management of DOA.

The Department provides the following services through Facilities Management in an effort to provide every state employee a safe and healthful work environment in a cost effective and energy efficient way: (1) Preventive maintenance, (2) Routine maintenance, and (3) Emergency maintenance as needed for all facilities allocated to DOA, encompassing a total of 169 state owned building located primarily in the capitol city. In 2016, the Department initiated a study of the state's facility management operations. In 2017, the Department received from JLL, the *Facility Maintenance Management Assessment* report. Having received the comprehensive JLL Report, which examined the costs of all services currently provided by DOA, the Department is currently considering all feasible options to determine the best path forward.

Recommendation 4: The General Assembly should direct the Department of Administration to monitor enforcement of statutory compliance with state term contract utilization requirements by state agencies.

The Department agrees with this recommendation and is committed to implementing it to the extent possible with current staffing and technology. The efficiency analysis correctly points out that the most effective opportunity for compliance is in *prevention*. The Division's current technology is aged and not optimal to identify non-compliance due to its limited functional capabilities. At present, the Division is monitoring agency compliance with statewide term contracts on a multi-year cycle. Staff augmentation and upgraded technology will aid the state in increasing compliance with statewide term contract usage.

The Department supports amending legislation to require the use of the E-Procurement tool by entities subject to G.S. 143, Section 3, and to establish contingencies for the use of other purchasing methods when a statewide term contract exists for the commodities. The success of this recommendation hinges upon allocation of additional resources necessary for proper monitoring and management of state term contract compliance, along with enforcement authority.

The Division of Purchase and Contract currently identifies overall average discounts on each state term contract. The division supports determining the expected discount on the applicable retail unit cost for each state term contract good or service when the negotiated contract items are distinct. Per item detail is not reasonable when the items are categorically the same, such as furniture discounted by the manufacturer at the category level for any item purchased. Per item detail would not be reasonable for a retailer that offers a blanket percentage discount on thousands of potential units with prices that fluctuate with the market.

Recommendation 5a: The General Assembly should direct the Department of Administration to procure and implement a contract management system for state agency-administered contracted services.

The Division of Purchase and Contract agrees with this recommendation. P&C is collaborating with the Department of Information Technology (DIT) to gather requirements that will be used in procuring a more robust, end-to-end system capable of managing the entire procurement process—from creating the solicitation, to accepting electronic responses, to evaluating and awarding, to contract management. DIT manages the process for information technology procurement. The Department further agrees that requiring agencies to actively manage their services procurement process, based on sound scope development and delivery criteria to support business needs, is paramount to the success of any services procurement. Developing basic contract management practices through training and mentorship should have greater prominence than the employment of technology to support ineffective practices. We believe reporting is important and agencies should be required to report contract spend annually. The age, source, and scope of a contract will likely dictate the quality of the data reported.

Recommendation 5b: The General Assembly should direct the Division of Purchase and Contract to require state agencies to obtain a 10% reduction from the annual value of the original contract as a condition of awarding an amendment to a contract that extends the period of time in which a service provider is authorized to expend funds.

The Department believes a contract management system would facilitate approval of progress payments commensurate with work progress and aid in triggering timeline notifications to allow for a timely rebid when necessary. In instances where a contractor is required to deliver a product within a designated timeframe as a condition of payment, the Division of Purchase and Contract supports seeking a reasonable reduction from the value of the contract extension as a condition of not requiring a competitive rebid. In these cases, offering an opportunity for a price reduction in lieu of rebidding is a viable, cost-efficient option for both the agency and the vendor. A contract management system would be advantageous in situations like this. Many of the extensions to date are the result of service continuations that are necessary for the contracting agency to avoid service disruptions. An example would be the DHHS choosing to extend a vendor while awaiting the implementation of an impending program change rather than immediately resoliciting, potentially onboarding a different vendor for a short period, and resoliciting again to support planned program changes. In circumstances like this where an agency provides program services to its customers through a vendor, and the program is in a change cycle, the net impact of change would be both costly (for the agency and vendor) and disruptive. The 10% reduction could be punitive and unfair for the vendor, and possibly result in service disruption for the agency.

Recommendation 6: The General Assembly should direct the Department of Administration to establish or modify current business processes to ensure realization of potential reductions in the total cost of ownership for managed vehicles.

The Department is currently implementing telematics, as directed by the NC General Assembly, on all vehicles managed by the Division of Motor Fleet Management (MFM). MFM is on track to have telematics installed on 90% of Motor Fleet managed vehicles by June 30, 2018 with full implementation by December 31, 2018. Agencies will be able to utilize data to reduce the total cost of vehicle ownership and further right size their fleets. Motor Fleet Management has

updated the rate structure to capture the total cost of ownership as recommended in the 2015 NC Gear study.

Recommendation 7: The General Assembly should direct the Department of Administration to conduct further study and develop a business case to compare incoming mail scanning to the current incoming mail process, and report to the General Assembly for next steps.

A reduction in cost of incoming mail processing is premised on eliminating the requirement to physically deliver the mail. Incoming mail consists of letters, flats and parcels to be delivered to 549 divisions at 166 unique locations. During Fiscal Year 2016-2017, approximately 33,000 incoming mail pieces received could not be scanned. Incoming mail not capable of being scanned still requires physical delivery to agencies. Thus, the costs of implementing incoming mail scanning capabilities would be in addition to operational expenses required to deliver incoming mail that cannot be scanned.

The cost of rolling out a centralized incoming mail scanning service would require that all State agencies currently receiving mail from the MSC have compatible software for receiving and viewing scanned mail. This would necessitate software licensing agreements with associated annual fees for all agency users at a cost that could possibly negate or exceed savings, if any, realized from scanning mail.

The Program Evaluation Division (PED) referenced a pilot study that the North Carolina Department of Revenue (DOR) is planning to conduct over a three-month period for exploring correspondence scanning capability. Factors that must be taken in consideration when opting to scan incoming mail include: requirements to retain "original" paper copies; confidentiality related to Health Insurance Portability and Accountability Act of 1996 (HIPAA) and Protected Personal Information (PPI), and other sensitive matters, shredding requirements and security concerns, including mailroom monitoring, access controls, and security of transmission. DOA believes that before committing to the costly resources required to undertake an additional study of scanning incoming mail, it would be prudent to first review the conclusions of the DOR pilot to determine if desired outcomes of efficiencies and savings were achieved.

Recommendation 8: The General Assembly should direct the Office of the State Auditor to conduct a performance audit to identify alternatives to reduce outgoing mail service cost.

The Department of Administration agrees that a State Auditor performance audit to identify cost-effective alternatives for outgoing mail services could help reduce the state's cost for outgoing mail.

Recommendation 9: The General Assembly should direct the Department of Administration to conduct further analysis to identify cost-effective alternatives to increase the utilization of presort contract for outgoing mail services.

The Department of Administration agrees and remains committed to educating agencies on cost savings opportunities tied to presort contracts for outgoing mail. The Department is committed

to identifying cost effective alternatives to expand cost savings for outgoing mail to maximize the benefit to the State of the presort discount contracts.

It should be noted that successes tied to Recommendation 8 will impact outgoing mail volume and could adversely affect the negotiated discount with the United States Postal Service (USPS) as the USPS discount is tied to outgoing mail volume.

Recommendation 10: Recommend NCGA direct DOA to conduct an analysis of available opportunities to increase revenue receipts derived from state-owned parking facilities

The Department continues to look for ways to increase utilization while maximizing revenue options for the state.

Recommendation 11: To ensure that Department of Administration (DOA) performance can be effectively monitored and managed, the General Assembly should amend statutes to include legislative performance measures and require DOA to provide an annual report that includes prior year results for each identified measure as well as the performance target for the upcoming fiscal year.

In partnership with the Office of State Budget and Managements, the Department has performance measurements in place.

Recommendation 12: To ensure effective consideration of efficiency opportunities involving potential outsourcing of services or transfer of the responsibility for asset management to the private sector, the General Assembly should establish requirements for a business case analysis

The Department believes we have the resources to conduct business case analyses as appropriate.

Recommendation 13: To help ensure the proper conduct and timely delivery of recommendation(s) pertaining to each authorized efficiency opportunity, the General Assembly should direct the Department of Administration to establish a dedicated Project Management Office.

The Department believes these resources could be best spent on producing results and outcomes, such as the property management database and Capital Area Master Plan.

In closing, I would like to thank the Department of Administration staff for their tireless efforts in supporting the Efficiency Evaluation while remaining committed to providing excellent customer service to the state.

Sincerely,

Machelle Sanders

Machelle Sanders

NORTH CAROLINA
Department of Transportation



NCDMV License and Theft Investigative Assistance Regarding the DWI/ Felony Speeding to Elude Vehicle Seizure Program Audit

April 10, 2018

ATTACHMENT #6

Objective

Determine the disposition of 234 specific vehicles identified by the State Auditor as entering the DWI/Felony Speeding to Elude Seizure Program within the timeframe of July 1, 2011 and June 30, 2016.

Background

- NC State Auditor Investigators released a Financial Related Audit Report regarding the "DWI/Felony Speeding to Elude Vehicle Seizure Program" in September, 2017

- Due to statutory authority, State Auditor Investigators requested assistance from North Carolina Division of Motor Vehicles, License & Theft Bureau (LTB) regarding 234 vehicles identified in the report

- NCDMV Commissioner's Office and License & Theft Bureau assembled a team of sworn Inspectors to investigate the vehicles in question

License & Theft Bureau

- Selected a team to attempt to locate 234 vehicles
- Appointed Three (3) lead Inspectors
- Fifty-nine (59) LTB personnel involved across N.C.
- Roughly Five(5) month investigation
- Utilized approximately 3,500 investigative hours for this assessment

Distinctions

- Two (2) contractors:
  - Martin Edwards & Associates (MEA)
  - Eastway Wrecker Service (EWS)

- Inspectors visited courthouses, towing services, contractors, individuals and law enforcement

- Forty-two (42) scenarios of vehicle disposition

Summary of Vehicles (MEA)

The Auditor's initial report:

- 221 of the vehicles identified under the purview of the eastern contractor, Martin Edwards & Associates.

- Of these 221 identified, 3 basic categories:
  - Non-Program Seizure Vehicles (28)
  - Released Program Seizure Vehicles (103)
  - Program Seizure Vehicles (90)

Non-Program Seizure Vehicles (MEA)

- 28 were determined to be non-program seized vehicles.
- These were vehicles that were erroneously reported to DMV as program seizures; however, they were not officially seized pursuant to the program.

Released Program Seizure Vehicles (MEA)

- 103 of the 221 vehicles were determined to be seized pursuant to the program but were subsequently released back to the owners.

- These vehicles were released to the owners by various entities including:
  - court system,
  - charging law enforcement agencies
  - the initial towing contractors.

Program Seizure Vehicles (MEA)

The remaining ninety (90) vehicles were seized pursuant to the program, but were not properly released to the owners by court order or other judicial process.

Summary Of Eastway Wrecker Service Program Vehicles

- All 13 vehicles identified in EWS's purview were determined to be program-seized vehicles.
  - 12 were subsequently released to their owners on court orders and
  - 1 was sold by EWS at auction.

NOTE: One (1) vehicle was erroneously reported on the VIN list of MEA vehicles and found to be processed by Eastway, bringing the actual Eastway total to 14 vehicles. This vehicle's disposition is included in the MEA section of this report.

Key Findings

Improper Release



Incorrect Seizure



Incorrect Interpretation of Law



Improper Retrieval of Vehicles



Key Recommendations

Require Proper Paperwork



Records Maintenance



Provide Training



On-site VIN Verifications



Department of Administration Audit



Contact:

Steve M. Watkins, Colonel

License &Theft Bureau

Division of Motor Vehicles

STATE OF NORTH CAROLINA
Office of the State Auditor

ATTACHMENT 7

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

April 4, 2018

The Honorable Roy Cooper, Governor
The Honorable Phil Berger, President Pro Tempore
The Honorable Tim Moore, Speaker of the House
Members of the Joint Legislative Oversight Committee on General Government

Ladies and Gentlemen:

The Office of the State Auditor (OSA) would like to thank the North Carolina Division of Motor Vehicle's License & Theft Bureau (Bureau) for their assessment into the disposition of the 234 unaccounted for vehicles as reported in OSA's September 2017 financial related audit report titled *DWI/Felony Speeding to Elude Vehicle Seizure Program*.

This finding in OSA's September 2017 report was issued because contractors of the DWI/Felony Speeding to Elude Vehicle Seizure Program (Program) were unable to provide documentation to support the status or location of the vehicles despite being given several opportunities and more than eight months to do so.

Because of a lack of resources and competing priorities, OSA referred the matter to the Bureau for a more thorough assessment into the status and location of these vehicles.

The Bureau's assessment report:

- **Does** locate, document, and advise to the 234 vehicles' locations and dispositions
- **Does not** assess or determine compliance with the Program contract or state laws

The Bureau's assessment report provides detailed findings that account for the disposition of most of the 234 vehicles that Program contractors could not account for at the time of OSA's audit

Disposition of the 234 unaccounted for vehicles identified in OSA's September 2017 audit report per the Bureau:

221 Unaccounted for Vehicles from Martin Edwards & Associates, Inc. (MEA):

- 3 vehicles still unaccounted for
- 59 vehicles were unclaimed by owners and sold by MEA through Notice and Storage process but no accounting of proceeds versus cost to store and tow
- 43 vehicles released to owners on court orders by MEA – documentation was produced by MEA for some and not for others
- 33 vehicles released on court order and sold by MEA through notice and storage process but no documentation of proceeds received less towing and storage fees
- 5 vehicles confirmed to be on MEA property but were never shown on MEA monthly inventory reports
- 3 vehicles sold at public auction by MEA but no documentation provided to OSA and no accounting of proceeds received less towing and storage fees
- 1 vehicle has still not been picked up by MEA from towing company
- 9 vehicles incorrectly handled by towing company (1 stolen from towing company, 1 inexplicably scrapped, 7 released with no paperwork)
- 20 vehicles not seized per law enforcement – the vehicles were reported as seized on DMV Daily Seized Vehicle reports but probable cause was never determined by a judicial official and therefore the vehicles were never officially seized into the Program
- 5 vehicles properly seized for drugs, etc., but should not have been included in this Program
- 40 vehicle dispositions with various other circumstances - details on Bureau's report

13 Unaccounted for Vehicles from Eastway Wrecker Service, Inc. (Eastway):

- 12 released by court order – court orders were obtained from county clerks of court
- 1 sold at auction by Eastway

Per the Bureau, their assessment report **does not** assess or determine whether these vehicles were towed, stored, processed, maintained, and disposed of in compliance with contract terms or state laws.

Below is a reiteration of some of the responsibilities of the contractors per the Program contract and state law for the Seized Vehicle Program:

- Contractors are responsible for reviewing DMV daily seizure reports on a daily basis to identify newly seized vehicles
- If for any reason a vehicle listed on DMV's daily seizure reports is not received and towed by the contractor within five business days following the Notification of Impoundment, the contractor shall enter the relevant information for the vehicle in its monthly inventory report and shall indicate the status of the vehicle as "Never Received" and shall indicate the reason therefore in the report AND should maintain documentation to be available for audit by DOA, DOA's internal auditor or the State Auditor

- Contractor should provide the Department of Administration/State Surplus Agency, on the first business day of each month, a computerized up-to-date, cumulative inventory report of all seized vehicles in their custody and control
- If any vehicle is released by order of Clerk of Court or State Judge, the contractor shall forward a copy of the Order to the State Surplus Agency on the first business day of the following month

Although required by the contract, none of the 234 vehicles identified in the September 2017 OSA report appeared on contractor monthly inventory reports.

Additionally, although required by the contract, contractors were unable to produce documentation that OSA could rely on to form conclusions regarding the status or location of the vehicles (auction receipts, Certificates of Repossession, Certificates of Vehicle Receipts, etc.)

While the Bureau did their own additional research to locate the vehicles, let it be noted that MEA was still unable to provide the Bureau with all the documentation needed to support disposition/location of the unaccounted for vehicles. Please see Background section on page 4 of the Bureau's report for a list of the tasks required to account for these vehicles.

This documentation should be readily available and accessible for review by the State.

The State's Program contract states:

> "Timely submission of all reports, records, and documentation and other required materials is a material obligation of this contract and the failure to do so shall constitute a material breach for which the State Surplus Agency may exercise any and all remedies provided herein or at law."

Matters For Further Consideration:

Consideration should be given to whether or not further investigation is warranted for those vehicles that are still unaccounted for or those that appear to have been disposed of not in compliance with the contract or state law.

Additional consideration should be given to the implementation of limits to the amount of storage fees that can be reimbursed to contractors. Currently, no incentive exists for contractors to remove vehicles from their property. While the vehicles sit, they are considered stored and are accumulating storage fees. If a space on a contractor's lot is unoccupied, no revenues for the space are being earned by the contractor. Furthermore, as the Bureau's report states, if the Program contract allowed partial payment to schools for vehicles sold through the notice and storage process, contractors may be more motivated to dispose of vehicles in a timelier manner. (Storage and towing fees reduce the amount of funds provided to the public school systems).

Also, consideration should be given to make vehicle mileage a required field in the computerized up-to-date, cumulative inventory report of all seized vehicles in contractor custody and control that should be provided to the Department of Administration each month.

Also, contractors and towing companies should maintain records of towing fees charged and paid so that an accounting of proceeds of sale of vehicles minus costs to store and charge is possible so it can be determined if the appropriate amount of proceeds are given to the appropriate public school systems.

In conclusion, due to noncompliance with contract terms and a lack of cooperation from MEA with the initial requests from the Department of Administration and then the Office of the State Auditor, the State of North Carolina has spent $233,789 to audit the Seized Vehicle Program and the DMV License & Theft Bureau spent an indeterminate amount of man hours and other State resources to locate 234 cars valued at $633,950. None of which would have been necessary had MEA cooperated initially with the Department of Administration.

Sincerely,

Beth A. Wood

Beth A. Wood, CPA
State Auditor

ATTACHMENT 8

urplus Presentation:

In 2015, we inherited an existing contract from DPI when the General Assembly transferred the DUI seized vehicle program to the Department, giving us the authority to administer the contract and provide oversight. In July 2016 we tightened inventory controls by strengthening the terms of the contract.

Our monitoring starts at the point when *Local* Law Enforcement officers first place what's called a "title hold" on the seized vehicle.

Day One – Once the "title hold" is recorded by DMV in their STARS database, our staff then pulls the "daily seizure report" from X-Net. We review information found in STARS (DMV program) and enter into our own database for tracking.

Per our contract, within 48 hours *after picking up the vehicle from the local tow company in the county of seizure*, the contractor is required to send photos, a condition report, and a scanned copy of the local tow invoice, which is then reconciled with the daily seizure report.

Next Step - The vehicle then sits until claimed by an innocent owner or until the "expedited le" criteria of the law is reached which allows the vehicle to be auctioned.

Surplus attends the auction and records the sell values when we independently verify the results of the auction.

Once the contractor reports that the car is paid for, then Surplus staff removes the title hold in the STARS system. The buyers take the LT-262 to DMV to register their vehicles and new title.

After the auction, surplus updates our internal database to show the vehicles sold and reconciles to the month end inventory report sent by the contract.

The contractor cuts checks to the Clerk of Courts in the county where vehicles were seized and reports that info to Surplus. Surplus employees spot check behind the contractor to ensure Clerks are paid.

Course of Action: DOA looks forward to continuing our conversation with Auditor Woods to ensure any necessary changes are made.

ATTACHMENT # 9

STATE OF NORTH CAROLINA
Office of the State Auditor

Beth A. Wood, CPA
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600
Telephone: (919) 807-7500
Fax: (919) 807-7647
http://www.ncauditor.net

Office of State Auditor Response to the Program Evaluation Division Report to Improve the Efficiency of The State's Administrative Services

Session Law 2017-57 required the Program Evaluation Division (PED) to conduct measurability assessments, as provided in Chapter 143E of the General Statutes, and efficiency evaluations of programs and administrative activities of the Department of Administration to improve accountability reporting and to recommend potential cost savings. Session Law 2017-57 also requires the State Auditor to review the draft findings and recommendations and provide a written response to be included in the PED's report.

The following is a "best effort" to respond as the Office of the State Auditor (OSA) did not have ample time to delve into the assumptions made and data used to provide a more in-depth response.

Additionally, the OSA would like to emphasize that the effectiveness of cost savings or efficiency studies in North Carolina state government are improved when actual data that exists in North Carolina agencies is used rather than industry averages or data from other states, unless those other states are similar to North Carolina. To date, accurate and reliable data for the type of decisions that this report looks to make is practically nonexistent.

The OSA neither endorses nor opposes any of the opportunities or recommendations identified in the PED's report.

****

Efficiency Opportunity 1: Cost-effective achievement of state occupancy standards

Recommendation 1: The General Assembly should direct the Department of Administration to establish and enforce space utilization criteria for each state-owned and leased office facility.

State Auditor's Response:

The OSA agrees with the PED's above recommendation that this topic has the potential to produce significant savings for the state given the following:

- The number of state-owned and leased facilities and therefore the net square footage (NSF) of office space utilized by 89,000 state employees is significant
- The age of some state-owned buildings lends credence to the fact that the use at the time they were built has changed significantly over decades given changes in technology and needs/uses of state agencies

- The footprint of older state-owned buildings may not be configured to best utilize the square footage the state owns
- Buildings that were leased on an annual basis may not be the best utilization of square footage per full-time equivalent (FTE) currently
- **Most significantly**, the information necessary to evaluate the use of NSF per FTE has never been obtained or maintained by the Department of Administration. Therefore, it is doubtful that any type of assessment has ever been performed over the last two decades to ensure that North Carolina State Government is most efficiently utilizing space that is owned or leased.

Items of Concern:

The data needed to conduct the efficiency study outlined in PED's report does not exist or the data that does exist is inaccurate and unreliable. For Instance:

- There is no evidence that the Department of Administration maintains a complete and accurate inventory of all property owned or leased by the state
- Square footage utilization data, that the Department of Administration does have, is self-reported and has never been audited or confirmed
- PED attempted to use tax assessment values from Wake County Tax records but the information is inaccurate. For example, Wake County records show the Old Revenue Building was built in 1927 and has never been renovated and that the Court of Appeals building was built in 1913 and renovated in 1975. Neither is true. The Old Revenue Building was renovated in 1999 and the Court of Appeals was renovated in 2015
- To support its position, the PED report references data from a study commissioned by the McCrory Administration to determine deferred maintenance costs/deficiencies in state-owned facilities. However, the study's report states that the data they produced were not based on a "true representation" of all state-owned buildings but rather a sample of ten buildings in downtown Raleigh

Additionally, due to the complex nature of the study that PED recommends, the Department of Administration likely does not have the resources or expertise necessary to complete the study.

The OSA has not audited or verified any of the figures in the PED report. When questioned about the data, it became obvious that little to none of the data was audited or has been confirmed using reliable sources.

The information needed to establish and enforce space utilization criteria needs to be obtained, but it will be a time-consuming and complicated effort. That effort should probably be a study itself to determine the "how" and "by whom" the PED recommended project should be conducted.

Efficiency Opportunity 2: Transitioning employees from state-owned property to leased properties in lower-cost locations.

Recommendation 2: The General Assembly should direct the Department of Administration to evaluate alternatives to reduce facility management costs and generate additional revenues through more effective use of state-owned and leased office facilities.

State Auditor's Response:

The OSA agrees with the PED's above recommendation that this topic has the potential to produce savings and one-time revenues for the state given the following:

Some buildings surrounding the State Capitol are occupying high-end real estate and the occupants of those buildings could possibly perform their duties just as effectively in less expensive real estate. This would result in the state being able to sell or lease these buildings.

Items of Concern:

The data needed to conduct the study outlined in PED's report does not exist or is inaccurate. For example:

- Tax values from Wake County tax records that were used by PED to support their case are inaccurate. As stated previously, Program Evaluation attempted to use tax assessment values from Wake County Tax records but the information is inaccurate. For example, Wake County records show the Old Revenue Building was built in 1927 and has never been renovated and that the Court of Appeals building was built in 1913 and renovated in 1975. Neither is true. The Old Revenue Building was renovated in 1999 and the Court of Appeals was renovated in 2015
- Deferred maintenance costs, used in Exhibit 6 of the report is self-reported by agencies and not verified or confirmed by the Department of Administration

Additionally, due to the complex nature of the study that PED recommends, the Department of Administration likely does not have the resources or expertise necessary to complete the study.

The OSA has not audited or verified any of the figures in the PED report. When questioned about the data, it became obvious that little to none of the data was audited or has been confirmed using reliable sources.

Efficiency Opportunity 3: Utilization of contracted services to perform additional facility management services on state-owned facilities.

Recommendation 3: The General Assembly should direct the Department of Administration to perform a business case analysis of facility management services performed on state-owned property under the management of the Department of Administration.

State Auditor's Response:

The OSA agrees with the PED's above recommendation that this topic has the potential to produce savings for the state given the amount of funds spent annually ($152.8 million) to ensure the operability of state-owned facilities.

Items of Concern:

- The PED's report points out that the Department of Administration's Facility Management Division accounted for only $30.9 million of the $152.8 million expended to ensure operability of state-owned facilities. There is no accountability for the Facility Management Division's 154 positions and how they spend their time. Therefore, there is no way to know if they could have provided more services and reduce the amount of contracted services

- The OSA is not aware of any processes or oversight that holds contractors accountable for the quality of the facility management services they provide. If the current standards of service are not what they should be, the cost to get those services to an acceptable level could result in additional costs
- The study needs to be done; however, the assumption that there will be cost-savings or that cost-savings will be significant should not automatic
- Most importantly, currently the data needed to effectively complete a business case analysis of facility management services performed on state-owned property under the management of the Department of Administration does not exist

Additionally, due to the complex nature of the study that PED recommends, the Department of Administration likely does not have the resources or expertise necessary to complete the study.

The OSA has not audited or verified any of the figures in the PED report. When questioned about the data, it became obvious that little to none of the data was audited or has been confirmed using reliable sources.

Efficiency Opportunity 4: Increased Compliance with State Term Contracts

Recommendation 4: The General Assembly should direct the Department of Administration to monitor enforcement of statutory compliance with the state term contract utilization requirements by state agencies.

State Auditor's Response:

The OSA agrees with the PED's above recommendation. However, there are no assurances that accurate and reliable information exists to do so.

Efficiency Opportunity 5: More effective use of competitive bidding for contracted services.

Recommendation 5a: The General Assembly should direct the Department of Administration to procure and implement a contract management system for state agency-administered contracted services.

Recommendation 5b: The General Assembly should direct the Division of Purchase and Contract to require state agencies to obtain a 10% reduction from the annual value of the original contract as a condition of awarding an amendment to a contract that extends the period of time in which a service provider is authorized to expend funds.

State Auditor's Response:

The OSA agrees with the PED's above recommendations.

Efficiency Opportunity 6: Effective use of telematics data and Recommendation

Efficiency Opportunity 7: Reduced of cost of incoming mail processing and Recommendation

Efficiency Opportunity 8: Reducing cost of outgoing mail and Recommendation

Efficiency Opportunity 9: Increased use of presort contracts for outgoing mail postage charges and Recommendation

State Auditor's Response:

As stated earlier, the OSA did not have ample time to delve into all of the assumptions made and data used in the PED's report. As such, no responses could be provided related to efficiency opportunities 6 through 9. Instead, the OSA focused our review on the efficiency opportunities with a potentially greater impact for cost-savings.

STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION

ROY COOPER
GOVERNOR

MACHELLE SANDERS
SECRETARY

April 5, 2018

John Turcotte
Program Evaluation Division, Director
North Carolina General Assembly
212 Legislative Office Building
300 N. Salisbury Street
Raleigh, NC 27603

Re: Formal Response to Draft Report – *Measurability Assessments of the NC Department of Administration's 12 Programs*

Dear Mr. Turcotte,

On behalf of the North Carolina Department of Administration, thank you for the opportunity to review and provide our responses to the above-mentioned report. The Measurability Assessment provided a uniform set of 14 criteria to analyze the state's core business functions and advocacy programs. To our knowledge, this assessment is the first of its kind in our state and nation, so we embraced this opportunity to evaluate sound financial management practices, to better ensure that we are focused on results, and carry out our statutory mission across all 12 distinct divisions.

The Department of Administration oversees a diverse range of responsibilities: (1) Government operations, such as state building construction, purchasing and contracting for goods and services, managing state vehicles, acquiring and disposing of real property, facility maintenance of 169 state owned buildings (2) Auxiliary services, such as courier mail delivery and state and federal surplus property sales, and (3) Advocacy programs, providing assistance and services through state and federal grants to diverse segments of the state's population that have been traditionally underserved.

Mailing Address:
NC DEPARTMENT OF ADMINISTRATION
1301 MAIL SERVICE CENTER
RALEIGH, NC 27699-1301

Telephone: (919) 807-2425 *Fax:* (919) 733-9571
COURIER #51-01-00
E-mail: Machelle.Sanders@doa.nc.gov
Website: www.ncadmin.nc.gov

Location:
116 WEST JONES STREET
RALEIGH, NORTH CAROLINA 27603

As a new administration, we have engaged division leaders to identify goals and objectives, review our processes, evaluate resources and better manage our operations. We plan to use this report in conjunction with our own analyses to build on process improvements and ensure accountability. Since 2008, the Office of State Budget Management has directed executive agencies to engage in strategic planning as part of each state biennium budget planning process.

The Department looks forward to formally updating our plans this fall under Governor Cooper's leadership and believes that any thorough results driven budget planning process must include the utilization of strategic planning, performance measurement, and quality improvements.

Program Evaluation Division appropriately acknowledged on page 2, "*some of the indicators are more appropriate for programs aimed at solving social problems, as opposed to the Department of Administration's programs aimed at improving state government functions*". These indicators cannot adequately assess DOA. They identify stretched standards that simply do not apply or fully acknowledge statutory directives and resources available:

1- Inventory that avoids duplication
2- Problem definition
4- Evidence-based
5- Scalability

Below are our responses to those indicators where partial credit and improvements have been suggested. Your comments are noted in bold print.

<u>Risk Assessment</u> **Although the Department of Administration has a system of internal control, most programs have not conducted a risk assessment to identify potential financial, fraudulent, or legal hazards. The Department of Administration should consider requiring that all programs have program-specific risk profiles and mitigation strategies.**

DOA Fiscal Management works with OSC annually with the EAGLE Program, not only to establish adequate internal controls, but also to increase fiscal accountability. Under the EAGLE Program, the agency performs an annual assessment of internal control over financial reporting and compliance. By performing this assessment, we can identify risks and compensating controls that reduce the possibility of material misstatements, misappropriation of assets and noncompliance with governmental rules and regulations.

Financial Forecast **Although most programs annually conduct a financial forecast that breaks down projections in revenue and expenditure categories and that is based on a basic model of forecasting, most programs did not provide documentation demonstrating they project revenues and expenditures for at least five years or explain trends by discussing why revenues and expenditures are expected to increase or decrease. The Department of Administration should consider building these components into their programs' budget development processes.**

The report suggests that DOA engage in a 5-year revenue and expenditure forecasting model. However, the entire budgetary framework in North Carolina is based on the 2-year biennium. DOA Fiscal Management works with OSBM regarding revenues and expenditures during the biennium and the year between. Long-range-planning (LRP) is an effective means outlining the path for an entity's future providing direction, insight into performance projections, and expected goal achievements for five years or more. However, LRP approaches are less relevant and valuable in environments where there is significant known uncertainty, cultural obstacles and dynamic agendas which inherently dictate future investments, priorities, and direction.

Audits **Although all programs have a description of audit requirements and demonstrate accessibility of person, documents, and property, most do not have a record of prior audits or a record of corrective actions taken in response to audit findings and recommendations. The Department of Administration should consider developing these records across all of its programs.**

DOA has an internal audit program which provides an independent compliance analysis of functions, policies, and programs. DOA will continue to strengthen and approve applicable documents management processes to further ensure timely access.

Quality Improvement System **Most programs do not have a quality improvement system that sets objectives consistent with the program's strategic plan, monitors progress towards objectives through an action plan and milestones, and builds in remedial action if there is a performance shortfall. The Department of Administration should consider developing a quality improvement system for all of its programs.**

With the change of administration in 2017, DOA's leadership identified and implemented the agency's strategic imperatives. Objectives and goals were implemented in alignment with each imperative. These goals and objectives are monitored and tracked against pre-defined action plans and timelines. Where appropriate, remedial actions are applied for any actions that do not meet the pre-defined timelines. The strategic imperatives, objectives, and goals were determined based on an evaluation of the agency's improvement needs and priorities in early 2017. Additionally, DOA continually identifies and implements improvement processes that eliminate waste, increase efficiency, and create value for taxpayers and/or customers.

DOA will further evaluate quality management tools and methodologies that may be appropriate to enhance similar quality improvement processes and create the supporting infrastructure. With completion of this review, DOA will determine which quality improvement system tools will improve customer satisfaction and increase efficiency as well as generate a sense of collaboration and motivation for agency employees. Most importantly, DOA will identify evidence-based quality improvement tools that further the goodwill of the agency. Upon budget approval for sufficient funding and resources, DOA will build the capacity and infrastructure to develop and implement a robust quality improvement system.

Staffing Analysis **Most programs do not have a staffing analysis that measures caseload and workload and that identifies trends and establishes internal benchmarks for efficient operations. The Department of Administration should consider requiring all programs to conduct a staffing analysis to determine if staffing levels are appropriate based on the volume of work programs are required to perform.**

Staffing levels are requested based on agency statutory responsibilities, volume of work, priorities and needs of government operations and NC citizen services. Staffing analysis which includes various staffing models may not provide meaningful, accurate data that will result in valuable use of time due to the following reasons:

- Require non-standardization of work flows for diverse functions
- Operational instability due to external factors
- Changing budgetary priorities approved each cycle
- Lack of accurate worker-to-workload depiction due to variability and qualitative nature of work associated with functions.

The Department appreciates the professionalism and insight provided by PED during this Measurability Assessment. We will consider your feedback in the spirit of our continuous improvement efforts. We believe that working with and in this framework over the past eight months highlighted areas for improvement as well as models for operational excellence currently in place within the Department of Administration. Additionally, our experience emphasizes an opportunity to adapt this framework for valuable, viable assessments of effectiveness and efficiency of statutory programs. Thank you for your consideration of our responses.

Sincerely,

Machelle Sanders

Machelle Sanders

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government — 4/10/2018

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Michael Eulis	OSC
Linda Combs	OSC
Jon Dolan	OSC
Ford Born	Born Assoc.
Nate Denney	NC DIT
Glenn Poplonski	NC DIT
Angela Griffin	OSBM
Erin Dickemeyer	OSBM
Rachel Stallings	OSBM
Carrie Hollis	OSBM
Chris Knesh	OSBM
Flint Benson	SEANC

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government — 4/10/2018

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Drew Marsh	DOT 1 S. Wilmington
George Smith	NP
[illegible]	NP
Hope Mongo	NCDOT/DMV
George Robinson	NC DOT
Katie Stanley	DOA
Marquetta Walton	DOA
C'Huck Church	DMV
Jamie Keith	DMV
Scott Parker	DMV
[illegible]	Bon: ASSO

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government — 4/10/2018

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Deans Eastman	NCDOT
TJ Bugbee	NP
Ricky DM	MEA
ALEX WILLIAMS	NEXSEN PRUET
Will Parry-Hill	NCHFA
Tonya Horn	OSHR
Alicia D.	NCDPS
Robert Riddle	NC DOA

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government — 4/10/2018

Name of Committee — **Date**

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
David Heinen	NC Center for Nonprofits
Leo John	Secretary of state
Ken Melton	KMA.
MARK EDWARDS	NC DOA
Machelle Sanders	NC DOA
Dennis Reynolds	Think Smart
TRAVIS FAI-	DPAC
Corey Petersohn	OSBM



JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT INTERIM COMMITTEE 2017-18

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT

MEMBERSHIP LIST

Sen. John Alexander, Jr., Co-Chair	John.Alexander@ncleg.net	919-733-5850	Room 625
Rep. George Cleveland, Co-Chair	George.Cleveland@ncleg.net	919-715-6707	Room 417A
Rep. Dennis Riddell, Co-Chair	Dennis.Riddell@ncleg.net	919-733-5905	Room 533
Rep. Mark Brody, Vice Chair	Mark.Brody@ncleg.net	919-715-3029	Room 2219
Rep. Elmer Floyd, Vice Chair	Elmer.Floyd@ncleg.net	919-733-5959	Room 1325
Sen. Tamara Barringer	Tamara.Barringer@ncleg.net	919-733-5653	Room 629
Sen. Don Davis	Don.Davis@ncleg.net	919-715-8363	Room 519
Sen. Rick Horner	Rick.Horner@ncleg.net	919-715-3030	Room 2106
Sen. Jeff Tarte	Jeff.Tarte@ncleg.net	919-715-3050	Room 623
Sen. Make Woodard	Mike.Woodard@ncleg.net	919-733-4809	Room 518
Rep. Carl Ford	Carl.Ford@ncleg.net	919-733-5881	Room 608
Rep. Stephen M. Ross	Stephen.Ross@ncleg.net	919-733-5850	Room 635
Rep. David R. Lewis, Advisory Member	David.Lewis@ncleg.net	919-715-3015	Room 2301
Rep. Larry Yarborough, Advisory Member	Larry.Yarborough@ncleg.net	919-715-0850	Room 1301
Daigler–Walls, Jessica Clerk	alexanderla@ncleg.net	919-733-5850	Room 625
Pamela Ahlin, Clerk	Clevelandla@ncleg.net	919-715-6707	Room 417A
Polly Riddell, Clerk	Riddellla@ncleg.net	919-733-5905	Room 533
Lisa Hollowell, Fiscal Research	lisah@ncleg.net	919-733-4910	
Cara Bridges, Fiscal Research	carab@ncleg.net	919-733-4910	
Chris Hearley , Fiscal Research	chrish@ncleg.net	919-733-4910	
Bill Patterson, Legislative Analysis	billp@ncleg.net	919-733-2578	
Amy Darden, Legislative Analysis	amyd@ncleg.net	919-733-2578	
Gayle Moses, Bill Drafting	gaylem@ncleg.net	919-733-6660	
Myra Torain, Bill Drafting	myrat@ncleg.net	919-733-6660	

NORTH CAROLINA GENERAL ASSEMBLY

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT
2017 – 2018 SESSION



Senator John Alexander
Chair



Representative George Cleveland
Chair



Representative Dennis Riddell
Chair



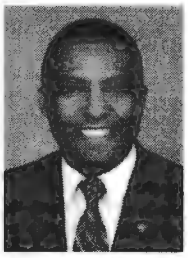
Representative Mark Brody
Vice chair



Representative Elmer Floyd
Vice chair



Senator Tamara Barringer



Senator Don Davis



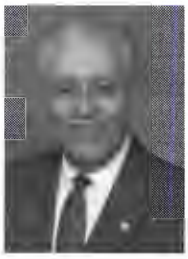
Senator Rick Horner



Senator Jeff Tarte



Senator Mike Woodard



Representative Carl Ford



Representative Stephen M. Ross



Representative David R. Lewis

Advisory Member



Representative Larry Yarborough

Advisory Member

ATTENDANCE

JOINT LEGISLATIVE OVERSIGHT COMMITTEE

ON GENERAL GOVERNMENT

2017-1018 Interim

DATES	10/3/2017	11/7/2017	12/5/2017	2/ 6/2018	4/10/2018	11/8/2018	1/3/2019								
ALEXANDER, JOHN CHAIR	x	x	x	x	x	x	x								
CLEVELAND, George CHAIR	x	x	x	x	x	x	x								
RIDDELL, Dennis CHAIR	x	x	x	EX	x	x	x								
BRODY, Mark VICE-CHAIR	x	x		x			EX								
FLOYD, Elmer VICE-CHAIR	x	x	x	x	x	x	x								
BARRINGER, Tamara	x	x		x	x										
DAVIS, Don	x	x	x	x	x										
HORNER, RICK	x	x		EX	x	x	x								
TARTE, Jeff	EX	x	x	x	x										
WOODARD, Mike	EX			EX											
.															
FORD, Carl	x		x	x	x	x	x								
ROSS, Stephen	x	x	x	x	x	x	x								
LEWIS, David R. ADV. MEM	x	x		EX	x										
YARBOROUGH, Larry ADV. MEM	x	x	x	EX	x										

January 2019 meeting scheduled due to Session December 2018

JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON GENERAL GOVERNMENT
November 8, 2018
643 Legislative Office Building

The Joint Legislative Oversight Committee on General Government met on Thursday, November 8, 2018, at 9 AM. The meeting was held in Room 643. House members present were Representatives Cleveland, Floyd, Ford, Riddell, Ross and Warren. Senate members present were Alexander and Horner. Staff members present were C. Bridges, Schwab, Moses, Patterson, Darden, and Torain. The Committee Clerk was Pamela Ahlin. Included in the documentation is the list of House and Senate Sergeant at Arms who served the committee, and a listing of visitors to the committee.

Rep. George G. Cleveland presided.

The Department of Administration began with a review of the issues of Purchase and Contract, the Real Property Information System. DOA Secretary Machelle Sanders and Cdessa McGlown reviewed the Mandatory Training and Certification for State Employees (Attachment 1). Senator Alexander stated that he wanted all contracts written by our people, not theirs. He requested that all state contracts be as brief as possible. Rep. Floyd wanted to know if workers are allowed to work without proper training. The Agency answered that the employees are trained, tested, re-trained, and re-tested. Rep. Floyd expressed concern that agencies fill out addendum contracts in pencil. Ms. McGlown answered that pencil addendums were only for goods and services, not property. She added that most contracts were on the agency template. Rep. Cleveland asked if the contracts were readable by the layperson. Sen. Alexander wanted to know if the agency received a 10% discount at renewal, which is standard in the business world today. Rep. Cleveland asked about the certification and credit transfer for state employees, and said the agency should work to ensure that the students can transfer the credit for tech or trade skills they earned.

Tim Walton, DOA Director of State Property, and John Cox, DOA Facilities Information Manager, gave a presentation on the property database (Attachment 2). Senator Alexander asked about the long term plan to complete the property database. Mr. Cox stated that it depended upon the criticality of the long term mission of the facilities. The information for the database is difficult to track because some agencies don't track their own information regarding property or maintenance, but expect the DOA to track it. Maintenance records are on paper, not electronically stored. Rep. Cleveland asked about automatic escalator clauses in the leases and the cost to the state. Ms. Sanders

stated that the DOA is committed to efficiency gains, to strengthening contract capabilities, and to making strides in the certification programs.

The next presentation was from the Department of Military and Veterans Affairs. In Secretary Larry Hall's absence, Martin Falls, the Assistant Secretary to the DMVA, gave the departmental update (Attachment 3). Sen. Horner began a discussion on the steep cost of architectural fees, which represent about 10% of the cost of projects. Jimmy Woodard from the DMVA said that they do not operate independently, but work through state construction. Rep. Cleveland asked what the Coastal Carolina Veterans Cemetery did with the money they received. Sen. Woodard stated that all cemeteries needed to be repaired and improved, and that hopefully there would be FEMA money to help with the costs. Rep. Floyd asked if there was an effort to save money by going for similar layout of land. Falls claimed that infill costs would amount to $5 million.

Sharon Edmundson, Director of the Fiscal Management Section of the Department of the State Treasurer, gave an update on the Local Government Financial Officer Training and the Local Government Watch List (Attachments 4-6). Rep. Cleveland asked about internal controls regarding local finances. Ms. Edmundson stated that there will be a drop in internal control issues and it will be shown in the 2018 data. More people are being trained. A recurring issue is bank reconciliations that are behind. A possible solution would be to use a professional team. With turnover situations, financial organization can be difficult. Rep. Cleveland asked if the course that was offered at the community college was too easy, and if there was a large difference between utility finances and regular finances. Several problems are that rates might not be set up correctly. In addition, when maintenance and replacement costs are not calculated into the financial model, financial difficulties will arise in the future.

The next presentation was from the Office of State Budget and Management regarding the Results First Initiative (Attachment 7). Erin Matteson and Erin Dickmeyer lead the update and discussion. Rep. Riddell thanked the team for their effort to reduce costs for state government and to weed out ineffective or costly programs. Rep. Cleveland stated that there are 30 programs in child health, and less than one third have been evaluated. Ms. Matteson stated that it is difficult to monetize benefits for some programs. The OSBM is being as rigorous as it can, however, cost benefit analysis is not easily applied to every program. Rep. Riddell stated that we need to collect data if we want to analyze data.

There being no further business, the meeting was adjourned by the Chair at 11:15 AM.

George G. Cleveland

Rep. George G. Cleveland
Presiding

Pamela Ahlin

Pamela Ahlin, Committee Clerk

JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON GENERAL GOVERNMENT
Room 643 Legislative Office Building
Agenda

November 8, 2018 - 9:00 AM

I. CALL TO ORDER

Chairs: **Rep. George Cleveland, presiding**
Sen. John Alexander
Rep. Dennis Riddell

II. PRESENTATIONS

Department of Administration (DOA) – Purchase and Contract, Real Property Information System
Secretary Machelle Sanders, DOA
Odessa McGlown, State Purchasing Officer, DOA
Tim Walton, Director of State Property, DOA
John Cox, Facilities Information Manager, DOA

Department of Military and Veterans Affairs (DMVA) - Departmental Updates
Secretary Larry Hall, DMVA

Department of State Treasurer (DST) – Local Government Financial Officer Training, Local Government Watch List
Sharon Edmundson, Director, Fiscal Management Section, DST

Office of State Budget and Management (OSBM) – Results First Initiative
Erin Matteson, Assistant State Budget Officer, OSBM
Erin Dickmeyer, Management Analyst, OSBM

III. ADJOURNMENT

NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

October 10, 2018

MEMORANDUM

TO: Members, Joint Legislative Oversight Committee on General Government
FROM: Sen. John M. Alexander, Jr., Co-Chair
Rep. George G. Cleveland, Co-Chair
Rep. Dennis Riddell, Co-Chair

SUBJECT: Meeting Notice

The **Joint Legislative Oversight Committee on General Government** will meet at the following time:

DAY	DATE	TIME	LOCATION
Thursday	November 8, 2018	9:00 AM	643 LOB

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting http://www.ncleg.net/graphics/downtownmap.pdf.

If you are unable to attend or have any questions concerning this meeting, please contact Pamela Ahlin at Clevelandla@ncleg.net.

cc: Committee Record _X_
Interested Parties _X_

ATTACHMENT # 1

STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION

ROY COOPER
GOVERNOR

MACHELLE SANDERS
SECRETARY

MEMORANDUM

TO: Joint Legislative General Government Oversight Committee
Representative George Cleveland, Chair
Representative Dennis Riddell, Chair
Senator John Alexander, Chair

FROM: Secretary Machelle Sanders AMS 11/05/18
DATE: November 5, 2018
RE: **Report per S.L. 2018-5, Section 31.1**

The Department of Administration, in accordance with Session Law 2018-5, provides the following report as evidence of our progress and compliance with Section 31.1, which requires that all employees involved in the procurement of goods and services as well as those employees responsible for awarding contracts or monitoring contract compliance are trained and certified. Because of our partnership with you and with key agency leaders, we are well on our way to the creation of the State's first ever Procurement and Contract Management Training and Certification – a tool to further enhance contract management and ensure that we achieve the absolute best value for North Carolina taxpayers.

Background:

In conjunction with NC State University, the National Association of State Procurement Officials, and UNC School of Government, the Division of Purchase and Contract began to develop a certification program in Spring of 2017 to enable **all** state agency purchasing, purchasing officers and contract management professionals to become trained and certified by the State's procurement experts. With only three existing trainers, the Department requested additional FTE to further develop and rollout the certification program. To prepare, we conducted extensive research, monitored the work of other state and non-state certification programs, identified best practices and documented lessons learned. In developing and implementing the North Carolina Procurement Certification (NCPC) program the Department consulted with and employed the assistance of the following partners--all are critical to our success:

Entity	Responsibility
Office of State Human Resources	Deliver electives required to complete certification; Provide in-depth Cornerstone (LMS) functionality training to DOA
UNC School of Government	Provide review and assessment of program plan; develop and deliver local government-specific courses
NC State University	Provide consultation on curriculum, course development, and testing; Provide students as test question evaluators; Modify courses from Supply Chain Management and Project Management curriculum for elective offerings
Department of Health and Human Services	Participate in Train-the-Trainer sessions; Provide DHHS-specific examples; Develop and prioritize list of participants; Avail time for participant attendance; Provide mentors for practical skills application

Curriculum Development:

The State Procurement Officer has engaged a vendor to assist in the development of a rigorous contract management training and certification program. The consultant is specifically tasked with developing the framework and curriculum for the Contract Administrator Certification pathway using NCMA standards.

The extensive coursework required for each certification pathway will demand a significant commitment from program candidates, taking an estimated 8 to 12 months for completion and requiring a passing score of 85% or higher on all exams. Pathways to certification are in various stages of development for purchasers, officers, and contract administrators.

1. **100 Level: NC Purchaser certification** (NCP) coursework will be geared toward individuals in the purchasing or procurement role. Candidates must hold an Associate's degree or higher and have one year or more job-related experience, or have equivalent job-related experience of three or more years, and complete 102 credit hours of coursework.

2. **200 Level: NC Purchasing Officer certification** (NCPO) will be geared toward individuals in a managerial or supervisory position in public procurement. Candidates must hold a Bachelor's degree or higher and have 1 year or more job-related experience, or have equivalent job-related experience of 3 or more years, have managerial or supervisory experience of 2 or more years, and complete 150 credit hours of coursework.

3. **300 Level: NC Contract Administrator certification** (NCCA) will be geared toward individuals in the role of contract administration. The specialized coursework is designed to train contract managers to properly oversee the project scope, schedule and budget of specific projects. Candidates must hold an Associate's degree (minimum), have 1 year or more job-related experience, or have equivalent job-related experience of 3 or more years, and complete 156 credit hours of coursework.

The Department has posted two Staff Development positions at a cost of $166,000 in General Fund appropriations. Both positions will be dedicated to work associated with Level 300 Contract Management Certification.

We are excited about the curriculum supported by our strategic partnership and look forward to enrolling our first cohort for certification.

Timeline

Task	Planned Completion
Contract for NCCA course and exam development	**Completed √**
Onboard two Staff Development employees	December 2018
Develop course and exams for NCCA	May 2019
Advertise program launch and rollout NCCA	May 2019
Accept NCCA and NCP applications	July 2019
Develop framework and additional courses for NCPO pathway	August 2019
Administer first certification exams	October 2019

ATTACHMENT # 1

Mandatory Training and Certification for State Employees

North Carolina Department of Administration

Joint Legislative Oversight Committee on General Government

November 8, 2018

Participants

- Machelle Sanders

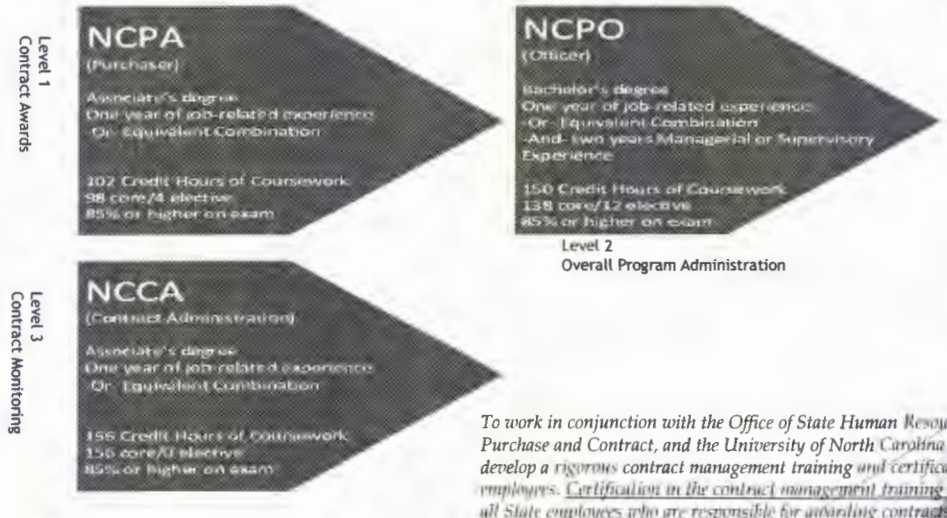
  Secretary, Department of Administration

- Odessa McGlown
- Director, Division of Purchase and Contract

Contents

- **Mandatory procurement training and certification program**
  - Curriculum
  - Partners
  - Timeline
- **Development of DHHS-specific contract management curriculum**
  - Funding
    - Recurring ($166,000)
    - Non-recurring ($100,000)
    - Positions and timeline
  - DHHS involvement

North Carolina Purchasing Academy



To work in conjunction with the Office of State Human Resources, the Division of Purchase and Contract, and the University of North Carolina School of Government to develop a rigorous contract management training and certification program for State employees. Certification in the contract management training program is mandatory for all State employees who are responsible for awarding contracts or monitoring contract compliance.

Partners

Entity	Responsibility
Division of Purchase and Contract	Recipient of appropriated funds; Responsible for development and implementation of the North Carolina Procurement Certification program
Office of State Human Resources	Deliver elective courses for curriculum; provide use of OSHR computer room to administer exams; Provide P&C with in-depth Cornerstone functionality training
UNC School of Government	Provide contextual review and assessment of program and plan; develop and deliver local government courses
NC State University	Provide consultation on curriculum, course development, and testing; Provide students as test question evaluators; Modify courses from Supply Chain Management and Project Management curriculum for elective offerings
Department of Health and Human Services	Participate in Train-the-Trainer sessions; Provide DHHS-specific examples; Develop & prioritize list of participants; Provide mentors for practical skills application

In Perspective

- # Employees involved in "Purchaser" and "Officer" roles: 900
- # Employees in "contract administrator/manager" role: 1,680
  - Other Entities: 380
  - DHHS only: 1,300 (est.)*
- DHHS has over 1800 contracts
- P&C delivered 40 sessions to 1500 participants w/ 3 trainers; Session is 4 hours of classroom time = 160 hours of direct training time
- Contract Management curriculum is 156 hours of direct training time
- $592,208,183 in awards through DOA Purchase & Contract

Participant counts based on eVP and IPS users

Timeline

Task	Planned Completion
[illegible]	Completed
[illegible]	December 2018
[illegible]	May 2019
[illegible]	May 2019
[illegible]	July 2019
[illegible] for NCT[illegible]	August 2019
[illegible]	October 2019

Funding

Recurring

One hundred sixty-six thousand dollars ($166,000) in recurring funds for two full-time equivalent positions within the Department of Administration, Division of Purchase and Contract, dedicated to providing employees identified by the Department of Health and Human Services with instructor-led training for the contracting specialist training program curriculum developed pursuant to subdivision (1) of this section.

Approved classifications:
Staff Development Coordinator (GN12) at $70, 885 + benefits
Staff Development Specialist (GN11) at $50,000 + benefits

Positions posted in Early November 2018

Funding

Non-recurring

One hundred thousand dollars ($100,000) in nonrecurring funds to design curriculum for a contracting specialist training program based on the National Contract Management Association's Contract Management Standard, or the guiding principles of another nationally recognized professional organization for public sector contract management professionals. The curriculum must be designed specifically for Department of Health and Human Services employees with responsibility for contract management, contract administration, or both.

- Contracted with vendor
  - Specialty is leadership and acquisition skills development
  - In-depth knowledge of NCMA Standards, Certification and Accreditation
- Design and deliver courses, questions, study guides, practice exams, etc.
- Program content from:
  - Content Management Body of Knowledge 5th Edition (2017), based on NCMA's Contract Management Standard, co-authored by Dr. Wilkinson
  - North Carolina Administrative Code

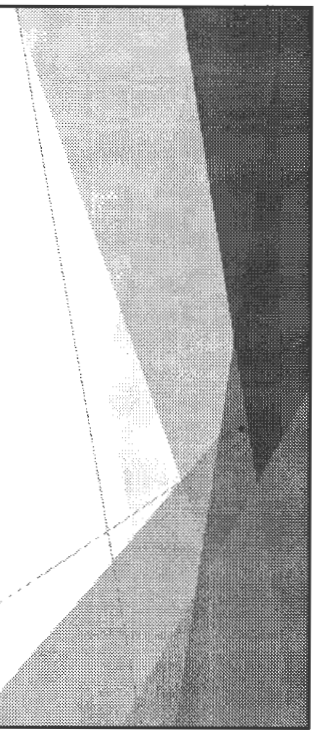
DHHS Involvement

(2) One hundred sixty-six thousand dollars ($166,000) in recurring funds for two full-time equivalent positions within the Department of Administration, Division of Purchase and Contract, dedicated to providing employees identified by the Department of Health and Human Services with instructor-led training for the contracting specialist training program curriculum developed pursuant to subdivision (1) of this section.

- Periodic updates
- Participate in Train-the-Trainer sessions
- Provide DHHS-specific examples
- Develop a list of participants and Prioritize
- Avail time for participant attendance
- Provide mentors for practical skills application

Other initiatives

- Updating Contract Management Manual
- Integrating a Contract Management module with the upgrade of eProcurement software
- Revamping Contract Management section



ATTACHMENT # 2

DEPARTMENT OF ADMINISTRATION
STATE PROPERTY OFFICE

The primary mission of the State Property Office is to administer the acquisition and disposition of all state-owned land or any interest therein by deed, lease, easement, or allocation; manage the State's submerged lands; and maintain an accurate inventory of state lands and buildings.

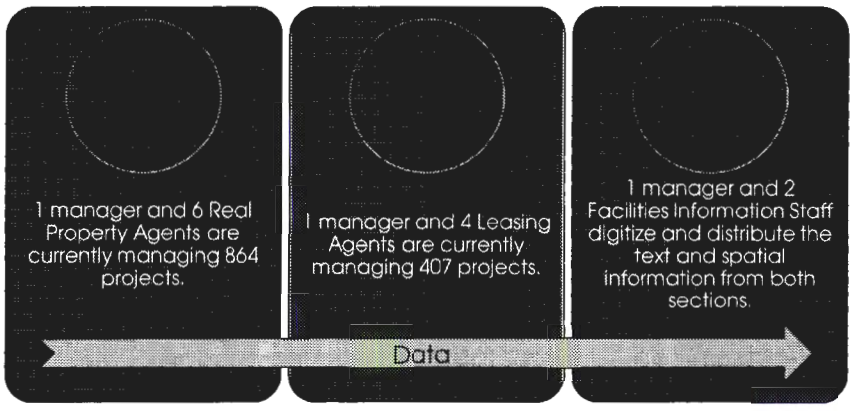
The State Property Office acts as the corporate real estate office for State agencies and Universities.

State Property Office Composition:

Real Property Section – Is responsible for all acquisitions and dispositions of state-owned land and buildings by deed, easement, eminent domain or allocation.

Leasing and Space Planning Section– Manages real estate leases, including processing and evaluating bids and negotiating the terms of leases. Determines space needs of state agencies.

Facilities Information Section – Maintains and continually updates the database of the state's real estate holdings (text and geospatial).



Senate Bill 747 (SL 2016-119)- Completed and Future Requirements:

- December 1, 2016 – Report changes to real property database pursuant to §143-341(4).
- December 1, 2016 – Develop and distribute to State agencies procedures to measure utilization of owned and leased real property.
- December 1, 2016 – Develop and distribute to State agencies space planning standards.
- June 1, 2017 – Report a plan to analyze the utilization of owned and leased space.
- June 1, 2017 – Perform unannounced site visit to a random facility owned by or allocated too each State agency subject to oversight authority of the DOA.
- July 1, 2018 – Collected property use information from each State agency.
- July 5, 2018 – Initiated RFP development process with the Department of Information Technology. RFP scheduled to be posted mid November to solicit for a real estate information system to manage the State's owned and leased real property portfolio in the manner required by G.S. 143-341.2.
- December 1, 2018 – Develop and implement a plan to comprehensively manage, acquire and dispose of the facilities and spaces required to fully support State government operations, and; establish a performance management system to measure the State's achievement.

Pursuant to SL 2018-5, Section 31.2, the Department provided a report on November 5, 2018 as evidence of our progress toward procuring a Real Estate Information System.

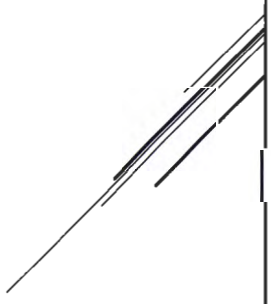
- **Timeline:**
  - DOA engaged DIT in late July to begin the conversation and provide DIT with the specifications and business requirements necessary.
  - DOA Facilities Information Section is working to manually review and verify data, offering agencies assistance as needed.
  - DIT is currently working toward development of a Request for Proposal (RFP).

Database Requirements

A. Location including the latitude and longitude of the center of the building.
B. Description of the operations supported by the building.
C. The agency or agencies that occupy the building.
D. Ownership information for the building.
E. Size of the building – gross and usable square feet.
F. Description of the building.
G. Condition Assessment.
H. Annual operating costs.
I. Annual maintenance costs.
J. Number of usable workspaces.
K. FTE by Agency
L. Space Utilization
M. Maintenance records
N. Parking and employee facilities
O. Strategic Priority (Any other information deemed relevant by the Department of Administration)

Functional Requirements:

1. Manage, acquire, and dispose of facilities and space required to fully support State Government Operations.
2. Real Estate Portfolio Performance Management System.
3. Surplus Property Identification and Disposal System.
4. Automate external inventory update process and notification.
5. Reporting / Analytics



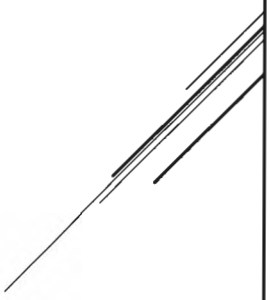
Future Benefits of new information system

- Quality Assurance
- Consistent and Accurate Data
- Integrated Business Rules and Relationships
- Automation of Data Imports and Reporting
- Data Transparency
- Maps – Common Enterprise View of Data
- Real-Time Data Analytics and Reporting
- Thorough Analysis of Facilities
- Historical Data Analysis

Additional Benefits:

- Ability to investigate Colocation Opportunities
- One stop for all types of Real Property and Facilities Data
- Locations in Maps
- Quick access to Real Time Data
- Wide Sharing of Information
- Time Savings

Demonstration



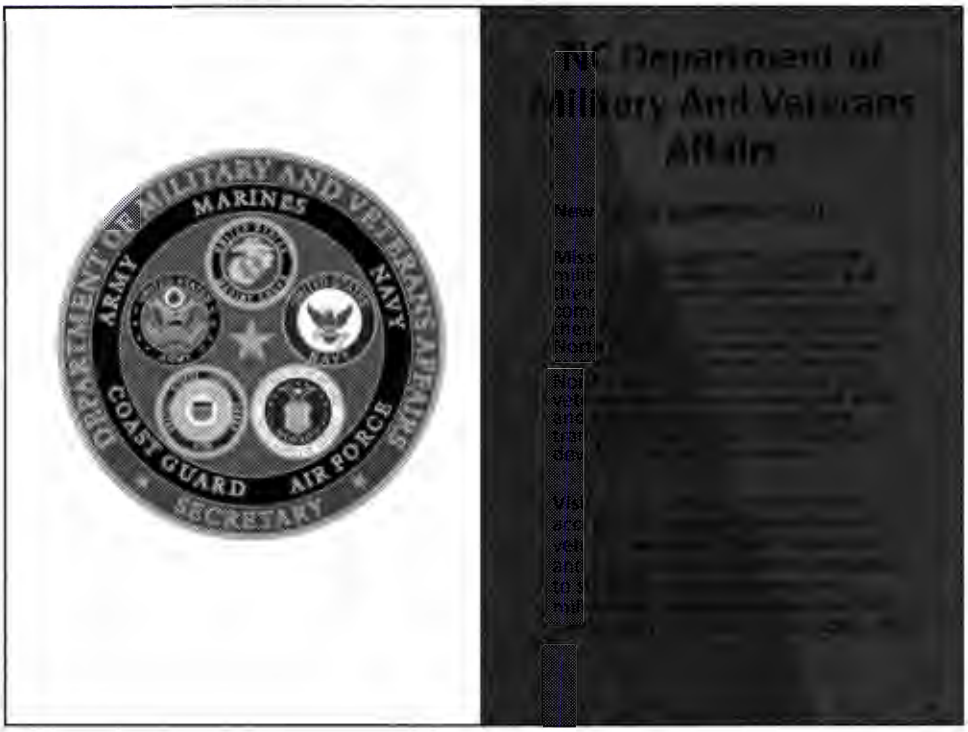
ATTACHMENT # 3

North Carolina Department of Military And Veterans Affairs

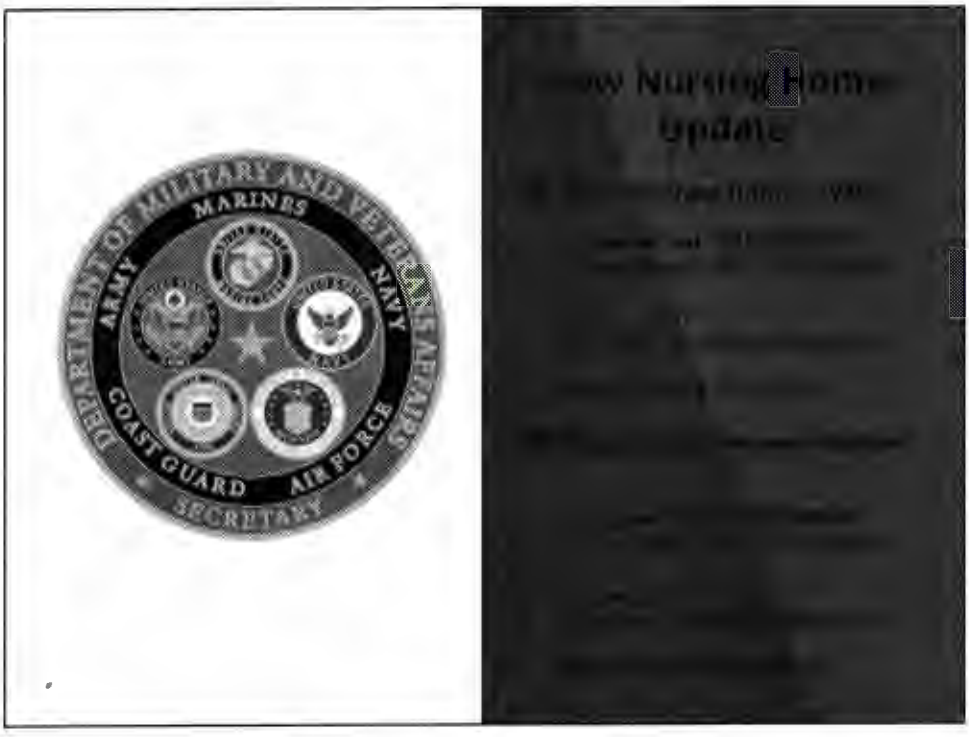
Presentation To Joint Legislative Committee on General Government

November 8, 2018

WWW.MILVETS.NC.GOV




Veterans Cemetery
Expansion Update


Update

Escheats Scholarships Funds

- Senate Bill 125 Section 6.4 – Restores $2.4m (non-recurring) to the Children of Wartime Veterans Scholarship program. Funding was reduced by 25% in 2013.
- Funding was requested in Gov. Cooper's budget to restore room and board allowance.
- Funds used to restore room and board allowance to Class II and Class III competitive scholarships.
- Based on available funding provided, the room rate is now $4,000.00 and the board rate is $2,400.00 per year per student.
- Requesting ($2.4m) funding be recurring so the new rates will be sustained due to ever-increasing cost of higher institution education.

925 Class II & Class III Students

Tuition:	$3,964,054.00
Fees:	$2,288,350.00
Room:	$3,700,000.00
Board:	$2,220,000.00
Total:	$12,172,404.00

Number of Applicants & Recipients for the Past 5 Yrs

20 -	13	14	15	16	17	18
Applied	694	629	516	545	477	524
Awarded						
1-A	34	18	19	15	18	10
1-B	124	110	114	149	152	149
II	99	99	100	98	96	93
III	97	97	92	93	96	95
IV	0	0	0	0	0	0

North Carolina Department of Military And Veterans Affairs

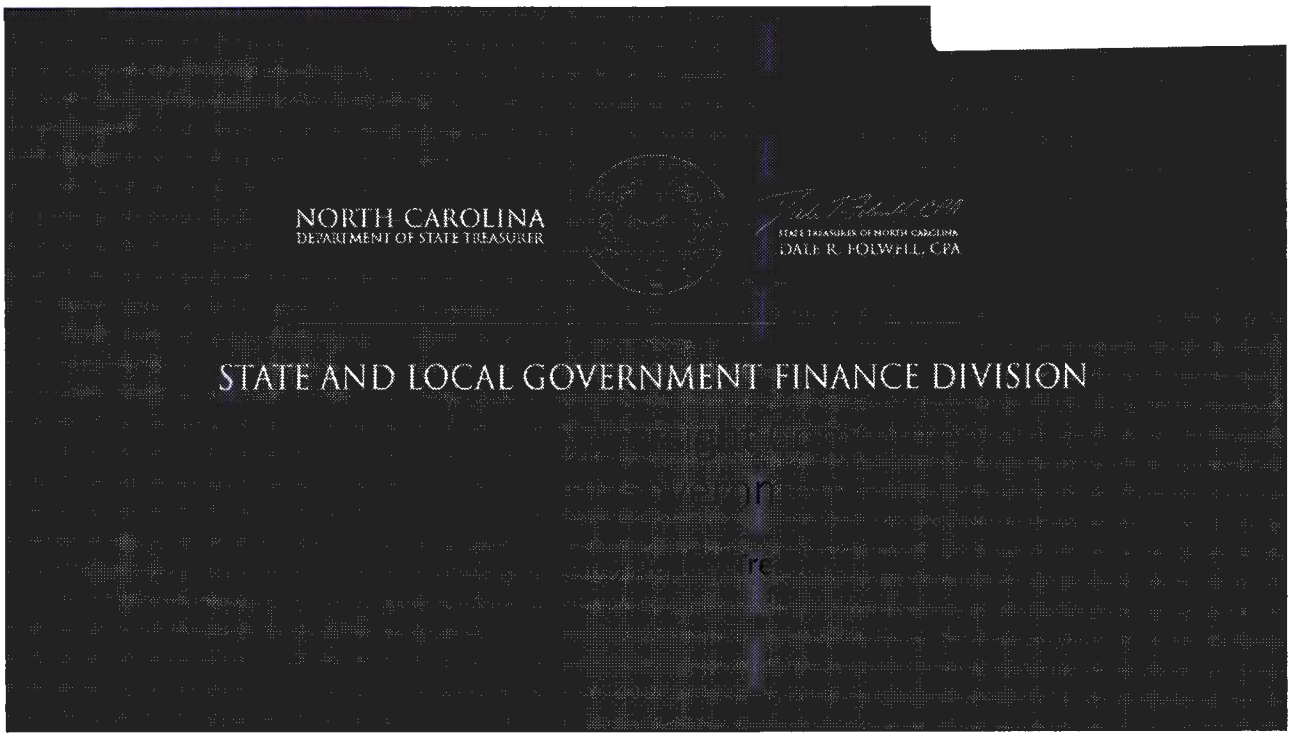


QUESTIONS?

984-204-8336

WWW.MILVETS.NC.GOV

ATTACHMENT # 4



Unit Assistance List

- Updated recently to add units severely affected by Hurricane Florence
  - Expect to continue to add as adverse affects continue
  - Not intended to be punitive or lay blame; organizational tool for LGC staff
- Update based on 2017 audits showed some reduction
  - 91 municipalities compared to 115; expect the 91 to increase due to storm-related issues
  - 17 counties, up from 11; continue to be primarily due to internal control challenges; two primarily related to financial concerns; may increase due to storm-related issues

North Carolina Local Government Units Currently on Unit Assistance List

Based on Audited Financial Statements as of June 30, 2017



Troubled Counties:

Anson County
Edgecombe County
Gates County
Greene County
Hertford County
Hoke County
Hyde County
Jones County
Martin County
Northampton County
Orange County
Pender County
Robeson County
Scotly County
Swain County
Vance County
Warren County

NORTH CAROLINA
DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division

STATE TREASURER OF NORTH CAROLINA
DALE R. FOLWELL, CPA

ACC 3240 – Community College Course

- Been offered at 11 different campuses, 153 students completed through Summer, 2018
- Recently updated content
- Added printed materials at students' request
- NCCCS is working to add as a curriculum, for-credit course
- Discussion on adding a second continuing ed course on utility finances
- Still get very positive feedback from participants

North Carolina Local Government Units Currently on Unit Assistance List

Based on Audited Financial Statements as of June 30, 2017



Campuses:

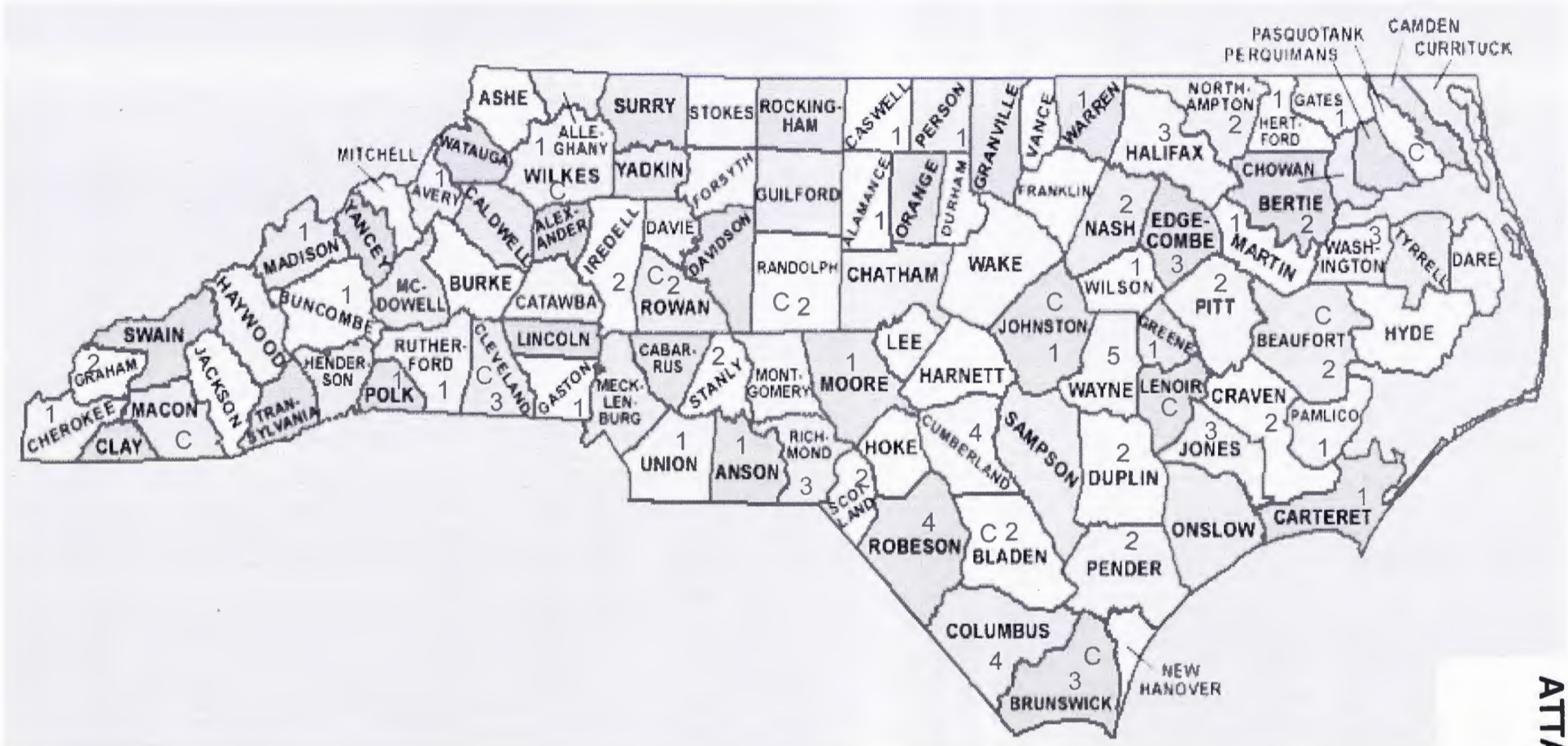
Beaufort County
Bladen County
Brunswick County
Cleveland County
College of the Albemarle
Johnston County
Lenoir County
Randolph County
Rowan-Cabarrus
Southwestern
Wilkes

Troubled Counties:

Anson County
Edgecombe County
Gates County
Greene County
Hertford County
Hoke County
Hyde County
Jones County
Martin County
Northampton County
Orange County
Pender County
Robeson County
Stanly County
Swain County
Vance County
Warren County

North Carolina Local Government Units Currently on Unit Assistance List

Based on Audited Financial Statements as of June 30, 2017



Troubled Counties:

Anson County
Edgecombe County
Gates County
Greene County
Hertford County
Hoke County
Hyde County
Jones County
Martin County
Northampton County
Orange County
Pender County
Robeson County
Stanly County
Swain County
Vance County
Warren County

ATTACHMENT # 5

2018 UNIT ASSISTANCE LIST [4]
(BASED ON DATA FROM 2017 AUDITED FINANCIAL STATEMENTS)
AS OF OCTOBER 25, 2018

Units	County	Progress Meter [5]	2017 Internal Control Issues [1]	2017 Financial Issues General Fund [2]	2017 Financial Issues Water/Sewer Fund [3]	2016 Internal Control Issues [1]	2016 Financial Issues General Fund [2]	2016 Financial Issues Water/Sewer Fund [3]
Municipalities								
Ahoskie	Hertford County	↓	3	1	1	NOT ON UAL FOR 2016		
Andrews	Cherokee County	↓	1	1	1	2	2	1
Askewville	Bertie County	↓	1	2017 AUDIT NOT IN		1	2016 AUDIT NOT IN	
Atkinson	Pender County	→	1	3	3	1	3	3
Bath	Beaufort County	→	2	2	1	1	2	2
Belhaven	Beaufort County	→	1	2	1	1	2	1
Bethel	Pitt County	→	1	2	2	1	2	1
Boardman	Columbus County	→	1	2	1	1	2	1
Bolton	Columbus County	↑	2	2	2	2	1	2
Bridgeton	Craven County	↓	3	3	2	NOT ON UAL FOR 2016		
Cape Carteret [6]	Carteret County	↓	3	2	NA	3	3	3
Castalia	Nash County	↓	1	2017 AUDIT NOT IN		1	2016 AUDIT NOT IN	
Cerro Gordo	Columbus County	↓	1	3	1	NOT ON UAL FOR 2016		
Clarkton	Bladen County	↓	1	3	2	2	3	3
Creswell	Washington County	↓	2	3	1	1	3	1
Dobbins Heights	Richmond County	↓	1	3	NA	1	3	NA
Dover	Craven County	↓	1	2	1	1	2	1
Earl	Cleveland County	↓	2	3	NA	1	3	NA
East Laurinburg	Scotland County	↓	1	2017 AUDIT NOT IN		1	3	NA
East Spencer	Rowan County	→	2	3	1	2	3	1
Ellerbe	Richmond County	→	1	3	3	1	3	3
Elm City	Wilson County	↓	2	1	1	2	2	1
Eureka	Wayne County	↓	2	2	1	2	2	1
Fair Bluff	Columbus County	↓	2	2	1	2	3	2
Fairmont	Robeson County	↑	3	3	2	3	3	1
Falcon	Cumberland County	↓	1	3	3	2	3	3
Fontana Dam	Graham County	↓	1	3	2	1	3	NA
Fremont	Wayne County	↑	3	2	2	2	2	2
Gatesville	Gates County	↓	1	3	NA	1	3	3
Godwin	Cumberland County	↓	1	3	2	2	3	1
Greenevers	Duplin County	↓	3	3	2	3	3	2
Grifton	Pitt County	↓	3	3	2	NOT ON UAL FOR 2016		
Halifax	Halifax County	↓	2	2	2	NOT ON UAL FOR 2016		

ATTACHMENT # 6

2018 UNIT ASSISTANCE LIST [4]
(BASED ON DATA FROM 2017 AUDITED FINANCIAL STATEMENTS)
AS OF OCTOBER 25, 2018

Units	County	Progress Meter [5]	2017			2016		
			Internal Control Issues [1]	Financial Issues General Fund [2]	Financial Issues Water/Sewer Fund [3]	Internal Control Issues [1]	Financial Issues General Fund [2]	Financial Issues Water/Sewer Fund [3]
Hemby Bridge	Union County	↓	1	2017 AUDIT NOT IN		1	3	3
Hoffman	Richmond County	↓	1	3	NA	2	3	3
Hot Springs	Madison County	↑	2	3	1	1	2	1
Kenansville	Duplin County	↑	2	3	3	2	3	3
Kingstown	Cleveland County	→	1	3	1	1	3	1
Lake Lure	Rutherford County	↓	2	2	1	NOT ON UAL FOR 2016		
Landis	Rowan County	→	2	2	3	2	2	3
Laurinburg	Scotland County	↑	2	3	3	2	3	3
Linden	Cumberland County	↓	3	1	3	NOT ON UAL FOR 2016		
Love Valley	Iredell County	↓	1	1	1	1	1	1
Macclesfield	Edgecombe County	↓	2	3	1	2	3	1
Maysville	Jones County	↓	1	1	1	1	1	1
Milton	Caswell County	↑	3	1	3	1	3	1
Morven	Anson County	↑	1	2017 AUDIT NOT IN		1	2016 AUDIT NOT IN	
Mount Olive	Wayne County	→	2	1	1	NOT ON UAL FOR 2016		
Navassa	Brunswick County	→	2	3	1	2	3	1
Newland	Avery County	↑	2	2	3	1	3	3
Norlina	Warren County	↓	2	2	3	2	3	3
Northwest	Brunswick County	↓	2	3	1	NOT ON UAL FOR 2016		
Norwood	Stanly County	→	1	3	1	2	2	2
Oriental	Pamlico County	↑	1	2017 AUDIT NOT IN		1	2016 AUDIT NOT IN	
Ossipee	Alamance County	↓	2	3	1	NOT ON UAL FOR 2016		
Pikeville	Wayne County	→	1	3	3	2	3	3
Plymouth	Washington County	→	2	3	3	2	3	3
Polkville	Cleveland County	↓	1	3	1	1	3	1
Pollocksville [6]	Jones County	↓	3	2	2	3	3	3
Powellsville	Bertie County	↓	3	3	1	1	2016 AUDIT NOT IN	
Princeville	Edgecombe County	↑	1	2017 AUDIT NOT IN		1	2016 AUDIT NOT IN	
Proctorville	Robeson County	↓	1	3	3	NOT ON UAL FOR 2016		
Ranlo	Gaston County	↓	1	2017 AUDIT NOT IN		1	3	3
Red Springs	Robeson County	↓	2	2	3	NOT ON UAL FOR 2016		
Richfield	Stanly County	↓	1	2017 AUDIT NOT IN		1	2016 AUDIT NOT IN	
Rich Square	Northampton County	↓	1	3	3	NOT ON UAL FOR 2016		
Robbinsville	Graham County	↑	2	3	3	1	3	3

2018 UNIT ASSISTANCE LIST [4]
(BASED ON DATA FROM 2017 AUDITED FINANCIAL STATEMENTS)
AS OF OCTOBER 25, 2018

Units	County	Progress Meter [5]	2017			2016		
			Internal Control Issues [1]	Financial Issues General Fund [2]	Financial Issues Water/Sewer Fund [3]	Internal Control Issues [1]	Financial Issues General Fund [2]	Financial Issues Water/Sewer Fund [3]
Robersonville	Martin County	⇩	1	1	3	2	3	3
Ronda	Wilkes County	⇧	2	2	2	1	3	3
Roper	Washington County	⇧	1	1	3	1	1	3
Roxboro	Person County	⇨	1	3	3	1	3	3
Saint Pauls	Robeson County	⇩	2	2	1	2	2	2
Scotland Neck	Halifax County	⇩	1	2	1	1	3	1
Seaboard	Northampton County	⇧	1	3	3	1	1	3
Seagrove	Randolph County	⇧	2	3	3	1	3	3
Selma	Johnston County	⇨	1	3	3	1	3	3
Seven Springs	Wayne County	⇩	1	3	1	1	3	2
Sharpsburg	Nash County	⇨	2	3	3	2	3	3
Southport	Brunswick County	⇩	2	2	2	NOT ON UAL FOR 2016		
Speed	Edgecombe County	⇩	1	3	3	NOT ON UAL FOR 2016		
Spring Lake	Cumberland County	⇩	1	3	3	1	3	3
Staley	Randolph County	⇩	1	3	3	2	3	3
Surf City	Pender County	⇧	2	3	2	2	3	1
Tar Heel	Bladen County	⇨	1	3	3	1	3	3
Taylortown	Moore County	⇨	2	3	1	2	3	1
Trenton [6]	Jones County	⇩	3	2	2	3	3	3
Troutman	Iredell County	⇨	2	3	1	2	3	1
Tryon	Polk County	⇩	1	3	2	1	3	3
Walstonburg	Greene County	⇨	1	3	3	1	3	3
Weldon	Halifax County	⇧	2	3	2	1	3	3
Woodfin	Buncombe County	⇧	2	3	NA	1	3	NA
Total # Municipalities	**91**							

2018 UNIT ASSISTANCE LIST [4]
(BASED ON DATA FROM 2017 AUDITED FINANCIAL STATEMENTS)
AS OF OCTOBER 25, 2018

Units	County	Progress Meter [5]	2017 Internal Control Issues [1]	2017 Financial Issues General Fund [2]	2017 Financial Issues Water/Sewer Fund [3]	2016 Internal Control Issues [1]	2016 Financial Issues General Fund [2]	2016 Financial Issues Water/Sewer Fund [3]
Utility Authorities								
Brunswick Regional Water and Sewer H2GO	Brunswick County	↓	1	NA	1	NOT ON UAL FOR 2016		
Cliffside Sanitary District	Rutherford County	↓	1	NA	1	NOT ON UAL FOR 2016		
Goldston/Gulf Sanitary District	Chatham County	→	1	NA	1	1	NA	1
Stanly Water & Sewer Authority	Stanly County	↓	3	NA	1	3	NA	1
Total # Utility Authorities	4							
COUNTIES								
Anson County		↓	1	3	3	1	3	3
Edgecombe County		→	2	3	2	1	3	2
Gates County		↓	1	3	3	NOT ON UAL FOR 2016		
Greene County		↓	1	3	3	1	3	3
Hertford County		↓	2	3	3	NOT ON UAL FOR 2016		
Hoke County		↑	1	3	3	1	3	3
Hyde County		↓	1	3	3	2	3	3
Jones County [6]		↓	3	2	2	3	3	3
Martin County		→	2	3	2	2	3	2
Northampton		→	1	2017 AUDIT NOT IN		1	3	3
Orange County		↓	2	3	3	NOT ON UAL FOR 2016		
Pender County		→	2	3	2	2	3	2
Robeson County		↓	1	3	2	2	3	3
Stanly County		↓	2	3	3	NOT ON UAL FOR 2016		
Swain County		↓	2	3	NA	NOT ON UAL FOR 2016		
Vance County		↑	3	3	2	3	3	1
Warren County		↑	2	3	3	1	3	3
Total # Counties	17							

2018 UNIT ASSISTANCE LIST [4]
(BASED ON DATA FROM 2017 AUDITED FINANCIAL STATEMENTS)
AS OF OCTOBER 25, 2018

Units	County	Progress Meter [5]	2017 Internal Control Issues [1]	2017 Financial Issues General Fund [2]	2017 Financial Issues Water/Sewer Fund [3]	2016 Internal Control Issues [1]	2016 Financial Issues General Fund [2]	2016 Financial Issues Water/Sewer Fund [3]
RISK ASSESSMENT LEGEND:			***PROGRESS METER LEGEND:***					
HIGH RISK	1		CONDITIONS WORSENED					
MODERATE RISK	2		CONDITIONS STAYED SAME					
LOW RISK	3		CONDITIONS IMPROVED					

Footnotes:

1 For more information about internal controls requirements and best practices, please see GFOA Best Practices on Internal Control, which are located under Accounting and Financial Reporting on the Best Practices page of their website, which can be accessed using the link below:

http://gfoa.org/best-practices

2 For more information about fiscal matters related to the General Fund, please see our annual statistical reports on fund balance and tax collections for municipalities and counties:

Memo 2018-10 for counties: https://www.nctreasurer.com/slg/Memos/2018-10.pdf

Memo 2018-11 for municipalities: https://www.nctreasurer.com/slg/Memos/2018-11.pdf

3 For more information about fiscal matters related to municipal water and/or sewer operations, please see our annual statistical report on municipal water and sewer operations, which can be accessed using the link below:

https://www.nctreasurer.com/slg/Memos/2018-12.pdf

4 Does not include schools or charter schools or entities with FYEs other than June 30

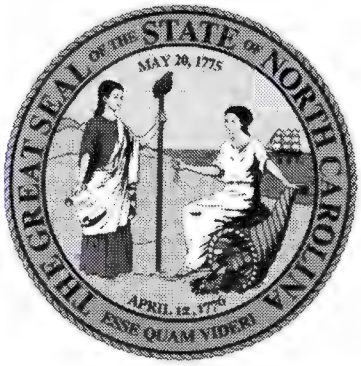
5 Units that are on the UAL this year but not last, or whose audits are not in are generally assumed to have declined in progress, but there are some exceptions based on staff knowledge of individual circumstances

6 Unit added to UAL as a result of significant storm damage from Hurricane Florence

General Note:

Audited financial data is used to make the initial assessment on all units but the final decision on whether a not a unit is on the UAL, and whether or not conditions improved, stayed the same, or declined, is also based on knowledge that may have come from sources other than the audited financial statements. These sources can include, but are not limited to, information gained on unit visits, phone calls, and other interactions with unit staff and leadership.

ATTACHMENT # 7



Results First Initiative in North Carolina

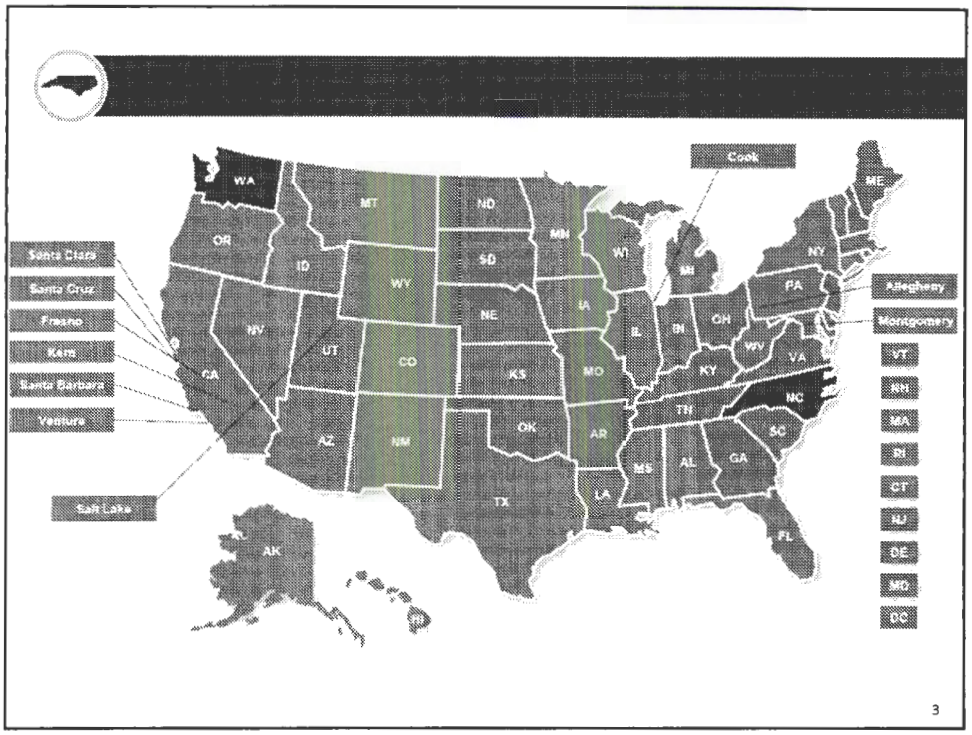
November 8, 2018

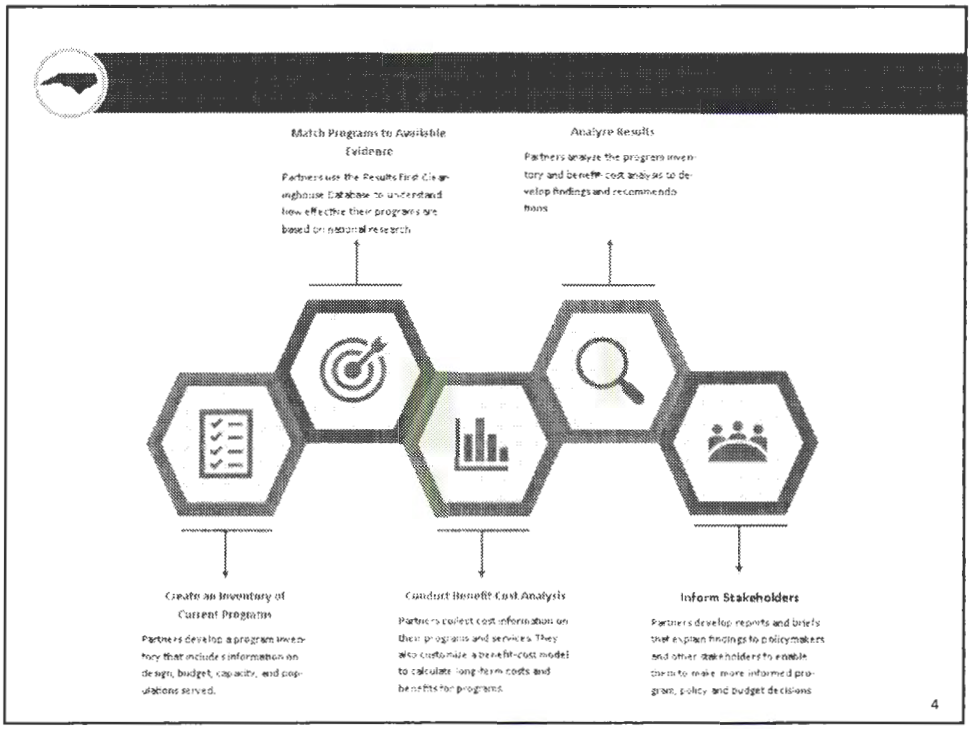
THE PEW CHARITABLE TRUSTS | MacArthur Foundation

What is Results First?

- Results First is an initiative that helps states inform budget and policy decisions to improve societal outcomes and maximize the value of taxpayer dollars.
- The approach relies on rigorous program evaluations and benefit-cost analysis to identify high-return program "investments."
  1. Assessing programs' level of evidence: Identifies policy options that have been tested and found to achieve improvements in specific outcomes (what works).
  2. Benefit-Cost Analysis: Determines how much it would cost and how much it would be worth to produce the results (what are the benefits and costs).

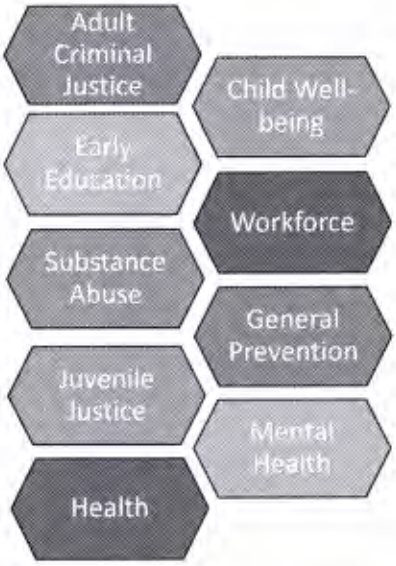
2


Cook
Santa Clara
Santa Cruz
Fresno
Kern
Santa Barbara
Ventura
San Luis
Allegheny
Montgomery
WA
OR
CA
ID
NV
MT
WY
UT
AZ
CO
NM
ND
SD
NE
KS
OK
TX
MN
IA
MO
AR
LA
WI
IL
MS
MI
IN
KY
TN
AL
OH
WV
GA
FL
SC
NC
VA
PA
NY
ME
VT
NH
MA
RI
CT
NJ
DE
MD
DC
AK
3


Match Programs to Available Evidence
Partners use the Results First Clearinghouse Database to understand how effective their programs are based on national research
Analyze Results
Partners analyze the program inventory and benefit-cost analysis to develop findings and recommendations
Create an Inventory of Current Programs
Partners develop a program inventory that includes information on design, budget, capacity, and populations served.
Conduct Benefit Cost Analysis
Partners collect cost information on their programs and services. They also customize a benefit-cost model to calculate long-term costs and benefits for programs.
Inform Stakeholders
Partners develop reports and briefs that explain findings to policymakers and other stakeholders to enable them to make more informed program, policy, and budget decisions
4

Results First Policy Areas

- Results First work spans over several policy areas. Typical policy area takes about 6-12 months to complete.
- First policy area is in child & family health.
- Second policy area will be in juvenile justice.



5

Results First in North Carolina

OSBM's Role

- Facilitate and coordinate the process
- Provide technical expertise in the areas of benefit-cost analysis and evidence-based decision-making

Partner Agency's Role

- Provide programmatic expertise and have the primary responsibility to develop the program inventory

Together OSBM and Partner Agencies:

- Collect information required to build the program inventory and data related to the benefit-cost model
- Estimate costs for the benefit-cost analysis and provide other data as necessary
- Review the results and use them to inform how programs are designed and how resources are allocated across programs

6

- Partnered with the Department of Health & Human Services on first policy area in child and family health
- Review programs that focus on the following outcomes:
  - Reducing the incidences of chronic disease such as Type 2 diabetes and obesity
  - Improve birth outcomes and prevent infant mortality, low birthweight, and preterm births.
- The Child and Family Health Program Inventories are on OSBM's website.
  - **Over 30 programs** are included in the program inventory.
- Conducting the benefit-cost analyses for the child and family health programs that match to those available in the Results First mode
  - Anticipate **8 programs** will be included in the benefit-cost analysis.

7

- Selected Department of Public Safety as the second partner for implementing Results First in NC.
  - Juvenile Justice has been chosen as the second policy area
- Benefit-cost analysis will estimate the benefits and costs of changes in crime, along with other linked outcomes, for state programs that match to the Results First model.
- Provided a series of trainings to 28 DPS Juvenile Justice technical staff on the process, program inventory and benefit-cost model in August 2018.

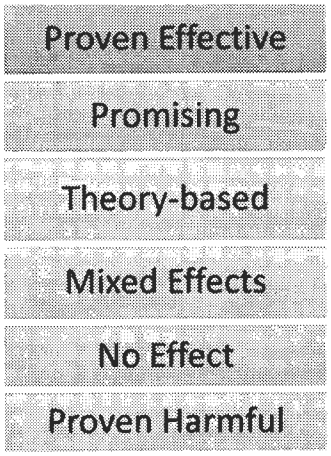
8

- OSBM defined tiered levels of evidence that consider the program's demonstrated effect on targeted outcomes *and* the strength of the evidence to support those conclusions

Uses

- Report the research findings for existing or proposed programs in a policy area
- Determine what proportion of expenditures devoted to proven programs
- Evaluate and inform certain budget proposals
- Identify priorities for future evaluation

Tiered Levels of Evidence



9

- OSBM is encouraging the use of evidence-based policymaking, data-driven decision-making and strategic planning through a variety of initiatives, such as the budget development process.
- OSBM and DHHS will finalize and publish the benefit-cost analyses for child and family health programs.
- OSBM and DPS will begin work on the juvenile justice policy area.

10

Erin C. Matteson
Assistant State Budget Officer
NC Office of State Budget & Management
Erin.Matteson@osbm.nc.gov

11

Tiered Levels of Evidence

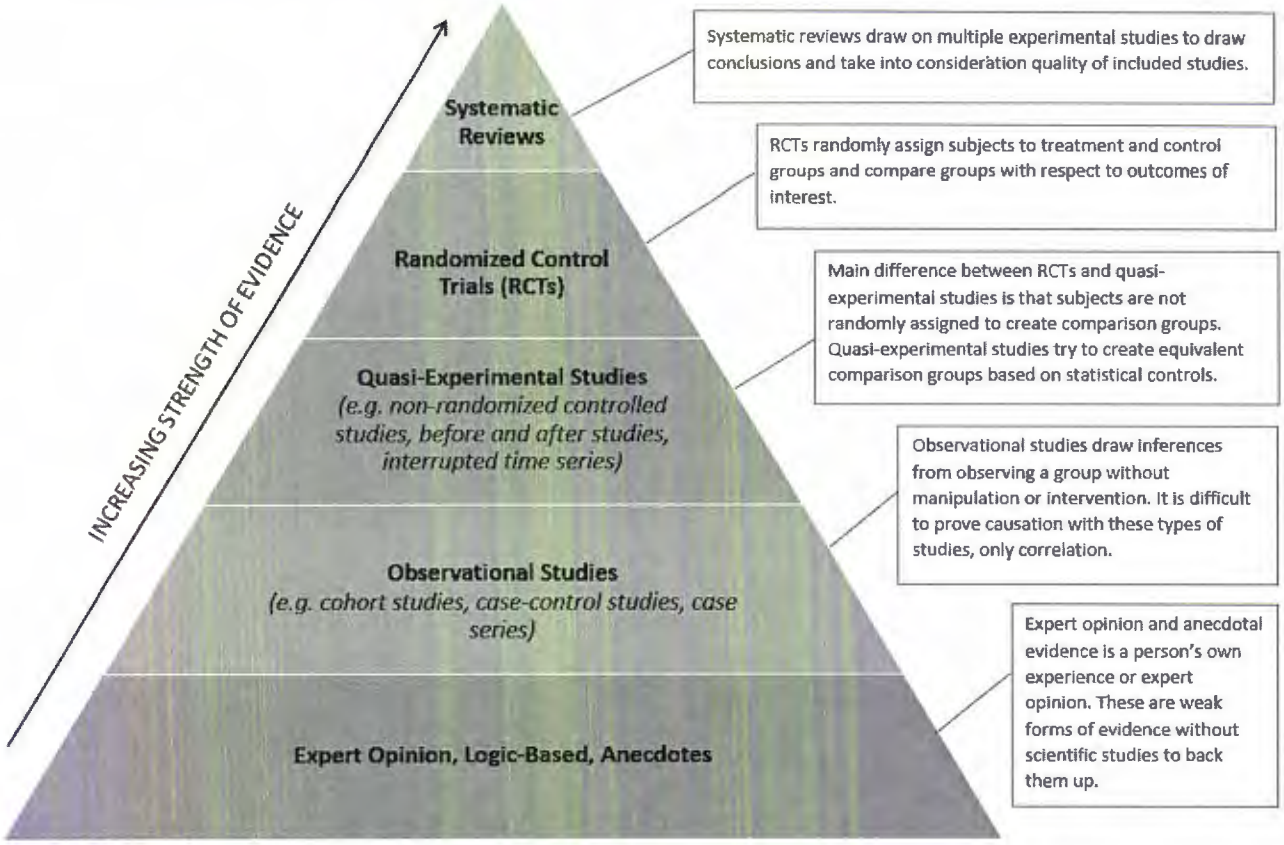
The Office of State Budget and Management created the following tiered levels of evidence. Each of the definitions below outline the criteria needed to qualify for each level of evidence. The defined tiers of evidence are intended to be used in implementing the Pew-MacArthur Results First Initiative and to support budget proposals for selected programs and service areas.[1] Establishing a standard framework and terminology for tiers of evidence is an important step toward building a strong system of evidence-based policymaking. Government leaders and other stakeholders can use these definitions to identify what works and to ensure their limited funds are invested in programs that will achieve strong outcomes. The tiers of evidence are ordered based on the direction of impact, with positive impact at the top and negative impact at the bottom.

Tiered Levels of Evidence	
Proven Effective	A service or practice that is proven effective offers a high level of research on effectiveness for at least one outcome of interest. This is determined through multiple qualifying evaluations outside of North Carolina or one or more qualifying North Carolina-based evaluations. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.
Promising	A promising service or practice has some research demonstrating effectiveness for at least one outcome of interest. This may be a single qualifying evaluation that is not contradicted by other such studies but does not meet the full criteria for the proven effective designation. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.
Theory-based	A theory-based service or practice has no research on effectiveness or research designs that do not meet the standards for "promising" or "proven effective." These services and practices may have a well-constructed logic model or theory of change that has not been tested. This ranking is neutral. Services may move to another category after research reveals their causal impact on measured outcomes.
Mixed Effects	A mixed effects service or practice offers a high level of research on the effectiveness of multiple outcomes. However, the outcomes have contradictory effects, and there is not additional analysis to quantify the overall favorable or unfavorable impact of this service. This is determined through multiple qualifying studies outside of North Carolina or one or more qualifying North Carolina-based evaluations. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.
No Effect	A service or practice with no effects has no impact on the measured outcome. It does not include the service's potential effect on other outcomes. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.
Proven Harmful	A service or practice that is proven harmful offers a high level of research that shows participation adversely affects outcomes of interest. This is determined through multiple qualifying evaluations outside of North Carolina or one or more qualifying North Carolina-based evaluations. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.

[1] These definitions will be most applicable to agencies that cover select policy areas. As an example, Results First currently has the following policy areas: crime & delinquency, child and family well-being, education, employment & job training, mental health, public health, sexual behavior & teen pregnancy, and substance use.

Evidence Hierarchy

The evidence hierarchy provides additional context on the different types of evidence available and their relative strength as referenced in the defined tiered-levels or evidence.



STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION

ROY COOPER
GOVERNOR

MACHELLE SANDERS
SECRETARY

MEMO

TO: Joint Legislative General Government Oversight Committee
Representative George Cleveland, Chair
Representative Dennis Riddell, Chair
Senator John Alexander, Chair

FROM: Secretary Machelle Sanders

RE: Report per Session Law 2018-5, Section 31.2

Session Law 2018-5, Sections 31.2(a) requires the Department of Administration (DOA) to coordinate with other State agencies to use existing geographic information systems and information technology systems in developing a real estate information system to manage the State's owned and leased real property portfolio in the manner required by G.S. 143-341.2. DOA shall report to the Joint Legislative Oversight Committee on General Government its progress in implementing the provisions by November 1, 2018.

Session Law 2018-5, Section 31.2(b) provides a $1,000,000 Non-Recurring transfer from the E-Commerce fund to be used to develop a real estate information system (REIS), as required per Session Law 2016-119, further requiring DOA to actively manage the state's portfolio of real property; to require measurement of the current utilization of state-owned facilities; to ensure the accuracy of the real property inventories maintained by the Department of Administration; and to ensure that the use of state-owned space is maximized before leases are entered into or renewed.

The following timeline outlines the Department's progress in FY 18-19 toward the development of a Real Estate Information System (REIS):

July – August

DOA engaged a Business Analyst (BA) from the Department of Information Technology (DIT) to provide the specifications and business requirements necessary for the development of a Request for Proposal.

There are over 140 business requirements specified which address the following:

- Facilitate real-time collection and dissemination of real property information.
- Enable statistical data reflecting asset value on demand.

- Incorporate GIS data to locate facilities controlled and managed by the State.
- Assist executive management in determining cost data near real time.

Data integration and interoperability are essential, enabling the following systems to work seamlessly and collaboratively:

- State Construction Office -Interscope system
- Facilities Management System (TM2 to be replaced)
- NC Department of Insurance

August - Current

The Department is currently examining our existing business processes in order to improve the quality of the data submitted by agencies. One Facilities Information System (FIS) staff member has been assigned to manually review and verify existing data, identify gaps and work with agencies to fill these gaps.

November

Through the competitive bid process via a "Request For Proposal" (RFP) to be issued by the Department of Information Technology, DOA is seeking a robust, secure, cloud-based system.

Key benefits and deliverables derived from the Real Estate Information System (REIS) are:

- Hosted solution that will streamline data collection efforts pertaining to the disposition of real property.
- Cost savings through the reduction of paper from the management process of real property.
- Improvement in overall data integrity for real property portfolio.
- Improved coordination of real property assets.
- Enhanced decision-making capabilities for executive management.
- Use of automated tools to reduce time and improve real property data accuracy.
- Solution that is user friendly and easily maintainable.

Challenges / Next Steps:

Implementing the Real Estate Information System will require Recurring funds for a scalable (on-demand software) software as a service enabling the Department to fully comply with *Session Law 2016-119.* In addition, the Department has evaluated our current staffing capacity as we anticipate the success of this project hinges upon catching up the current backlog of about 800 files and verifying new data elements as required per *SL 2016-119.* Under current staffing levels, with only three FTE in our Facilities Information Section, it would take us several more years to complete this work. We look forward to working with our legislative partners to bring this project to fruition.

OSBM

Annual Report

Pew-MacArthur Results First Initiative in North Carolina

October 2018



Prepared by:

Office of State Budget and Management

[THIS PAGE WAS INTENTIONALLY LEFT BLANK]

Table of Contents

I. Background 1

II. Pew-MacArthur Results First Initiative 1

Program Inventory & Benefit-Cost Analysis 2

III. Results First in North Carolina 3

Child & Family Health 3

Juvenile Justice 4

IV. Evidence-Based Policy Developments in North Carolina 4

Defining Tiered Levels of Evidence 4

Data & Evidence in Budget Process 6

V. Next Steps 6

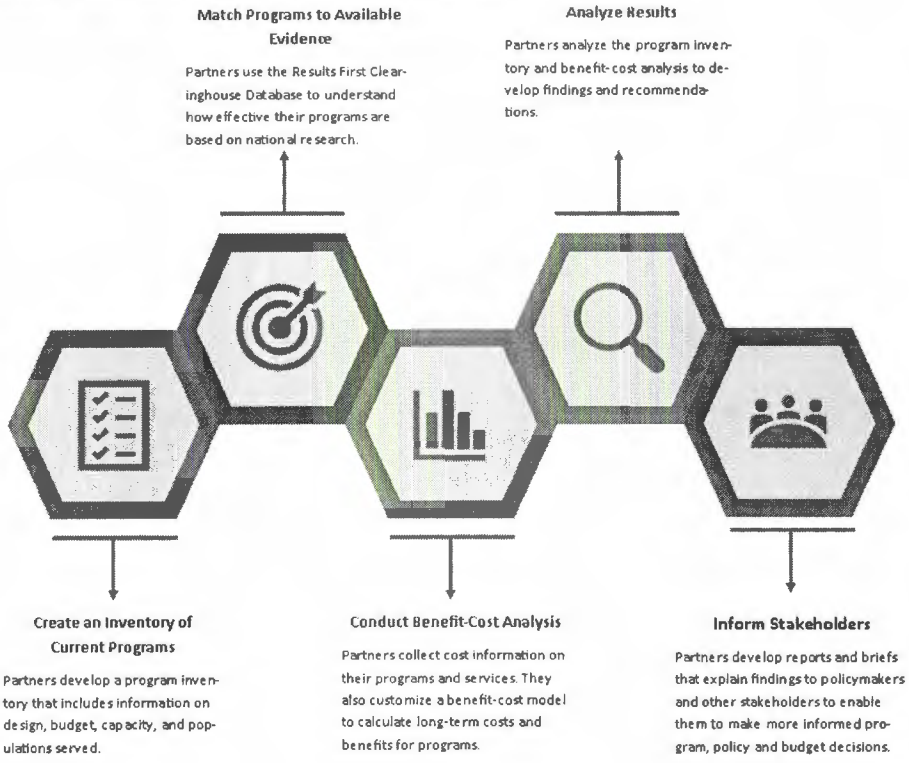
I. Background

In 2017, North Carolina became the 27th state to partner with the Pew-MacArthur Results First Initiative (Results First). S.L. 2017-57, Section 26.3 directed the Office of State Budget and Management (OSBM) to work with Results First to implement a benefit-cost analysis model for use in crafting policy and budget decisions and to provide an annual progress report by October 1 of each year. Through Results First, OSBM collaborates with state agencies to identify and estimate the benefits and costs of state programs. State agencies, such as the Department of Health and Human Services (DHHS), have already benefited from using Results First's tools to analyze and communicate their programs' evidence and cost-effectiveness. Results First serves as a valuable approach to help inform policymakers of cost-effective programs for achieving positive outcomes for North Carolina residents and to identify opportunities for piloting and evaluating promising, innovative approaches.

II. Pew-MacArthur Results First Initiative

Results First is a joint effort of the Pew Charitable Trusts and the John D. and Catherine T. MacArthur Foundation. Results First works with states to implement a benefit-cost analysis approach that helps policymakers make decisions about investments in policies and programs that are proven to work. At no additional cost to the state, Results First partners receive training and technical assistance, a nationally representative clearinghouse database of evaluated programs, and a benefit-cost model that helps identify evidence-based programs that yield high returns on investment. Figure 1 below provides an outline of the Results First process.

Figure 1: Pew-MacArthur Results First Process



OSBM works with state agencies to collect data to complete the inventory of currently funded programs, review the evidence base behind each, and conduct benefit-cost analysis on the programs which match to evidence in the Results First model. Once the benefit-cost analysis has been completed, OSBM and partner agencies review results and use them to inform how programs are designed and how resources are allocated across programs. For each policy area, OSBM publishes program inventories and reports.

Program Inventory & Benefit-Cost Analysis

The Results First process produces two main products: the program inventory and the benefit-cost analysis. The program inventory starts as a comprehensive list of the programs in a particular policy area, along with basic information on the programs' duration, frequency, oversight agency, delivery setting, and target population. Partner states then use this information to match their programs to those in the Results First Clearinghouse.[1] The Results First Clearinghouse is an online resource that provides information on the effectiveness of various interventions.[2] Included programs have different levels of evidence based on the quality, quantity, and/or scientific rigor of the research.

The Results First Clearinghouse helps state partners determine which of their programs are evidence-based and if so, how potentially effective they are according to available research.[3] Not all programs will match to the Results First Clearinghouse. This does not necessarily mean they are not effective programs. Rigorous evaluations may not have been conducted for that specific program or the program may be too small to warrant a rigorous evaluation. Together, the list of programs as well as their associated level of evidence make up the program inventory.

The program inventory also helps identify which programs and services will be included in the benefit-cost analysis. After the inventory is complete and each program's level of evidence has been determined, OSBM, in consultation with the partner agency, identifies which programs qualify for the benefit-cost analysis. In its simplest form, the benefit-cost model calculates the monetary values of benefits and costs of a program over time. For example, if the state funds a program that improves birth outcomes for participants, the model would calculate the potential monetized benefits, such as reduced health care costs, and the costs of implementing the program.

With Results First's assistance, OSBM works with partner agencies to collect cost information and customize the benefit-cost model. The model will estimate a jurisdiction-specific return on investment for the programs in the Results First model. Only programs that have been evaluated with the highest level of rigor will match to the model. This information can be used to better understand the cost-effectiveness of programs and to compare similar programs.

Benefit-cost analyses conducted with the Results First model do not directly evaluate outcomes or effectiveness for programs delivered in North Carolina. Rather, the Results First model helps to estimate the benefits North Carolina can expect if its programs have the same impact found in previous evaluations

---

[1] Results First defines programs as systematic activities that engage participants in order to achieve desired outcomes.

[2] The Results First Clearinghouse Database can be accessed at the following URL:
http://www.pewtrusts.org/en/multimedia/data-visualizations/2015/results-first-clearinghouse-database

[3] An evidence-based program is one that has been rigorously evaluated to demonstrate an actual cause and effect relationship between a program and its outcome.

for similar or equivalent programs. The model assumes that programs in North Carolina are being implemented with the same level of effectiveness as those in the research.

III. Results First in North Carolina

As the lead agency in North Carolina's Results First project, OSBM facilitates and coordinates the process while providing technical expertise in the areas of benefit-cost analysis and evidence-based decision-making. OSBM works with agency staff to collect information required to build the program inventory. OSBM staff also collect data required for the benefit-cost model.

Partner agencies provide the programmatic expertise and have the primary responsibility to develop the program inventory. Partner agencies work with OSBM to estimate costs for the benefit-cost analysis and to provide other data as necessary. Along with OSBM, partner agencies will review results and use them to inform how programs are designed and how resources are allocated across programs.

Child & Family Health

In cooperation with Results First and the Governor's Office, the Department of Health and Human Services (DHHS) was selected as the first partner agency. Programs that support child and family health were chosen as the initial programmatic focus. With Results First, OSBM and DHHS defined the scope of this topic area to include programs that address the following outcomes in health:

- Reduced incidences of chronic diseases, including obesity and type 2 diabetes; and
- Improved birth outcomes, such as reducing unnecessary cesarean sections, infant mortality, low birthweight, preterm birth, small for gestational age, very low birthweight, and Neonatal Intensive Care Unit (NICU) admissions.

Once the policy area was selected, OSBM worked with DHHS to identify relevant program staff to develop the program inventory. After a training with Results First on the program inventory tool, DHHS worked with program staff to identify relevant programs and provide program information. OSBM then used the program inventory to identify similar or equivalent programs that matched in the Results First Clearinghouse and the Results First benefit-cost model.

Based on these matches, OSBM categorized programs into one of six evidence rating levels, listed in the following table, used by the Results First Clearinghouse. The Results First Clearinghouse applies evidence rating levels to each clearinghouses' distinct rating systems, creating a common language that allows users to quickly see where each program falls on a spectrum from negative impact to positive impact. The clearinghouses of interest for the child and family health policy area include What Works for Health and the California Evidence Based Clearinghouse for Child Welfare. OSBM also reviewed research from the Washington State Institute for Public Policy.

Results First applies the following rating levels of evidence:

Table 1: Pew-MacArthur Results First Clearinghouse Database Rating Levels

Rating Category	Definition
Highest Rated	The program had a positive impact based on the most rigorous evidence.
Second-highest Rated	The program had a positive impact based on high-quality evidence.

No Evidence of Effects	The program had no impact based on the most rigorous or high-quality evidence. That is, there was no difference in outcomes between program participants and those in the comparison group.
Not Rated	The program is not in the Results First Clearinghouse Database.
Mixed Effects	The program had inconsistent impacts based on the most rigorous or high-quality evidence. That is, study findings showed a mix of positive impact, no impact, and/or negative impact.
Negative Effects	The program had a negative impact based on the most rigorous or high-quality evidence.

The Child and Family Health Program Inventory, which displays child and family health program information and their matches to the available evidence, will be found on OSBM's website sometime in October. Thirty-two programs are included in the program inventory.

OSBM and DHHS are now conducting the benefit-cost analyses for the child and family health programs that match to those available in the Results First model. It is anticipated that eight child and family health programs identified through the program inventory process will be included in the benefit-cost analysis. OSBM and DHHS have begun preliminary work in collecting data and developing the cost analyses for the programs included in the benefit-cost analysis.

Throughout the process, Results First conducted trainings and provided technical assistance to DHHS and OSBM staff on each part of the Results First process to help build state capacity in evidence-based policymaking. Trainings covered the program inventory, matching programs to the evidence base, creating a cost analysis, and running the benefit-cost analysis.

Juvenile Justice

The Department of Public Safety (DPS) was selected as the second partner agency for implementing Results First in North Carolina. In cooperation with Results First, the Governor's Office and OSBM, DPS selected juvenile justice as North Carolina's second policy area. In the juvenile justice policy area, benefit-cost analysis will estimate the benefits and costs of changes in crime, along with other linked outcomes, for state programs that match to the Results First model.

In August 2018, the Results First team provided a series of trainings to 28 DPS Juvenile Justice technical staff on the process, program inventory, and benefit-cost model to kick off the project's next phase. Further scoping conversations are underway to prioritize how to apply the Results First model to juvenile justice programs.

IV. Evidence-Based Policy Developments in North Carolina

Defining Tiered Levels of Evidence

Per S.L. 2018-5, Section 26.1, OSBM was directed to develop and publish descriptive, formal definitions for tiered-levels of evidence along with the criteria needed to qualify for each tier of evidence. Establishing a standard framework and terminology for tiers of evidence is an important step toward building a strong system of evidence-based policymaking. Government leaders and other stakeholders can use these definitions to identify what works based on available research and to ensure that limited funds are invested in programs that have the greatest likelihood of achieving strong positive outcomes.

Moving forward, the defined tiers of evidence will be used in implementing the Pew-MacArthur Results First Initiative and to inform budget proposals for selected programs and service areas. These definitions will be most applicable to agencies that cover select policy areas. As an example, Results First currently has the following policy areas: crime & delinquency, child & family well-being, education, employment & job training, mental health, public health, sexual behavior & teen pregnancy, and substance use.

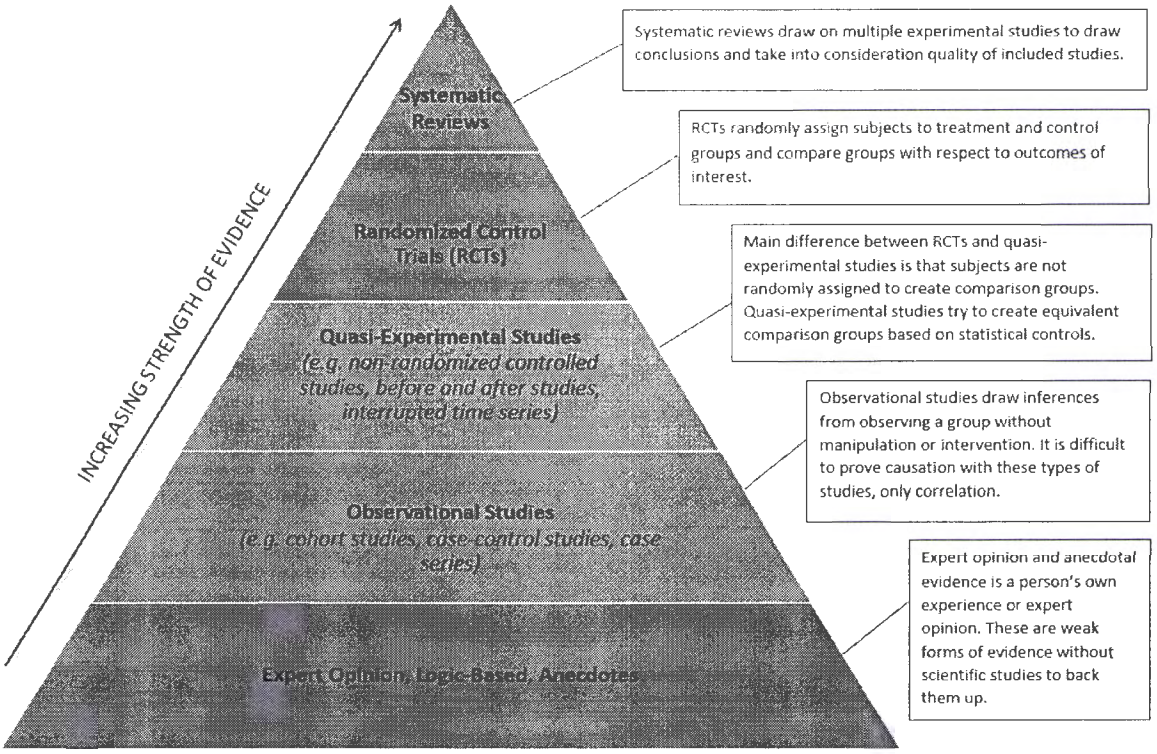
When designing the definitions, OSBM created categories that consider both the level of evidence and the program's evidence of impact (positive, negative, no impact). The level of evidence looks at quality, quantity, and/or scientific rigor of the available research. The evidence of impact looks at whether the evidence of the program demonstrates a positive, negative, or no impact on the outcome of interest.

Below are the defined tiered levels of evidence. The tiers of evidence are ordered based on the direction of impact, with positive impact at the top and negative impact at the bottom.

- Proven effective: A service or practice that is proven effective offers a high level of research on effectiveness for at least one outcome of interest. This is determined through multiple qualifying evaluations outside of North Carolina or one or more qualifying North Carolina-based evaluations. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.
- Promising: A promising service or practice has some research demonstrating effectiveness for at least one outcome of interest. This may be a single qualifying evaluation that is not contradicted by other such studies but does not meet the full criteria for the proven effective designation. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.
- Theory-based: A theory-based service or practice has no research on effectiveness or research designs that do not meet the standards for "promising" or "proven effective." These services and practices may have a well-constructed logic model or theory of change that has not been tested. This ranking is neutral. Services may move to another category after research reveals their causal impact on measured outcomes.
- Mixed effects: A mixed effects service or practice offers a high level of research on the effectiveness of multiple outcomes. However, the outcomes have contradictory effects, and there is not additional analysis to quantify the overall favorable or unfavorable impact of this service. This is determined through multiple qualifying studies outside of North Carolina or one or more qualifying North Carolina-based evaluations. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.
- No effect: A service or practice with no effects has no impact on the measured outcome. It does not include the service's potential effect on other outcomes. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.
- Proven harmful: A service or practice that is proven harmful offers a high level of research that shows participation adversely affects outcomes of interest. This is determined through multiple qualifying evaluations outside of North Carolina or one or more qualifying North Carolina-based evaluations. Qualifying evaluations use rigorously implemented experimental or quasi-experimental designs.

Figure 2 below provides additional context on the different types of evidence available and their relative strength as referenced in the defined tiered-levels of evidence.

Figure 2: Evidence Hierarchy



Data & Evidence in Budget Process

OSBM has also started to encourage the use of evidence-based policymaking, data-driven decision-making, and strategic planning through a variety of initiatives, such as the budget development process. In budget development, OSBM is placing a greater emphasis on strong business cases for new and expanded program requests. Requests for new or expanded programs or services must include data and evidence supporting the programs' effect on desired outcomes.

As part of these efforts, OSBM has allotted agencies more time this year in the budget development process to ensure a recommended budget that accurately reflects agency operations and critical future needs. OSBM budget development analysts are collaborating closely with agencies and offering deeper technical assistance in developing budget requests.

V. Next Steps

Over the next year, OSBM will continue its work on the Results First Initiative. OSBM and DHHS will finalize and publish the benefit-cost analyses for child and family health programs. OSBM and DPS will also begin work on the juvenile justice policy area. The juvenile justice policy area is one of the most complex for the Results First model. It will require working in cooperation with other divisions within the Department of Public Safety, such as Adult Corrections, and non-profit or local government partners that receive state

funds. The analyses will provide valuable data to inform decision-making on the benefits and costs of state programs.

Moving forward, there are opportunities to better integrate Results First into the budget process and agencies' operations. OSBM will work with Results First partner agencies to identify strategies to better incorporate findings into their planning and operations. In addition, OSBM will develop a communications and outreach strategy to encourage greater understanding and utilization of the findings. Together, these efforts will help the state continue to foster a culture of evidence-based policymaking for improved outcomes in North Carolina.

Committee Sergeants at Arms

NAME OF COMMITTEE Joint Legislative Oversight Committee on General Government

DATE: 11/8/2018 Room: 643

House Sgt-At Arms:

1. Name: Warren Hawkins
2. Name: Doug Harris
3. Name: David Leighton
4. Name:
5. Name:

Senate Sgt-At Arms:

1. Name: Eddie Broughton
2. Name: Jim Hamilton
3. Name:
4. Name:
5. Name:

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government 11/8/2018

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Sharon Edmundson	NC Dept. of State Treasurer
Martin Falls	NC Dept Military & Veteran Affairs
Angela Heilig	NC Dept. Military & Veterans Affairs
James Woodard	NC " " " "
George Robinson	NC DOI
Bob Rasser	NC DOI
Sam Watts	NC DST
Sharon Edmundson	"
Kimberly Williams	NC DHHS
Iris Cooper	NC DHHS
Matt Gross	DHHS

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government — 11/8/2018

Name of Committee — Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Josh Lanier	CSH
Brad Young	OSA
Susan Mayo	NCICU
Dennis Ragsdale	eGov NCDIT
Amy O'Neal	NCIC
Greg Gaskins	NC State Treasurer
Jada Brady	NC Central University
Erin Wynia	NCLM
[illegible]	NCCU
Amira Shaw	NCCU
Zaire McLeod	NCCU

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government 11/8/2018

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mark Bondo	Office of State Budget & Management
Jason Juffray	Office of State Budget and Management
Hugh Johnson	NCACC
Tonya Hooten	OSHR
Carrie Hollis	OSBM
Erin Dichmeyer	OSBM
Rachel Stallings	OSBM
Erin Matteson	OSBM
Claudia Brewmaker	office of governor
Ken Wright	NC DOR
Leo John	Secy of State

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government 11/8/2018

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Bill Holmes	NCDIT
John Leskovec	OSBM

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government 11/8/2018

Name of Committee Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Ivy Bass	NCCU

DRAFT
Will be submitted for approval during next Joint Legislative Oversight Committee on General Government Meeting

JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT
January 3, 2019
Room 544 of the Legislative Office Building

The Joint Legislative Oversight Committee on General Government met on Thursday, January 3, 2019 at 9:00 AM. The meeting was held in Room 544 of the Legislative Office Building. Senate Members present were: Senators Alexander and Horner. House members present: Representatives Cleveland, Floyd, Ford, Riddell, Ross and Warren. Staff members present were: Cara Bridges, Grant Schwab, Amy Darden, Gayle Moses, Bill Patterson and Myra Torain. The Committee Clerk was Jessica Daigler-Walls. Included in the documentation is the list of House and Senate Sergeant at Arms who served the committee and a list of visitors to the committee.

Rep. George G. Cleveland presided.

The minutes from the November 8, 2018 meeting were submitted. Rep. Floyd made a motion to approve. The November 8. 2018 minutes were approved by the committee.

The Department of Revenue (DOR) gave a presentation on the Collections Assistance Fund, Collections Case Management system update, IT project update, tax payer advocacy programs and delinquent tax collections (Attachment 1). DOR Secretary Ronald Penny introduced the DOR staff members that discussed the information in the presentation: CFO Jackie McKoy, Direction of Collections Cale Johnson, COO; CIO; CISO; David Roseberry, and Director Office of Taxpayer Advocate Angela Stephenson. Ms. McKoy began with a brief overview of the Revenue collected by the department for the 2018 Fiscal Year and a brief overview of the collections assistant fee. Senator Horner wanted to know how the money was managed and what was in place to make sure the money moves quickly to the accounts. Ms. McKoy discussed about procedures in place at DOR making sure money coming was deposited daily and then the money immediately moved to the Department of Treasury and managed by the Office of State Controller. Cale Johnson provided information regarding the collections case management status and delinquent taxes. Rep. Cleveland stated that providing one real world example to the vendors for a demo does not really cover the real world. Mr. Johnson responded by stating that there is a team that has been working for months to go through all different possible scenarios vendors will have to go through multiple real work example demos. Rep. Floyd discussed how the 20% collections assistance fee was assessed. Mr. Johnson provided information stating that ninety days after issuing the notice of collection the balance at that time was what the collections fee is assessed on, the only time the 20% is not assessed was if the taxpayer paid all owned liability within ninety days after the notice of collection or the taxpayer entered into an installment agreement with the department. Senator Horner discussed accounts receivable and the amount in

garnishment status. Rep. Riddell stated showing improvement and 2015, 2016 with growing improvement into 2017 and wanted to know why there has been growing improvement over time. Mr. Johnson responded they have implemented process changes and have become more efficient. Senator Horner wanted to know how much the Agency writes off annually as uncollectable. David Roseberry reviewed information on the major IT projects. Rep. Floyd wanted to know if the system was capable of drafting delinquent payments. Rep. Riddell thanked the agency for all their hard work and wanted to know how many attempts there were daily to breach the security at DOR. Mr. Roseberry discussed that there are a very large number of attempts to breach security and majority attempted from offshore overseas. Angela Stephenson provided information regarding the Office of the Taxpayer Advocate (OTA). Rep. Floyd has concerns regarding the large number of people that have received calls from scammers and wanted to make sure there was a way for the taxpayer to verify that it was DOR that called them. Secretary Penny and Angela Altice, DOR Assistant Secretary of Business Services, discussed different options and procedures that were in place to verify the individual that was called as well as the individual verify they were being contacted by an employee from DOR. Rep. Riddell commended Ms. Stephenson for work at the OTA and appreciated work done for constituents.

The Department of Administration (DOA) provided two presentations. The first presentation was given by Robert Riddle, DOA Interim Director Motor Fleet Management, providing the 2019 Motor Fleet Management update (Attachment 2). Senator Alexander asked what information the telematics provides on the vehicle. Mr. Riddle stated the telematics in like a black box on a plane, it provides every data point on the vehicle. For example: speed, driving behavior and vehicle performance. Rep. Cleveland stated he saw where there is a monthly fee and asked if mileage comes into equation. Mr. Riddle stated monthly fee assessed on a fixed driving rate of 1,050 miles and if the vehicle went over that there was an additional charge. Senator Alexander stated he can see there is a monthly rate for the vehicles and asked if there is a weekly or daily rate. Mr. Riddle stated the agency only had the motor pool fleet for the monthly rate but an agency could lease weekly/daily through Hertz or Enterprise. Rep. Cleveland would like to know why there is such a difference in the fees associated with law enforcement vehicles. The second presentation was given by Mark Edwards, DOA Deputy Secretary, regarding the State Property facilities plan (Attachment 3). DOA provided additional documentation for review: chart outline of State of North Carolina Five Year Property Management Planning Process (Attachment 4), a Memo from DOA Secretary Machelle Sanders providing a report per Session Law 2016-119 (Attachment 5) and DOA Plan to Comprehensively Manage and Modernize the State's Real Estate Portfolio (Attachment 6).

Dr. Linda Combs, State Controller, spoke about the ERP System moving forward providing information why replacement is needed and stated the project is on the road to positive changes for North Carolina. Jim Dolan, Chief Deputy OSC, gave the presentation on the ERP Update for Legislative Partners (Attachment 7). Rep. Floyd asked when system comes online what is the expected life span. Mr. Dolan predicted lifespan is 20 years, 5 year subscription with 3 renewals. Senator Alexander stated that Dr. Combs and Mr. Dolan have a great amount of passion for this project and wished them well as they move forward with the project.

The next presentations were given by Department of Insurance. Before the presentations, Mike Causey, DOI Commissioner, wanted to thank for the help that improved criminal investigations and building code. The first presentation was given by Marty Sumner, DOI Senior Deputy Commissioner, providing a status update on the Criminal Investigations Division (Attachment 8). Senator Alexander wanted to know where the restitution money collected goes. Mr. Sumner stated that the majority of the restitution goes back to the victims, some fines collected go to the Department of Insurance and the State Budget, and for the first time they were reimbursed for investigation expenses which was put back to turn around for other investigations. Rep. Cleveland wanted to know if anybody tracks the money once the court says it has to be paid. Mr. Sumner stated their office had a paralegal who tracked all the cases where restitution had been ordered and through AOC they saw when and if it was paid. The second presentation was given by Cliff Isaac, DOI Deputy Commissioner, providing an update on the Building Code inspector pool update from the Office of the State Fire Marshal (Attachment 9). Rep. Cleveland stated they were supposed to report on the proper use of permit fees and asked if they have looked into that. Mr. Isaac stated that the department has met with the Treasury Department and they have already written a guideline paper for the jurisdictions for reporting of revenues and the expenses and report would be available October 2019. Rep. Cleveland made a comment and stated the state of North Carolina should not have to publish anything other than English, which is the official language of our state, unless the Federal Government requires that it be done. Rep. Riddell stated he looked forward to continued work together, had heard good things from all involved.

The next presentation was from the Office of State Budget and Management (OSBM) regarding the progress report on Performance Management Pilot (Attachment 10). Charles Perusse, State Budget Director, started the presentation and provided Office of State Budget and Management updates. Corey Petersohn, OSBM Budget and Management Analyst, then presented the pilot progress report. Director Perusse ended the presentation by providing the next steps for OSBM. Rep. Riddell made comment that it is very impressive to see what we have going on in North Carolina and appreciates the effort being done, data and analytics is the crux of it all because to make good decisions you need good data. Rep. Riddell asked how many agencies collected the kind of data needed going forward at this time. Director Perusse discussed different ways agencies had collected the needed data, referencing when the State Controller talked about ERP and Financial Backbone Program, replacing that data program will help with analytics capacity going forward.

John Correllus, Chief Data Officer and GDAC Director, from the Department of Information Technology gave a presentation on the Open Budget overview and update (Attachment 11). Rep. Floyd wanted to know if money administered to municipalities could be shown in the program and if there is a way to know if and when a municipality received appropriated money. Mr. Correllus advised program does not show municipalities. Rep. Warren asked if planning to build on the 5 year history. Mr. Correllus advised does not see a reason to not build on the history but they are trying to find out what would be the most user friendly.

The next presentation was given by Chuck Hefren with the North Carolina General Assembly providing an update on North Carolina State Government Facilities' Master Plan (Attachment

12). Senator Alexander discussed working with the City of Raleigh. Rep. Riddell asked for the timeline progression once they had contracts in hand. Mr. Hefren advised the study was anticipated to be completed late spring/early summer. Rep. Cleveland asked if Tennessee was the only state that was looked at to compare. Mr. Hefren said they had looked at other states and discussed information regarding the amount of information Tennessee had in work space analysis.

There being no further business, the meeting adjourned by the Chair at 12:11 PM.

Rep. George G. Cleveland
Presiding

Jessica Daigler-Walls, Committee Clerk

JOINT LEGISLATIVE OVERSIGHT COMMITTEE
ON GENERAL GOVERNMENT
Room 544 Legislative Office Building
Agenda

January 3, 2019 - 9:00 AM

I. CALL TO ORDER

Chairs: **Sen. John Alexander, presiding**
Rep. Dennis Riddell
Rep. George Cleveland

II. PRESENTATIONS

Department of Revenue (DOR) – Collections Assistance Fund, Collections Case Management system update, IT project update, tax payer advocacy programs, delinquent tax collections
Secretary Ronald Penny, DOR

Department of Administration (DOA) – Motor fleet update, State Property facilities plan
Robert Riddle, Interim Director of Motor Fleet Management, DOA
Deputy Secretary Mark Edwards, DOA

Office of State Controller – ERP System update
Dr. Linda Combs, State Controller
Jim Dolan, Chief Deputy, OSC

Department of Insurance (DOI) –Investigation program update, Building Code inspector pool update
Marty Sumner, Senior Deputy Commissioner, DOI
Cliff Isaac, Deputy Commissioner, DOI

Office of State Budget and Management (OSBM) – Report on best practices in performance management
State Budget Director Charles Perusse, OSBM
Corey Petersohn, Budget and Management Analyst, OSBM

Department of Information Technology (DIT) – Open Budget overview
John Correllus, Chief Data Officer and GDAC Director, DIT

NC General Assembly (NCGA) – Update on study of downtown complex buildings
Chuck Hefren, NCGA

III. ADJOURNMENT

Jessica Daigler-Walls (Sen. John Alexander)

From: Jessica Daigler-Walls (Sen. John Alexander)
Sent: Thursday, December 20, 2018 11:05 AM
To: Jessica Daigler-Walls (Sen. John Alexander)
Subject: <NCGA> Joint Legislative Oversight Committee on General Government Meeting Notice for Thursday, January 03, 2019 at 9:00 AM
Attachments: Add Meeting to Calendar_LINC_.ics

NORTH CAROLINA GENERAL ASSEMBLY

Raleigh, North Carolina 27601

December 20, 2018

MEMORANDUM

TO: Members, Joint Legislative Oversight Committee on General Government
FROM: Sen. John M. Alexander, Jr., Co-Chair
Rep. George G. Cleveland, Co-Chair
Rep. Dennis Riddell, Co-Chair

SUBJECT: Meeting Notice

The **Joint Legislative Oversight Committee on General Government** will meet at the following time:

DAY	DATE	TIME	LOCATION
Thursday	January 3, 2019	9:00 AM	544 LOB

Senator Alexander will preside.

Parking for non-legislative meeting attendees is available in the visitor parking deck #75 located on Salisbury Street across from the Legislative Office Building. Parking is also available in the parking lot across Jones Street from the State Library/Archives. You can view a map of downtown by visiting http://www.ncleg.net/graphics/downtownmap.pdf.

If you are unable to attend or have any questions concerning this meeting, please contact Jessica Daigler-Walls at Alexanderla@ncleg.net.

cc: Committee Record _X_
Interested Parties _X_

NCDOR | NORTH CAROLINA DEPARTMENT OF REVENUE

Joint Legislative Oversight Committee 2018

North Carolina Department of Revenue

ATTACHMENT # 1

NCDOR

Joint Legislative Oversight Committee - 2018

RONALD PENNY

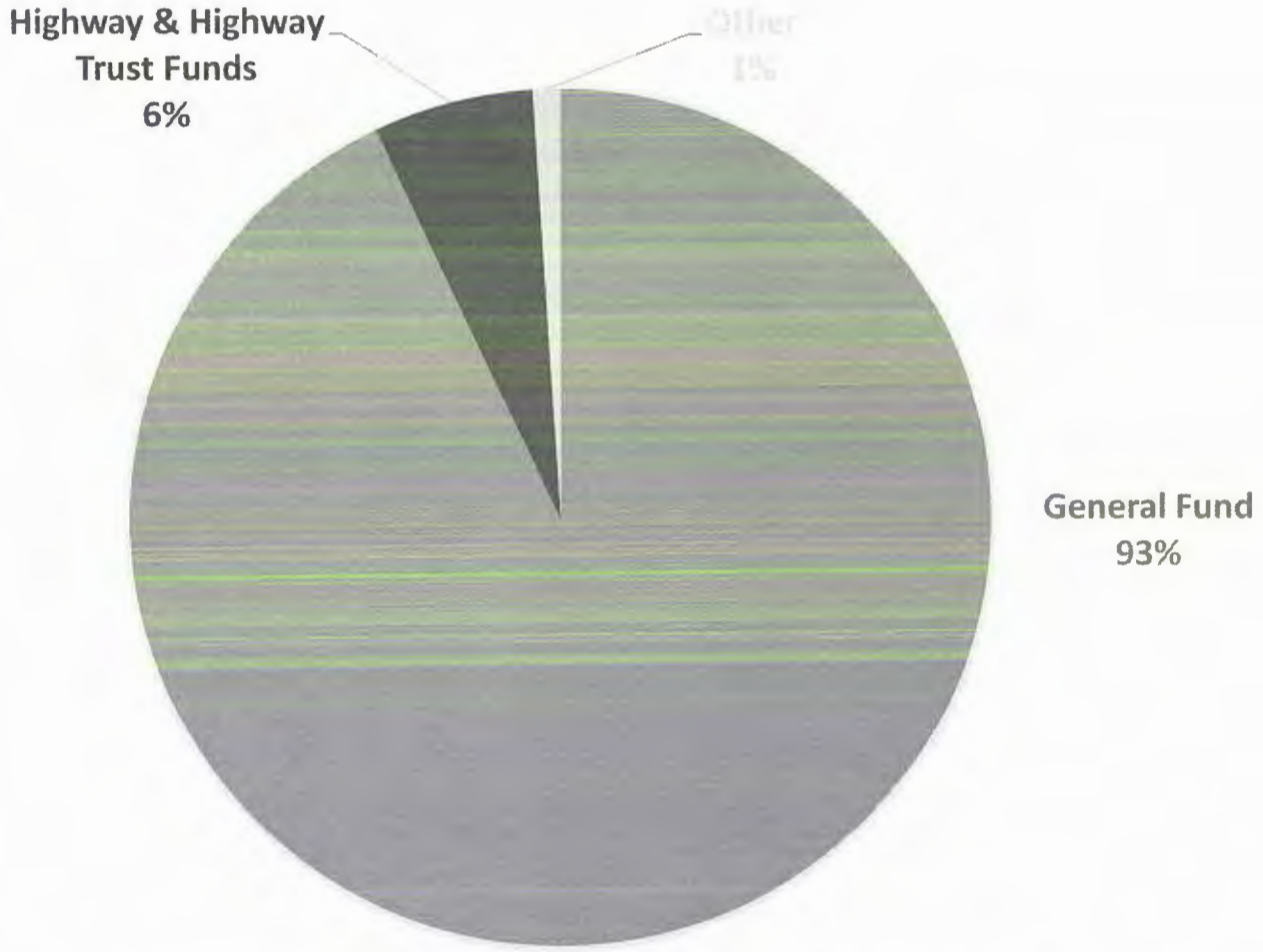
NCDOR

Agenda

- Revenue
- Collections Assistance Fee
- Status of the Collections Case Management System
- Status update of other major IT projects
- Overview of the Taxpayer Advocate Office services

NCDOR

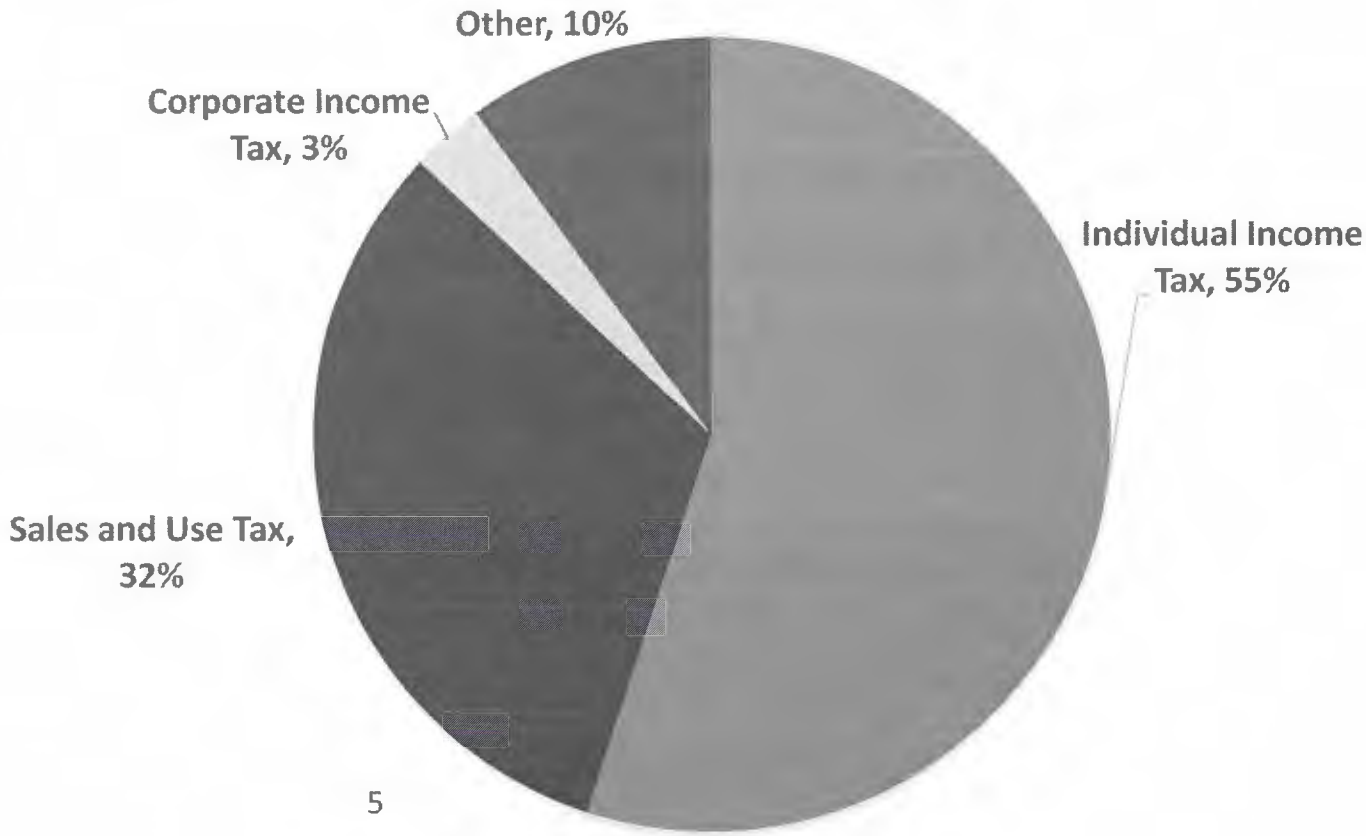
Gross Collections – 2018 Fiscal Year



GROSS COLLECTIONS - $31.2 BILLION

General Fund Net Collections – 2018 FY

General Fund Gross Collections	$29.0 billion
Less:	
Refunds	$ 2.0 billion
Distributions to Local Governments	3.4 billion
Various Transfers	.9 billion
General Fund Net Collections	**$22.7 billion**



NCDOR

Joint Legislative Oversight Committee - 2018

COLLECTIONS ASSISTANCE FEE

Collection Assistance Fee

G. S. 105-243.1 allows the Department of Revenue to impose a 20% collection assistance fee on overdue tax debt.

Overdue tax debt:

- Any part of a tax debt that remains unpaid 90 days or more after it becomes collectible under G.S. 105-241.22.
- Does NOT include a tax debt in which a taxpayer has entered into an installment agreement with the Department and has NOT failed to make any payments due under the agreement.

NCDOR

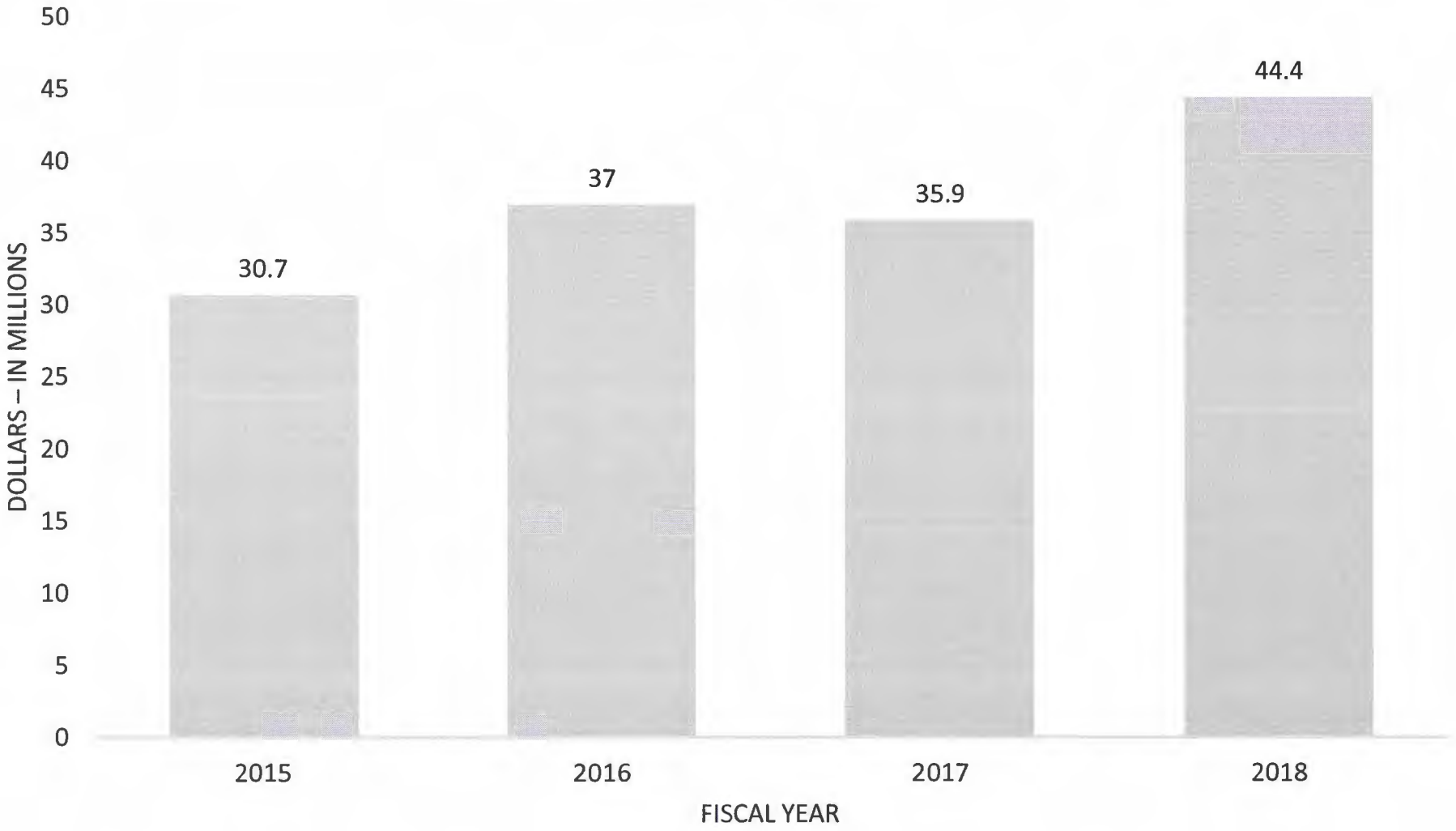
Collection Assistance Fee

Uses:

- Proceeds of the fee must be used for costs directly and primarily related to collecting and reducing the incidence of overdue tax debts as detailed in G.S. 105-243.1(e).

- Proceeds of the fee may be used for other purposes only pursuant to appropriation by the General Assembly.

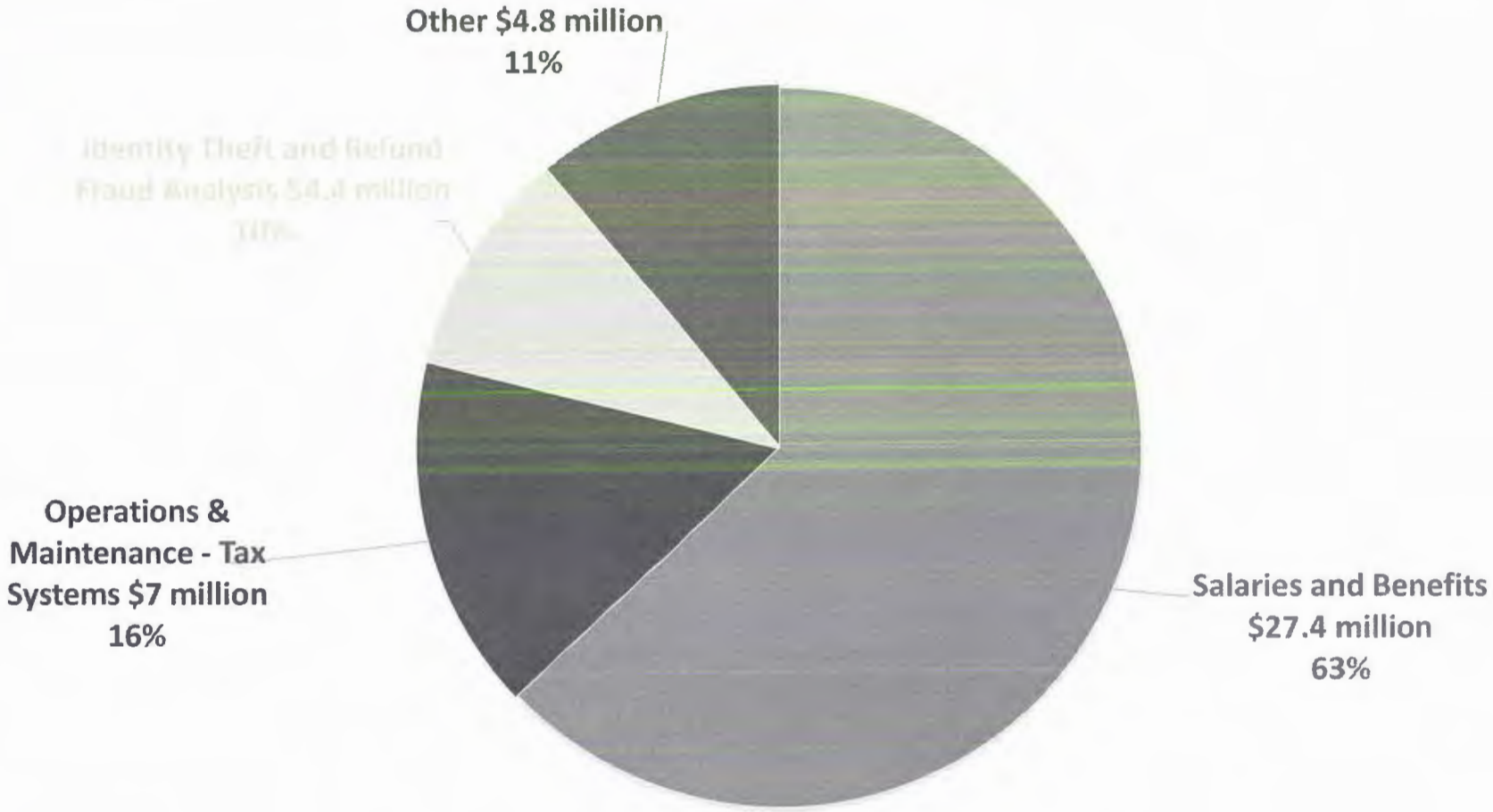
Collection Assistance Fee



NCDOR

Collection Assistance Fee

2017-2018 FISCAL YEAR ACTUAL EXPENDITURES
$43.6 MILLION



NCDOR

Joint Legislative Oversight Committee - 2018

COLLECTIONS CASE MANAGEMENT STATUS

NCDOR

CCM

- Budget - $20m one time, $5m recurring
- Purpose
  - The current collections systems are proprietary and the original system architects have retired. Any malfunction in the current systems could potentially reduce the collection of over $600m annually.
  - Obtain and implement a workflow based system to support collections activities

Timeline

- Request for Proposal (RFP) was sent to DIT on July 25, 2017 and posted on January 22, 2018.
- March 1, 2018, only one responsive submission was received. RFP was cancelled and the NCDOR undertook a major re-write of the Request for Proposal.
- New RFP was posted on August 14, 2018
- November 19, 2018 NCDOR received eight responsive submissions that are now under review and evaluation

NCDOR

Next Steps

- Demos in December 2018
- BAFO in January 2019
- Award in March 2019
- Project execution complete March 2020

Key Issues

- Will be final billed only (for this project) then extended to proposed assessments for Exams, USUB and Excise taxes
- Funding will need to carry with the majority of the spend being around June 2019
- Project risks minimized
  - Process engineering work completed
  - Performance metrics already in place (mimic in implementation)
  - Real world example will be provided to vendor for demo (must prove system can perform)

NCDOR

Joint Legislative Oversight Committee - 2018

DELINQUENT TAXES

Revenue Officer Inventory

- Average Number of Collection Cases:

  1,716

- Average Value of Collection Cases:

  $3,069,038

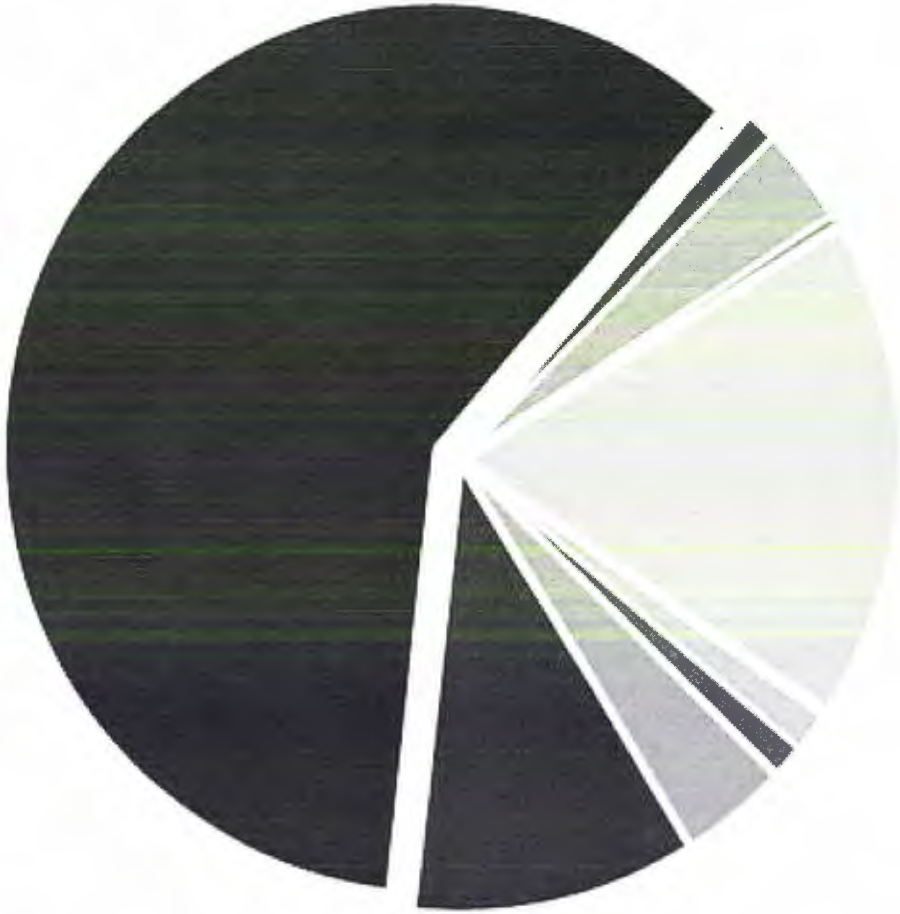
- Average Number of Delinquents:

  1,698

NCDOR

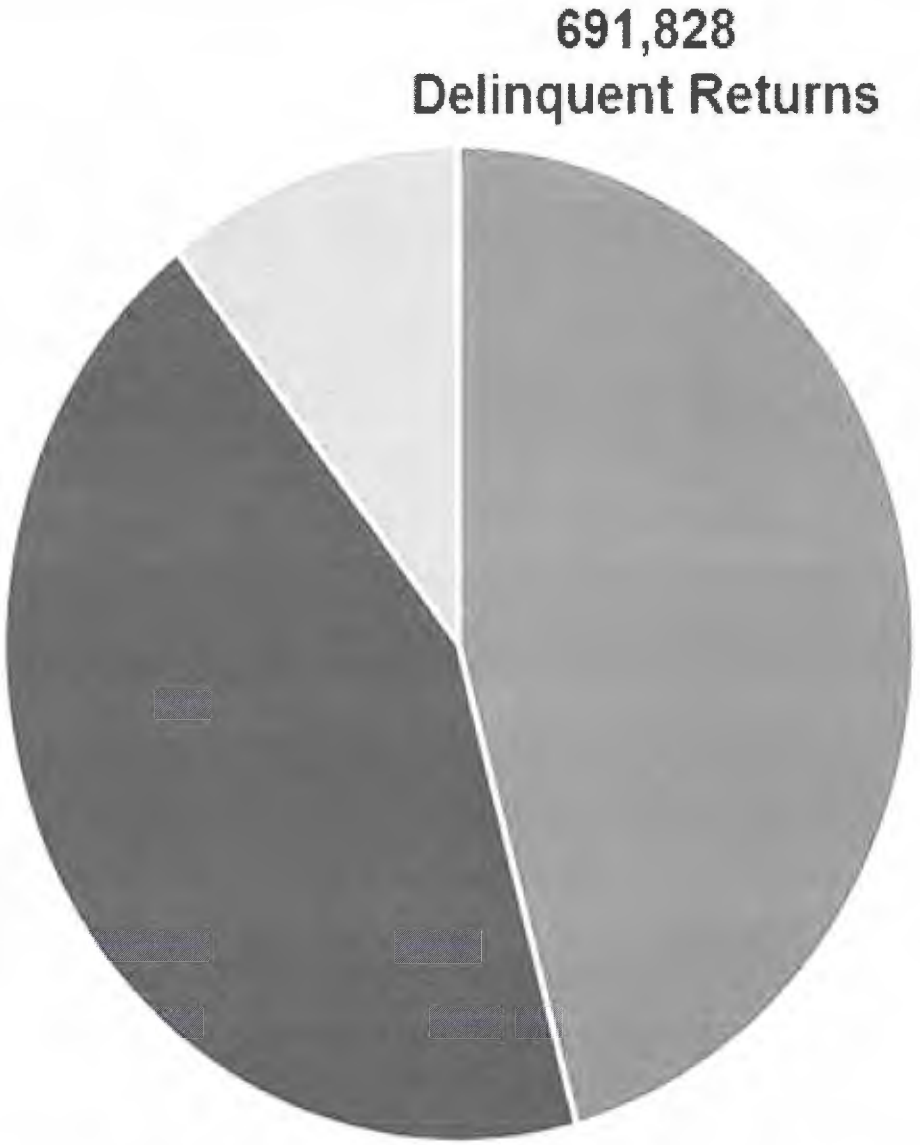
Accounts Receivable

$1,769,962,335



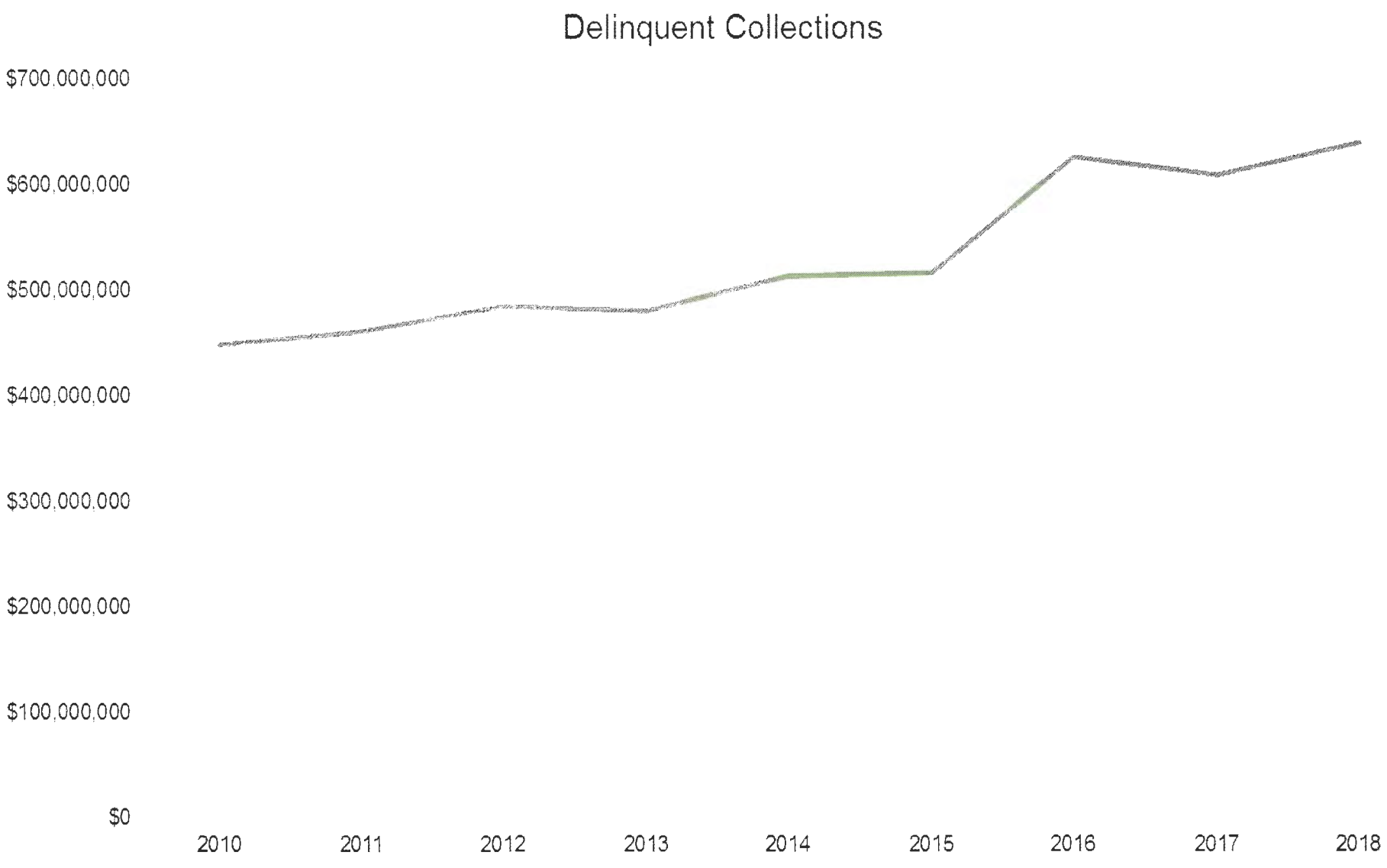
- Miscellaneous Taxes
- Privilege
- Franchise
- Corporate
- Motor Fuels
- Withholding
- Sales and Use
- Individual
- Real Estate
- Privilege
- Alcohol
- Tobacco
- Motor Fuels
- Estate & Gift
- USUB

Delinquent Return Inventory



NCDOR

Collections By Fiscal Year



Offers in Compromise

G.S. §105-237.1

Provides the Secretary of Revenue the authority to compromise a taxpayer's liability upon a determination that the compromise is in the best interest of the State and makes one of the following findings:

NCDOR

Offers in Compromise

1. Reasonable doubt as to the amount of liability
2. The taxpayer is insolvent
3. Collection of a greater amount is improbable
4. Federal tax assessment has been compromised
5. Collection of a greater amount would produce an unjust result
6. The taxpayer is a retailer or a person under Article 5 of this Chapter
7. The assessment is for sales tax the taxpayer failed to collect or use tax the taxpayer failed to pay as a result of the change in the definition of retailer

NCDOR

Installment Agreements

Tax Type	Balance Due	Period
Individual Income	Less than $1,000	15 months
Individual Income	$1,000 to $6,999	30 months
Individual Income	$7,000 to $49,999	40 months
Individual Income	$50,000 or more	50 months
Business	Less than $7,000	6 months

NCDOR

Garnishments

N.C.G.S § 105-242(b)

An attachment and garnishment is an order requiring that money be withheld from an individual's salaries, bank account or other intangible property.

Attachments and Garnishments are frequently used to collect unpaid taxes.

NCDOR

Bank Garnishments

- Financial Institutions Records Match
- Informatix
- Weekly automated matching process
- Manual/automated service
- Automatic payment solution

NCDOR

Garnishments / Installment Agreement

Fiscal Year	Garnishments	Installment Agreements
2012	415,660	34,871
2013	403,490	42,546
2014	398,372	33,135
2015	440,596	45,027
2016	571,755	53,752
2017	560,760	77,026

NCDOR

Civil Tax Warrants

N.C.G.S. § 105-242(a)

A tax warrant is a request to levy on and sell any personal property owned by a taxpayer who has failed to pay tax, penalty, interest and fees that have been assessed by the NC Department of Revenue. The warrant is issued to the Sheriff of the county in which the taxpayer's property or business is located in or to any Revenue Officer or other employee of the Department of Revenue charged with collection of taxes.

NCDOR

Criminal Charges

N.C.G.S. §105-236(8)

Willful Failure to Collect, Withhold, or Pay Over Tax. – Any person required to collect, withhold, account for, and pay over any tax who willfully fails to collect or truthfully account for and pay over the tax shall, in addition to other penalties provided by law, be guilty of a Class 1 misdemeanor. Notwithstanding any other provision of law, no prosecution for a violation brought under this subdivision shall be barred before the expiration of six years after the date of the violation.

NCDOR

Joint Legislative Oversight Committee - 2018

MAJOR IT PROJECTS

NCDOR

Exodus

- Secure email Gateway
  - Done.
- Secondary Data Center
  - RFP responses received.
  - Visits in December
  - Award in February.
  - Move in Summer 2019
- Mainframe as a Service
  - Completed SOW.
  - Moved by June 2019

NCDOR

Exodus

- Primary Data Center
  - Design will complete February
  - Electrical work in June.
  - Move in by October 2019
- Migrate from Digital Commons
  - Contract extension to DIT November
  - Work to begin February
  - Live in June 2019

NCDOR

Exodus

- Telephony System
  - RFP under review
  - RFP to DIT in December
  - Award in May
  - Work begins June and concludes late Winter 2019
- Data Center Backup
  - Migrating backups and will take most of 2019 to move all existing backup/tapes
- Firewalls
  - Will complete in December

NCDOR

Exodus

- VPN
  - Will migrate by January 2019
- Network
  - RFP to DIT December 2019
  - Award by March 2019
  - Installed by June 2019
- NCID
  - Under review

NCDOR

Joint Legislative Oversight Committee - 2018

OFFICE OF THE TAXPAYER ADVOCATE

NCDOR

OTA Mission

- Ensure NC tax laws are enforced in a fair, impartial and consistent manner
- Instill confidence and integrity in the administration of NC tax laws
- Ensure taxpayers are afforded their rights as stated in the Taxpayers' Bill of Rights

NCDOR

Objectives of the OTA

- Serve as a liaison between the Department and the taxpayer to bring resolution to problems that cannot be resolved through existing channels
- Provide assistance and resolution to specific taxpayer cases that have experienced a long standing or recurrent problem with the Department
- Advise executive management of identified areas in which taxpayers are experiencing difficulty voluntarily complying with DOR

NCDOR

Referrals

- OTA receives majority of constituent issues
- OTA ensures taxpayers receive a timely response and resolution
- All OTA requests for assistance are monitored and tracked

NCDOR

Identity Theft

- Assist with all aspects of the identity theft case to alleviate undue stress on the taxpayer
- Notify taxpayers when their SSN has been compromised
- Maintains a database for comprehensive tracking
- The average time to resolve a case is 30 days.

Identity Theft Statistics

Identity Theft cases:

3/2/2016 – 12/15/2018 4978

Taxpayer Notification Letters:

5/2/2017 – 12/15/2018 7095

Data Breaches: 404 Companies/25,196 Employees

North Carolina Department of Administration

Joint Legislative Oversight Committee on General Government

2019 Motor Fleet Management Update

Robert Riddle – Interim Director Motor Fleet Management

Thursday, January 03, 2019



ATTACHMENT # 2

AGENDA

- ❑ Review of SB 257-Budget
- ❑ Fee Structure Impact to Agencies
- ❑ Rental Vehicles
- ❑ Telematics Installation and Reporting
- ❑ Questions and Answers

SB 257-Budget
DOA cost to agencies to maintain and operate Motor Fleet

SECTION 31.3.(a):
On January 1, 2018, the Department of Administration (hereinafter "Department") shall increase the amount allocated and charged to State agencies to which transportation is furnished as authorized by G.S. 143-341(8)i.6. For calendar year 2018, the Department shall, from funds available to it, subsidize the amount of the increase allocated and charged to State agencies. On June 30, 2018, the Department shall transfer to the motor fleet fund any unexpended and unencumbered funds from the General Fund to help offset deficiencies in the motor fleet fund that resulted from subsidizing the increase to State agencies. Beginning January 1, 2019, State agencies shall, from the funds available to them, pay the full amount allocated and charged for transportation furnished by the Department and the Department shall not subsidize any part of the amount allocated and charged

SECTION 31.3.(b):

The Department and Motor Fleet Management Division shall consult with each State agency to which transportation is provided to determine the types and sizes of vehicles needed by the agency and shall aid the agency in making adjustments to the size of its fleet to achieve maximum cost efficiency.

SECTION 31.3.(c):

The Department shall determine the amount required by each agency to cover the cost of the increase in the amount allocated and charged for transportation for fiscal biennium 2019-2021. Notwithstanding the provisions of Chapter 143C (State Budget Act) of the General Statutes, the OSBM shall include the increase in the amount allocated and charged for transportation in the base budget for each State agency for fiscal biennium 2019-2021.

SECTION 31.3.(d) G.S. 143-341 reads as rewritten:

§ 143-341. Powers and duties of Department.

The Department of Administration has the following powers and duties: To establish and operate a central motor fleet and such subsidiary related facilities as the Secretary may deem necessary, and to that end: To allocate and charge against each State agency to which transportation is furnished, on a basis of mileage or of rental, furnished its proportionate part of the cost of maintenance and operation of the motor fleet. The amount allocated and charged by the Department of Administration to State agencies to which transportation is furnished shall be at least as follows: take into account all of the following:

- (i) vehicle replacement cost,
- (ii) maintenance cost,
- (iii) insurance,
- (iv) use of telematics devices, and
- (v) the Department's administration cost.
- I. Pursuit vehicles and full size four-wheel drive vehicles $.24/mile.
- II. Vans and compact four-wheel drive vehicles – $.22/mile.
- III. All other vehicles – $.20/mile.

New Rate Effective January 1, 2018

The updated model, effective January 1, 2018, was designed to promote better utilization of the State fleet; give agencies more flexibility and control over their costs; and ultimately allow the State to be more cost-effective with its fleet.

Charges a fixed monthly rate up to 1050 miles to cover:

- Replacement costs covers purchase price and Highway Use tax (3%)
- Maintenance costs cover unplanned and preventive maintenance
- Administrative costs consist of salaries, expenses, ARI, etc.
- Insurance fee covers liability and repairs to damaged vehicles
- Telematics cost covers monthly service fee

Charges a per mile rate over 1050 miles to cover:

- Replacement Cost
- Maintenance
- Administrative

Timeline and DOA Communication to Agencies

- January 1, 2018 – Rate Increase Effective Data
- February 2018 – Agencies received the first invoice with new fee structure
- July 20, 2018 – MFM attended the CFO meeting for Q & A

Motor Fleet Rate Structure

Vehicle Class	Vehicle Example	Monthly Fee	Per Mile (Over 1050)
Sedan - Compact - Electric	Focus Electric, Leaf	$ 192.00	$0.24
Sedan - Compact - Hybrid	Civic Hybrid, Camry Hybrid, CMAX Hybrid, Prius	$ 213.00	$0.26
Sedan - Compact	Focus	$ 181.50	$0.23
Sedan - Mid Size	Avenger, Breeze, Fusion, Grand Prix, Malibu, Stratus	$ 213.00	$0.26
Sedan - Fullsize	Crown Victoria, Impala, LaCrosse, Taurus	$ 223.50	$0.27
Sedan - Fullsize - Law Enforcement	Police Interceptor, Crown Victoria, Caprice, Impala LE	$ 360.00	$0.40
Sedan - Fullsize - Law Enforcement - Charger	Charger LE	$ 297.00	$0.34
Pickup - Light Duty	Frontier, F-150, Ram 1500, Ranger, Silverado 1500	$ 318.00	$0.36
Pickup - Medium Duty	F-250	$ 496.50	$0.53
Pickup - Heavy Duty	F-350	$ 601.50	$0.63
Cab and Chasis - 19,500	F-550	$ 738.00	$0.76
Cab and Chasis - 25,500	Chevrolet C6500, Freightliner M2 106, F-650	$ 822.00	$0.84
SUV - Compact	Escape Hybrid, Journey, Liberty	$ 265.50	$0.31
SUV - Midsize	Equinox, Explorer, Grand Cherokee, Pathfinder	$ 360.00	$0.40
SUV - Fullsize	Durango, Expedition, Tahoe	$ 454.50	$0.49
SUV - Extra Large	Suburban	$ 570.00	$0.60
SUV - Midsize - Law Enforcement	Police Interceptor Utility	$ 402.00	$0.44
SUV - Fullsize - Law Enforcement	Durango SSV, Expedition SSV, Tahoe LE & SSV	$ 423.00	$0.46
Van - Compact - High Roof - Cargo	Caravan Cargo, NV200, Ram Cargo	$ 276.00	$0.32
Van - Compact - High Roof - Passenger	Caravan, Freestar, Taurus Wagon, Uplander	$ 307.50	$0.35
Van - Light Duty - Cargo	Transit Wagon	$ 318.00	$0.36
Van - Light Duty - Passenger	Transit Wagon	$ 318.00	$0.36
Van - Medium Duty - Cargo	Express 1500, Express 2500, E-250, Transit 250	$ 318.00	$0.36
Van - Medium Duty - Mobility	Transit XL	$ 465.00	$0.50
Van - Heavy Duty - Cargo	E-350, Transit 350	$ 328.50	$0.37
Van - Heavy Duty - Passenger	Transit 350, 3500 15 Passenger	$ 349.50	$0.39

Impact

Agency	2017 Fees	2018 Fees	2018 Vehicles		
	Monthly Avg	Monthly Impact	Jan	Dec	+ / -
Administrative Office Of The Courts	$ 8,105	$ (1,523)	20	20	0
Board Of Barber Examiners	$ 1,096	$ (155)	2	2	0
Board Of Cosmetic Arts	$ 9,169	$ 0	16	14	(2)
Board Of Elections	$ 629	$ 345	3	3	0
Department Of Administration	$ 63,256	$ 14,794	66	69	3
Department Of Agriculture	$ 115,812	$ 1,493	193	181	(12)
Department Of Commerce	$ 30,212	$ (8,607)	51	51	0
Department Of Commerce - Employment Security	$ 3,084	$ (675)	7	8	1
Department Of Cultural And Natural Resources	$ 43,301	$ 3,231	103	122	19
Department Of Environmental Quality	$ 144,684	$ 9,592	309	317	8
Department of Health and Human Services	$ 357,767	$ (32,927)	806	811	5
Department Of Information Technology	$ 6,967	$ 1,482	14	11	(3)
Department Of Insurance	$ 53,846	$ 21,502	90	119	29

Impact

Agency	2017 Fees	2018 Fees	2018 Vehicles		
	Monthly Avg	Monthly Impact	Jan	Dec	+ / -
Department Of Justice	$ 19,755	$ 1,140	52	53	1
Department Of Labor	$ 51,957	$ 3,707	108	107	(1)
Department Of Military And Veteran's Affairs	$ 7,425	$ 1,772	19	20	1
Department Of Public Instruction	$ 54,962	$ 1,044	141	141	0
Department Of Public Safety	$ 1,208,180	$ 128,065	3326	3364	38
Department Of Revenue	$ 18,953	$ 4,325	33	33	0
Department Of The Secretary Of State	$ 9,075	$ 219	14	14	0
Department Of The State Treasurer	$ 1,571	$ 239	6	6	0
Department Of Transportation	$ 314,295	$ 21,375	547	539	(8)
Education Lottery Commission	$ 47,477	$ 5,385	81	87	6
General Assembly	$ 735	$ (150)	3	3	0

Impact

Agency	2017 Monthly Avg	2018 Monthly Impact	2018 Vehicles Jan	Dec	+ / -
NC Global Trans Park Authority	$ 143	$ 93	1	1	0
NC State Ports Authority	$ 8,546	$ 275	17	17	0
Office Of Administrative Hearings	$ 101	$ 109	1	2	1
Office Of Governor	$ 112	$ 176	1	1	0
Office Of The State Auditor	$ 4,047	$ (42)	10	10	0
Wildlife Resources Commission	$ 49,372	$ (2,767)	83	77	(6)
Community Colleges	$ 22,150	$ 293	62	63	1
Universities	$ 252,298	$ 20,685	713	678	(35)
Totals	$ 2,909,417	$ 194,830	6898	6944	46

Vehicle Rental Comparisons

Motor Fleet Rates vs. Purchasing & Contracting Term Contract 975B

Class	Hertz	Enterprise	Motor Fleet
Compact	$ 653.95	$ 626.05	$ 181.50
Midsize	$ 744.15	$ 664.01	$ 213.00
Full Size	$ 811.80	$ 715.78	$ 223.50
Hybrid	$ 992.20	$ 947.40	$ 213.00
Mini-Van	$ 1,307.90	$ 1,074.48	$ 307.50
Small/Medium SUV	$ 1,420.65	$ 1,095.39	$ 360.00
Large SUV	$ 1,894.20	$ 1,692.61	$ 454.50
Small Truck	$ 1,894.20	$ 963.40	$ 318.00
Large Pick-up Truck	$ 2,390.30	$ 1,061.08	$ 496.50
12 Passanger Van	$ 1,781.45	$ 2,018.23	$ 349.50
Cargo Van	N/A	$ 861.33	$ 276.00

Monthly Rate

Telematics Advantage 2018 and Beyond

Focus on the Driver - By monitoring driving behaviors telematics helps minimize collisions, speeding tickets, and downtime, ensuring drivers are able to get their jobs done and arrive home safely.

Advanced Safety Training - Telematics can help identify unsafe driving practices and then target those specific habits for training.

Data Integration - Integration helps ensure that the automatic reports and analysis you get create a more accurate picture of your fleet's performance

Utilization Analysis - Provides in-depth information about the performance of each vehicle, allowing to better maintain the fleet at its optimal size and performance levels.

- *As the saying goes, you can't fix what you don't track. Telematics provides the raw data that allows Motor Fleet Management the insightful data to make changes that result in a safer, more reliable and cost-effective fleet.*

Telematic Program Operations

- Installation is ongoing to MFM vehicles under 110,000 miles.
- Motor Fleet will collect data on usage, idling, seat belt use, and to confirm or deny driver behavior. Mileage will be collected monthly to relieve agencies of data entry into the MFM system.
- Agencies will have access to system to monitor their drivers location and routes.
- No vehicles are exempt.
- Fuel data feeds from all sources will be tracked in the telematics system:
  - Fraud reports will sync vehicle location and fueling location.
  - Tracks driver behaviors that increase fuel cost at the vehicle level (e.g. excessive idling; harsh acceleration).
  - Streamlines fuel invoice verification.

Cost Saving Strategies – Telematics & Fuel

- In partnership with NCDOT, telematics service was renegotiated:
  - Annual telematics service costs decreased by 28% with future cost reduction guarantees as vendor costs for the technology decline.
  - Service level improvements – 'active' tracking and free roadside assistance included. $90/per year per vehicle that will be passed along to agencies directly.
  - Prioritized on cellular network during emergencies.

- Agencies have access to use this contract for their Agency-owned vehicles (915A). Now three tiers (formerly 1 tier at $25/month):
  - $8.50/month basic
  - $15.00/month pro
  - $18.00/month pro plus

Telematic Program and ROI Strategies

- Route optimization
  - Studies have shown increased oversight along with commitment will lead to reductions in personal use mileage that equates to lower fuel costs

- Prevents vehicle breakdowns:
  - Agencies will see lower roadside assistance and towing costs
  - Reduction in vehicle downtime
  - More warranty recovery on newer vehicles



Q&A

Thank You!

North Carolina Department of Administration

NC Department of Administration: State Property Report

January 3, 2019

Deputy Secretary Mark Edwards



ATTACHMENT # 3

Statutory Requirements [*SL 2016-119*]:

Date/Requirement	Status
December 1, 2016 – Develop and distribute to state agencies the procedures to be used to measure utilization	✓ Complete
December 1, 2016 – Distribute to all state agencies the space utilization methods with instruction. (*Department provided guidance in writing to agency heads in late 2016 and received varied response. In an effort to ensure that agencies received communication, State Property Office shared the guidance in writing to agency heads again in early 2017 and received greater response.)*	✓ Complete
June 1, 2017 – Report on utilization to Joint Legislative General Government Oversight	✓ Complete
June 1, 2017 – Perform unannounced visits to random facility owned by each agency (See above linked report.)	✓ Complete

Statutory Requirements:

July 1, 2018 – Each agency shall report to the Department on the following fifteen data sets (DOA provided direct training in Spring 2018 to all agencies' designated property personnel): • The building's location, including the latitude and longitude of the center of the building. • Description of the operations supported by the building. • The agency or agencies that occupy the building. • Ownership information for the building. • The size of the building in terms of both gross and usable square feet. • A description of the building. • The building's condition assessment, including the estimated cost to make needed repairs and renovations as well as the date that the last condition assessment was completed. • The building's annual operating costs. • The building's annual maintenance costs. • The # usable workspaces contained in the building. • The # full-time equivalent positions assigned to the building by each agency occupant. • The amount of the building that is utilized, measured in accordance with the procedures developed pursuant to G.S. 143-341.2(a)(3). • Maintenance record, including replacement and maintenance schedules for all major mechanical systems. • Parking and employee facilities. • Any other information deemed relevant by the Department of Administration	**Current:** In process of manual data entry into existing FIS System

Statutory Requirements:

December 1, 2019	**Next**
Report on statewide portfolio with instruction from PED on how to analyze and report the following trends, targets, analysis: A. The status of achieving the goals and objectives set forth in the most recent plan developed pursuant to subdivision 1 of this section. B. Trends in the inventory of leased and owned buildings and real property, including changes in value, square footage, operation and maintenance costs. C. Trends in the inventory of State-owned land, including acreage and value. D. Allocation of leased and owned space by facility type, agency, county E. Benchmarks for comparable private sector leases across the regions of the State for rural and urban locations, as appropriate. F. An analysis of utilization targets and a list of owned and leased real property identified as unused or underutilized. G. List of following information for the period beginning after submission of the most recent report pursuant to this sub-subdivision: i) State-owned properties (unused or underutilized) ii) State-owned properties sold iii)State-owned properties in the process of being disposed of. iv)Properties reallocated between State agencies.	

Plan Goals & Objectives

1. Create alignment by tying the statewide property portfolio to legislative capitol spending plan (6-year plan) for new construction and repair & renovations.
2. Require decision making to be planned early enough in the process to incorporate space planning – should funding allow a fully-integrated system.
3. Provide accurate data and analysis to Governor, Secretary, OSBM, and other key executive and legislative leaders.
4. Provide recommendations to legislative leaders on existing property data gaps to better inform the state's needs.
5. Identify space needs of custodial agency with automated, real-time reporting capability and analysis.
6. Provide uniformity and optimal coordination among agencies, universities, community colleges, etc.
7. Enhance facility and parking security planning in state government complex.

Plan Scope:

- The Real Estate Information System (REIS) will enable the Department to modernize the existing GIS system, replacing it with a live, cloud-based, automated GIS database to identify, track, and report on the state's property portfolio –providing real-time data analysis and functionality.
- REIS will enable agencies to update key data fields as required per *SL 2016-119* and provide additional flexibility and enhanced capacity for those who have no current system in place.
- REIS will connect silos, increase collaboration, improve data accuracy, and generate new insights and efficiencies.
- New system must integrate with the following:
  - State Construction Interscope
  - Facility Management
  - State Parking
  - UNC General Administration DAVE System

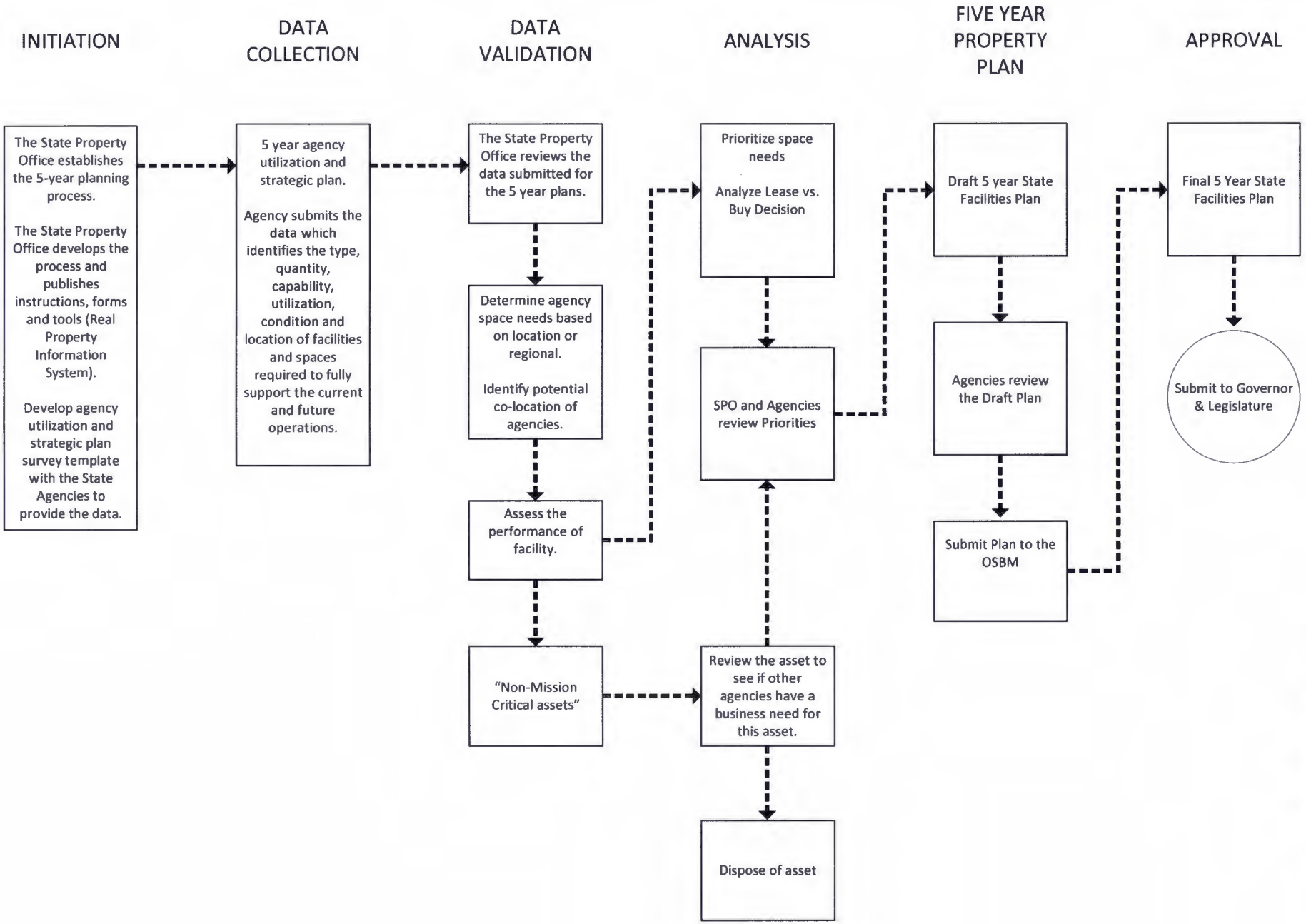
Resources:

	Year 1 FY 18-19	Year 2 FY19-20	Year 3 FY21-22	Year 4 FY23-24	Year 5 FY24-25	Total
Software	$2,500,000 Recurring	$185,000 Recurring	$185,000 Recurring	$185,000 Recurring	$185,000 Recurring	*$3,240,000
Appropriated Funding	$1,000,000 NR appropriated in July 2018					$1,000,000
Total FTE Cost Estimate (5 FTE)	$250,000	$250,000	$250,000	$250,000	$250,000	$1,250,000
Total Cost	3,750,000	435,000	435,000	435,000	435,000	$4,490,000

Challenges

- Staffing Needs
- Time
- Recurring Funds
- Data Conversion (Digitization of over 16,000 existing property records)
- Information Gathering

STATE OF NORTH CAROLINA FIVE YEAR PROPERTY MANAGEMENT PLANNING PROCESS



ATTACHMENT # 4

ATTACHMENT # 5

STATE OF NORTH CAROLINA
DEPARTMENT OF ADMINISTRATION

ROY COOPER
GOVERNOR

MACHELLE SANDERS
SECRETARY

MEMO

TO: Joint Legislative Governmental Operations Committee
Program Evaluation Division
Fiscal Research Division

FROM: Secretary Machelle Sanders

DATE: December 18, 2018

RE: Report per Session Law 2016-119

Pursuant to Session Law 2016-119, the Department of Administration shall develop and implement a plan to manage, acquire, and dispose of facilities and spaces required to fully support state govt operations, identifying performance measures necessary to implement. The following identifies statutory requirements, review of past requirements and history.

Statutory Requirements	Status
December 1, 2016 – *Develop and distribute to state agencies the procedures to be used to measure utilization*	✓ Complete
December 1, 2016 – *Distribute to all state agencies the afore-mentioned space utilization methods with instruction. (Department provided guidance in writing to agency heads in late 2016 and received varied response. In an effort to ensure that agencies received communication, State Property Office shared the guidance in writing to agency heads again in early 2017 and received greater response.)*	✓ Complete
June 1, 2017 – *Report on utilization [DOA Property Utilization Report to Joint Legislative General Government Oversight]*	✓ Complete
June 1, 2017 – *Perform unannounced visits to random facility owned by each agency (See above linked report.)*	✓ Complete
July 1, 2018 – *Each agency shall report to the Department on the following fifteen data sets (DOA provided direct training in Spring 2018 to all agencies' designated property personnel):* • *The building's location, including the latitude and longitude of the center of the building.* • *Description of the operations supported by the building.*	*In process of manual data entry into existing FIS System*

• *The agency or agencies that occupy the building.* • *Ownership information for the building.* • *The size of the building in terms of both gross and usable square feet.* • *A description of the building.* • *The building's condition assessment, including the estimated cost to make needed repairs and renovations as well as the date that the last condition assessment was completed.* • *The building's annual operating costs.* • *The building's annual maintenance costs.* • *The number of usable workspaces contained in the building.* • *The number of full-time equivalent positions assigned to the building by each agency occupant.* • *The amount of the building that is utilized, measured in accordance with the procedures developed pursuant to G.S. 143-341.2(a)(3).* • *Maintenance record, including replacement and maintenance schedules for all major mechanical systems.* • *Parking and employee facilities.* • *Any other information deemed relevant by the Department of Administration*	
December 1, 2018 – *DOA shall develop and implement a plan to comprehensively manage, acquire, and dispose of facilities and spaces required to fully support state govt operations, identifying performance measures necessary to implement.*	*The attached report details the plan to modernize the State's portfolio.*
December 1, 2019 – *Report on statewide portfolio with instruction from PED on how to analyze and report the following trends, targets, analysis:* *A. The status of achieving the goals and objectives set forth in the most recent plan developed pursuant to subdivision 1 of this section.* *B. Trends in the inventory of leased and owned buildings and real property, including changes in value, square footage, operation and maintenance costs.* *C. Trends in the inventory of State-owned land, including acreage and value.* *D. Allocation of leased and owned space by facility type, agency, county* *E. Benchmarks for comparable private sector leases across the regions of the State for rural and urban locations, as appropriate.* *F. An analysis of utilization targets and a list of owned and leased real property identified as unused or underutilized.* *G. List of following information for the period beginning after submission of the most recent report pursuant to this sub-subdivision:* *i) State-owned properties (unused or underutilized)* *ii) State-owned properties sold* *iii) State-owned properties in the process of being disposed of.* **iv)** *Properties reallocated between State agencies.*	Next

LEGISLATIVE QUESTIONS RAISED:

1. How do we integrate our existing systems to better capture and integrate a life-cycle cost model for use in future decision making?

2. What challenges and barriers exist?

3. How do we consider a transactional leasing process in a statewide analysis?

4. Can we improve the integrity of facility information?

5. How do we ensure data accuracy and what are other states doing to ensure data integrity?

6. Who benefits from the increased efficiency gains of such a statewide system?

7. Should *SL 2016-119* be amended in an effort to further refine expectations?

8. How do we use this tool to plan for 6-year capital budgeting – repair and renovation needs? Are there other budget challenges?

HISTORY

2003
Department of Administration (DOA) began to develop a State-Owned Surplus Real Property Disposal System, as directed by SL 2003-284, in an effort to continuously identify, evaluate, and dispose of surplus property. **At a cost of $250,000, CB Richard Ellis (CBRE)** consulting firm was contracted to develop a State-Owned Surplus Real Property Disposal System.

2005
CBRE completed their work, developing a *Disposition Process Research Manual* and a *System Training Manual.* As staffing deficiencies were identified by CBRE during the course of their work, the Department requested the recommended 15 FTE to implement these changes. CBRE consulting firm presented the System to DOA and to legislators.

2006
DOA received an appropriation of $400,000 (NR) for IT consultation and application development to enhance the existing State Property Office FIS database, developing an agency user interface to enable agencies to classify their property according to current level of utilization, with a new mapping interface to work in conjunction with the Agency Utilization Survey.

2007
Pilot project was started with Department of Correction, DENR-Parks and Recreation, East Carolina University, updating a sample portion of each agency's real estate portfolio utilizing the Agency Utilization Survey that is a part of the System. To implement statewide as developed by CBRE and mandated by the General Assembly, funding for staff, maintenance of the System and to host the server is needed. A request for additional staff, etc. was submitted starting in 2005.

2011

Surveys (with maps and inventory of all land/ buildings) were sent to all agencies and institutions.

2015
Real Estate and Capital Improvements Needs Analysis and Evaluation Study by CBRE, INC completed for DOA ($506,500). The State of North Carolina requests proposals from real estate and/or consulting services firms to assist the State plan and rationalize its future real estate needs. This includes matching the space planning requests submitted by agencies with the State's existing real estate portfolio and making recommendations, possibly to include renovation, redevelopment, restacking, new development, and the sale, lease or refinancing of State-owned properties. The project included both the main State government complex in central Raleigh and selected State-owned assets in other locations throughout the State.

2015
Program Evaluation Division of General Assembly completes Report recommending properties (historic houses) be sold.

2016
Senate Bill 747 *(SL 2016-119)* passes legislature in Fall of 2016 directing more aggressive statewide identification of surplus property assets.

2016
Following passage of SB 747, DOA contracted with C.B. Richard Ellis, Inc (CBRE) for Real Property Assessment Services at a cost of $552,000 to begin implementation of legislation.

As required, please refer to the attached plan to comprehensively manage, acquire, and dispose of property across the state.

DOA Plan to Comprehensively Manage and Modernize the State's Real Estate Portfolio

The NC Department of Administration manages the State's Property Portfolio in collaboration with Governor Roy Cooper and executive agencies as well as our legislative leadership. The State Property Office serves as the corporate real estate office for all agencies – holding deeds and surveys for all state property, handling all transactions during acquisition and disposition, and negotiating leases when there is no available space in state-owned buildings. As directed by statute, the State Property Office is an agent of the state focused on the following three primary areas of responsibility:

I. Transaction Management (*Most time consumptive work*)
II. Space Management (*Authority traditionally focused on state government complex and leasing)*
III. Asset Management (*SL 2016-119 directs a statewide approach)*

Transactional management is the most time consumptive work as real estate and leasing agents are evaluating proposals, reviewing and negotiating contracts, ensuring compliance with NC law, reporting to Council of State, and waiting for the appropriate approvals. Space Management has traditionally been focused on the state government complex area and on leasing in general. SL 2016-199 expands this focus to consider all properties occupied by state agencies across the state. Asset Management has also typically focused on DOA allocated buildings in the state government complex but will now take a statewide approach – considering buildings and land – allocated to all agencies.

The State currently owns 11,767 buildings, consisting of ±125,440,489 Gross Square Feet, in addition to 1,002,891 acres of land. The SPO also manages 668 office and warehouse leases containing 4,768,191 Net Square Feet with an annual rent amount of $72,080,029.

GOALS & OBJECTIVES:

- Create alignment by tying the statewide property portfolio to legislative capital spending plan (NCGA uses 6-year plans) for new construction as well as renovation and repair budgeting.
- Require decision making to be planned early enough in the process to incorporate space planning in a timely manner should funding allow fully-integrated system.
- Provide accurate data for analysis to Governor, Secretary of Administration, other key executive leaders, legislative leaders, Office of State Budget and Management, Department of Insurance.
- Provide recommendations to legislative leaders on existing property data gaps to better inform the state's technology needs.

- Identify space needs of custodial agency with automated, real-time reporting capability and analysis.
- Provide uniformity and optimal coordination among agencies, universities, community colleges and boards.
- Enhance facility & parking security planning in state government complex.

PLAN SCOPE:

The State Property Office is tasked with creation of a Real Estate Information System (REIS) – a live, cloud-based, automated GIS database to identify, track and report on the state's property portfolio in a comprehensive way that provides real-time data analysis and functionality incorporating buildings and land. The new REIS system will provide agencies with a portal to update key data fields as required per *SL 2016-119*, providing flexibility and capacity for those agencies who currently have no formal system in place. The REIS system will enable our portfolio manager to query the data and allow DOA corporate real estate and leasing staff to access a standard geodatabase. **This technology solution will connect silos internally and externally, increase collaboration, improve data accuracy and generate new insights and efficiencies.**

The REIS will need to integrate and connect directly to the following systems at a minimum:

-DOA State Construction Introscope

-DOA Facility Management

-DOA State Parking

-UNC General Administration Data Additions Validations Edits (DAVE System)

Beginning in August 2018, the Department has worked diligently with the NC Department of Information Technology in order to identify the business needs of the software as a service, and further aid DIT staff in development of an RFP. (*For more information, please refer to the November 2018 Report to Joint Legislative General Government Oversight Chairs.*) The Department engaged DIT to discuss cost, multiple system integration, and security.

In order to remove the existing backlog of property files, fill in data gaps on building centroids and footprints, develop new data sets, and finally convert, create, and digitize over 16,000 owned and leased floor plans to a consumable format, this project will require a significant time commitment and will not be met without challenges. Our existing FIS system can capture the following data layers – all of which must be enabled and accessible in a new REIS system:

- Buildings
- State Government Center Buildings (DT Raleigh)
- Room/Floor for State Government Center Buildings
- Structures – Towers, Parking decks

- Property boundaries
- Office/Warehouse Leases
- Leased Land
- Conservation easements (Conservation Reserve Enhancement Program, Agricultural Development and Farmland Preservation)
- Dedicated Nature Preserves
- DOT Easements
- Utility Easements
- Submerged Land Easements

Each of the following assets will be captured in the new REIS system:

Asset Use	Definition	Leased	Owned
Office	A facility that houses personnel in which the occupant conducts business.	X	X
Warehouse	A facility used for the storage of equipment, goods or merchandise.	X	X
Office/Housing Mixed Use	A facility used to both house personnel to conduct business and to house students or staff.	X	X
Office/Storage Mixed Use	A facility used to both house personnel to conduct business and for the storage of equipment, goods or merchandise.	X	X
Agricultural	A facility used to support agricultural functions which includes the production or processing of crops, trees, livestock, animals, poultry, honeybees, honeybee products, livestock products, poultry products, or products which are used in commercial aquaculture.	X	X
Animal Housing	A facility used to house animals.	X	X
Aquarium	A facility which contains aquariums used to promote an awareness, understanding, appreciation and conservation of the diverse natural and cultural resources of North Carolina's ocean, estuaries, rivers, streams and other aquatic environments.	X	X
Armory	A facility used by the national guard for training, administration, logistics, classrooms, weapons and protective equipment.	X	X
Assembly	A facility used by a group of people gathered in one place for a common purpose i.e. sports arena, coliseum, gym, auditorium, recreation hall, theater.	X	X
Correctional Facility	Facility used for inmate housing, isolation or a guard tower.	X	X
Educational	Facilities in which instruction is given to students, state employees or the public.	X	X
Food Service	A facility used for preparing and selling food and beverages (cafeteria, dining, mess hall).	X	X
Greenhouse	A facility specifically used for growing plants.	X	X

Health Services	A facility used for providing medical and/or surgical treatment for sick or injured people (hospital, infirmary)	X	X
Historical	Facilities of historical significance.	X	X
Housing	A facility used to house students or staff.	X	X
Kitchen	A facility where food is prepared and cooked.	X	X
Laundry	A facility set up with laundry equipment (washing machines and dryers).	X	X
Library	A facility operating as a library or a room holding specialist reference books.	X	X
Marine Research Facility	A facility used to study marine and estuarine fisheries	X	X
Museum	A facility in which objects of historical, scientific, artistic, or cultural interest are stored and exhibited.	X	X
Observatory	A room equipped with an astronomical telescope or other scientific equipment for the study of natural phenomena.	X	X
Other	A facility that does not meet one of the other definitions provided.	X	X
Recreational	A facility used for recreational purposes.	X	X
Religious	A facility set aside for religious meetings or worship.	X	X
Research/Laboratory	A facility set aside for research.	X	X
Retail Sales	A facility used to sell merchandise or goods (store, canteen, vending, tickets).	X	X
Shop/Maintenance	A facility devoted to building operations and maintenance related to the following fields: carpentry, electrical, mechanical, general maintenance, paint, plumbing, or any combination of these fields.	X	X
Student Union	A facility on a college campus devoted to student activities.	X	X
TV Studio/Communications	A facility used for the recording and/or broadcasting of live television.	X	X
Utilities	Facilities used for the production and/or distribution of utilities i.e. HVAC, water or sewer.	X	X
Vehicle Storage	A facility used to store motor vehicles.	X	X
Restroom	A public restroom facility.	X	X
Weigh Station	A facility used along a highway to inspect vehicular weights.	X	X
Welcome Center/Visitor Information	A facility used to promote tourism related businesses (attractions, accommodations, events) to visitors in the state.	X	X

SCHEDULE

July- August 2018	NCGA appropriates $1,000,000 non-recurring for up-front costs to acquire a Real Estate Information System to enable the Department to fully comply with the requirements of SB 747.
August-Current 2018	Department formally engaged Department of Information Technology to begin development of an RFP, identifying over 140 business requirements, including interoperability and data integration enabling internal systems to work collaboratively.
November 2018	Department reported to General Government Oversight on progress toward development of RFP.
December 2018	

PLAN RESOURCES:

In Fiscal Year 18-19, the North Carolina General Assembly transferred $1,000,000 from the E-Commerce Fund to the Department of Administration to initialize the procurement of a Real Estate Information System. In order to effectively complete this project and comply with statutory requirements of SL 2016-119, the following additional resources are needed:

	Year 1 FY18-19	Year 2 FY19-20	Year 3 FY21-22	Year 4 FY23-24	Year 5 FY24-25	Total
Staffing Needs	5 additional FTE					
Software	$2,500,000 Recurring	$185,000 Recurring	$185,000 Recurring	$185,000 Recurring	$185,000 Recurring	*$3,240,000
Appropriated Funding	$1,000,000 NR appropriated in July 2018					$1,000,000
Total FTE Cost Estimate	$250,000	$250,000	$250,000	$250,000	$250,000	$1,250,000
Total Cost	3,750,000	435,000	435,000	435,000	435,000	**$4,490,000**

Staffing Responsibilities

- Updating, maintaining and validating text data associated with all transactions (acquisition and disposition of land by deed, lease, easement, license or eminent domain).
- Development and maintenance of spatially enabled datasets using ArcGIS products.
- Research deeds, surveyor plats, and maps and digitize properties in the GIS mapping system using techniques such as coordinate geometry, keyboard entry of tabular data, manual digitizing of maps or floor plans, scanning or automatic conversion to vectors, or conversion of other sources of digital data.
- Interpret aerial photography or imagery.
- Analyze GIS data to identify spatial relationships and/or display results of analyses, using maps, graphs, or tabular data.
- Collect, maintain and validate the land, building and office warehouse data created during the property transaction (internal data collection).
- Remove the existing backlog of about 800 historical files (internal data collection).
- Collect, maintain and validate the additional facility life-cycle cost data from state agencies (external data collection).
- Provide analysis of the data collected to key corporate real estate and leasing staff.
- Train state agencies on how to utilize the new information system.

Software as a Service (SAAS):
The Real Estate Information System will provide a stable platform for the collection, validation and storage of data from internal and external data sources. The Department has provided NC Department of Information Technology with specifications and business requirements and awaits development of the RFP – for which we reported in November 2018.

PLAN CHALLENGES:

Beginning July 1, 2018, the State Property Office, Facilities Information System (FIS) staff received as requested the below 15 data elements required per SL 2016-119. Because each agency houses data in variety of ways using different systems, there is no existing uniform system to collect this information. Data collection and integration requires the use of manual methods by our existing FIS staff – who are skilled GIS professionals. Due to the many data gaps which exist from the initial collection, the exchange of data between the agencies and the State Property Office must go through multiple cycles of exchange and quality control. Complete and accurate data are the key to making this a successful project.

Below is a list of the required fifteen data elements required by *SL 2016-119* and the resulting constraints which further challenge implementation or hinder the collection of accurate information:

1. **BUILDING LOCATION**
   (including the latitude and longitude of the center of the building) This requires additional resources because every agency does not have access to professional GIS services. Additional GIS Analysts are required by the State Property Office in order to create and/or verify this data field.

2. **DECRIPTION OF BUILDING OPERATIONS**

3. **AGENCY OR AGENCIES THAT OCCUPY BUILDING**

4. **OPWNERSHIP INFORMATION**

5. **SIZE OF BUILDING** *(gross square feet and net/usable square feet)*

6. **DESCRIPTION OF BUILDING**

7. **BUILDING CONDITION ASSESSMENT** (*including the estimated cost to make needed repairs and renovations as well as the date that the last condition assessment was completed).* Building condition assessment data is currently collected by the State Construction Office on a 3-year rotation- for buildings 3,000 gross square feet and above as required by statute. In order to make a live connection to the State Construction *Interscope* database funding is required to fully integrate systems. The State Property Office has asked for each agency to report data for all of their buildings including those above 3,000 gross square feet.

8. **BUILDING OPERATIONS COST**
   Collecting accurate operating costs for some buildings is limited.

9. **BUILDING ANNUAL MAINTENANCE COSTS**

10. **NUMBER OF USABLE WORKSPACES IN BUILDING.**

11. **NUMBER OF FTE ASSIGNED TO A BUILDING BY AGENCY OCCUPANT**

12. **AMOUNT OF BUILDING THAT IS UTYILIZED AND MEAURED IN ACCORDANCE WITH G.S. 143-341.2(a)(3).**
    SB747 requires the State Property Office to enforce the new space planning standards which will require additional staff.

13. **MAINTENANCE RECORD** *(Including replacement schedules)*
Gathering the maintenance records for all +/- State Owned Buildings is an extremely difficult task because there is no central database containing this type of information. Facilities Maintenance is not equipped to replace major mechanical using replacement schedules due to a lack of state funding.

The State Property Office would recommend that this field be removed from the required list of data collected from the agencies. This data element is not considered a standard metric for measuring the performance of the Real Estate Portfolio.

14. **PARKING AND EMPLOYEE FACILITIES**

15. **ANY OTHER INFO DEEMED RELEVANT BY DOA**
In addition to the challenges posed by collecting the additional data elements required by SB747 the main reason for replacing the current information system is the additional functional requirements outlined in SL 2016-119 (SB 747).

SUCCESS CRITERIA

The Department looks forward to modernizing the state's property portfolio. With an initial investment of $1,000,000 following passage of the state budget act- coupled with continued investment and support from our legislative partners, the Department is eager to procure a Real Estate Information System. Comprehensive State facilities planning could become a fully integrated capital budget planning tool – enabling the measurement of space utilization, strategic investments decisions and priorities. For example, space utilization standards could be uniformly reviewed and enforced across all state leased and owned buildings – resulting in optimized facility efficiencies. The new system will drive the creation of ROI and MPV standards to enable informed strategic investment and appropriate allocation of state resources.

ATTACHMENT # 7

OFFICE OF THE STATE CONTOLLER
January 2019

NC Financial Backbone

ERP UPDATE FOR LEGISLATIVE PARTNERS

Project Timeline

✓	**10/11/17**	**Software Specifications Review by Action Team**
✓	10/31/17	RFP Approval Decision Point
✓	**11/02/17**	**Software Bid Posting**
✓	12/01/17	Software Vendor Responses Due
✓	**12/08/17**	**Software Bid Cancelled**
✓	01/18/18	Negotiations with Sources of Supply
✓	**03/08/18**	**Software Vendor Demonstrations Completed**
April-December 2018		**Legal Review**
✓	**12/07/18**	**Software Contract Award Approval**
✓	12/18/18	Deployment Support Bid Posting
	02/07/19	**Deployment Support Bids Due**
	03/22/19	Deployment Support Vendor Meetings Completed
	05/13/19	**Deployment Support Evaluations and Recommendations Approved**
	05/15/19	Deployment Support Contract Award Decision Point

✓ Indicates Completed



OSC Contacts

Dr. Linda Combs, State Controller – linda.combs@osc.nc.gov | Phone: 919.707.0477
Jim Dolan, Chief Deputy – jim.dolan@osc.nc.gov | Phone: 919.707.0540

Funds Spent or Encumbered

Legislative Commitment	$	Appropriated For	Purpose	Expenditures
☑	$500,000	2016/2017 FY	Pre-Award[1]	Spent
☑	$3 Million	2017/2018 FY	Initiation[2]	$160K Spent as of 10/31/18 $607K to be spent by 6/30/19
☑	$10 Million	2018/2019 FY	Purchase/ Implementation Phase 1[3]	No money spent to date
☑	$27 Million			
Note: Total project cost estimated to be $90-110 Million (Items 4 and 5 below) | Additional $60-70 Million required.				

1. **Pre-Award Deliverables include**: Case for Action; vision document; agency communication, state personnel and consultant. RFPs for: Software Solution; System integrator (SI), re-evaluation of the cost estimate

2. **Initiation Deliverables include**: Consultants/contractors/state personnel, Independent Verification and Validation (IV&V), continual cost estimate refinement.

3. **Purchase/Implementation Phase 1 Deliverables include:** Consultants/contractors/state personnel, hardware, software, IV&V, facilities, networks, PC, security, O&M, contingency, continual cost estimate refinement.

4. **Implementation Phase 2/Deployment Phase 1 Deliverables include:** Consultants/contractors/state personnel, hardware, software, IV&V, facilities, networks, PC, security, O&M, contingency, training of state personnel, begin phasing in new system as practical, continual cost estimate refinement.

5. **Implementation Phase 3/Deployment Phase 2 Deliverables include**: Consultants/contractors/state personnel, hardware, software, IV&V, facilities, networks, PC, security, O&M, contingency, training of state personnel, begin shut down of existing systems, continual cost estimate refinement.

Financial Backbone Replacement Project
Governance Model



NC DEPARTMENT OF INSURANCE

MIKE CAUSEY • COMMISSIONER

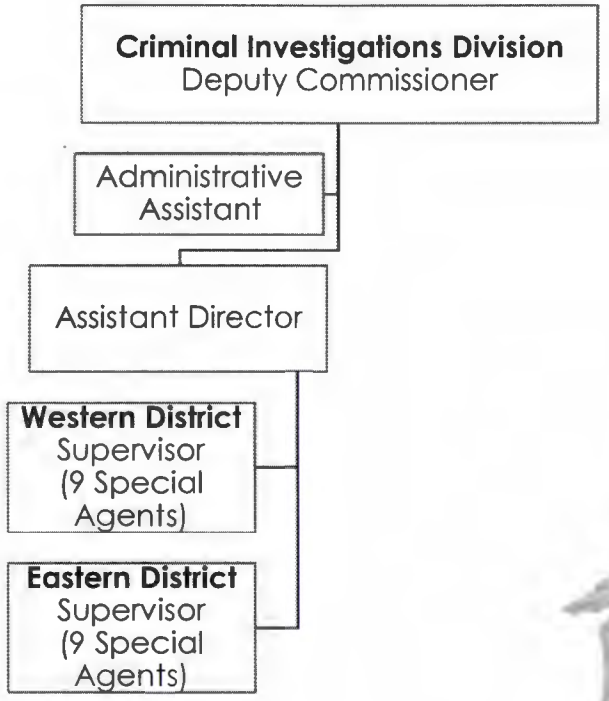
CRIMINAL INVESTIGATIONS DIVISION:

STATUS UPDATE ON THE POSITIONS GRANTED IN THE FY 17-18 BUDGET

Joint Legislative Oversight Committee
General Government Presentation
Jan 2019

ATTACHMENT # 8

2017 Criminal Investigations

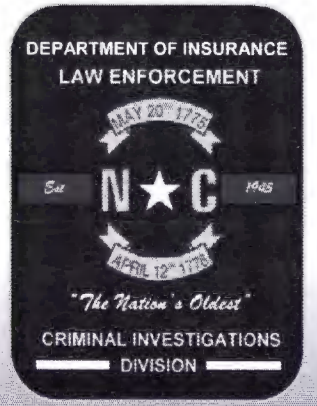




FRAUD CONTROL GROUP
Senior Deputy Commissioner

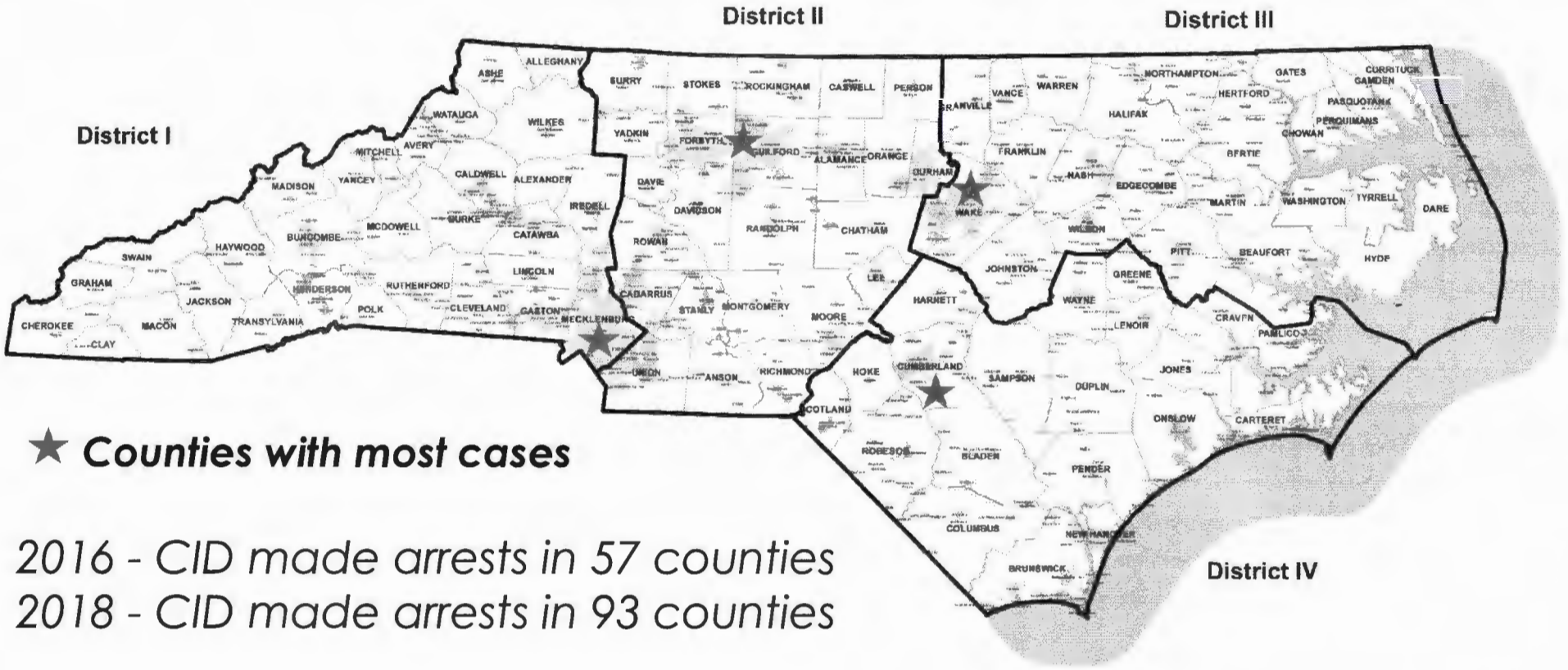
- Executive Assistant
- **Professional Standards** Commander
- **Criminal Investigations Division** Deputy Commissioner
  - Administrative Assistant
  - **District Operations** Division Chief
    - **District I** Commander (7 Special Agents)
    - **District II** Commander (7 Special Agents)
    - **District III** Commander (7 Special Agents)
    - **District IV** Commander (7 Special Agents)
  - **Special Services** Division Chief
    - **Special Operations** OSFM (2 Agents) Bail Bond (1 Agent)
    - Crime Analyst
    - Forensic Accountant (CPA, CFE)
    - Reserve Program (2 Special Agents)
- **Criminal Legal Services Division** Chief Attorney
  - Paralegal
  - Attorney Districts I & II
  - Attorney Districts III & IV





Positions Added	Description	Qty
Special Agent	Sworn LEO Investigators	15
District Commander	Supervisor of a District	2
Professional Standards	Internal Affairs, Personnel & Training	1
District Operations Chief	Manager for Field Operations	1
Senior Deputy	Law Enforcement Director	1
Prosecuting Attorneys	Authorized by AOC to Prosecute NCDOI cases	2
Chief Attorney	Supervising Attorney	1
Paralegal	Support for Criminal Legal Services	1
Forensic Accountant	CPA, Certified Fraud Examiner	1
Crime Analyst	Crime and Intelligence Analysis	1
Executive Assistant	Admin for Senior Deputy	1
	TOTAL	**27**

Districts Redrawn

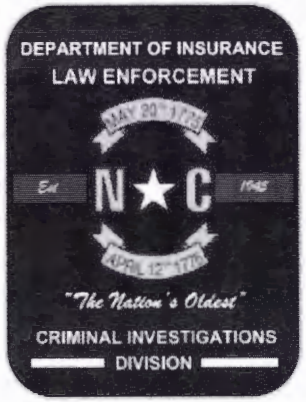


★ ***Counties with most cases***

2016 - CID made arrests in 57 counties
2018 - CID made arrests in 93 counties

CRIMINAL INVESTIGATIONS

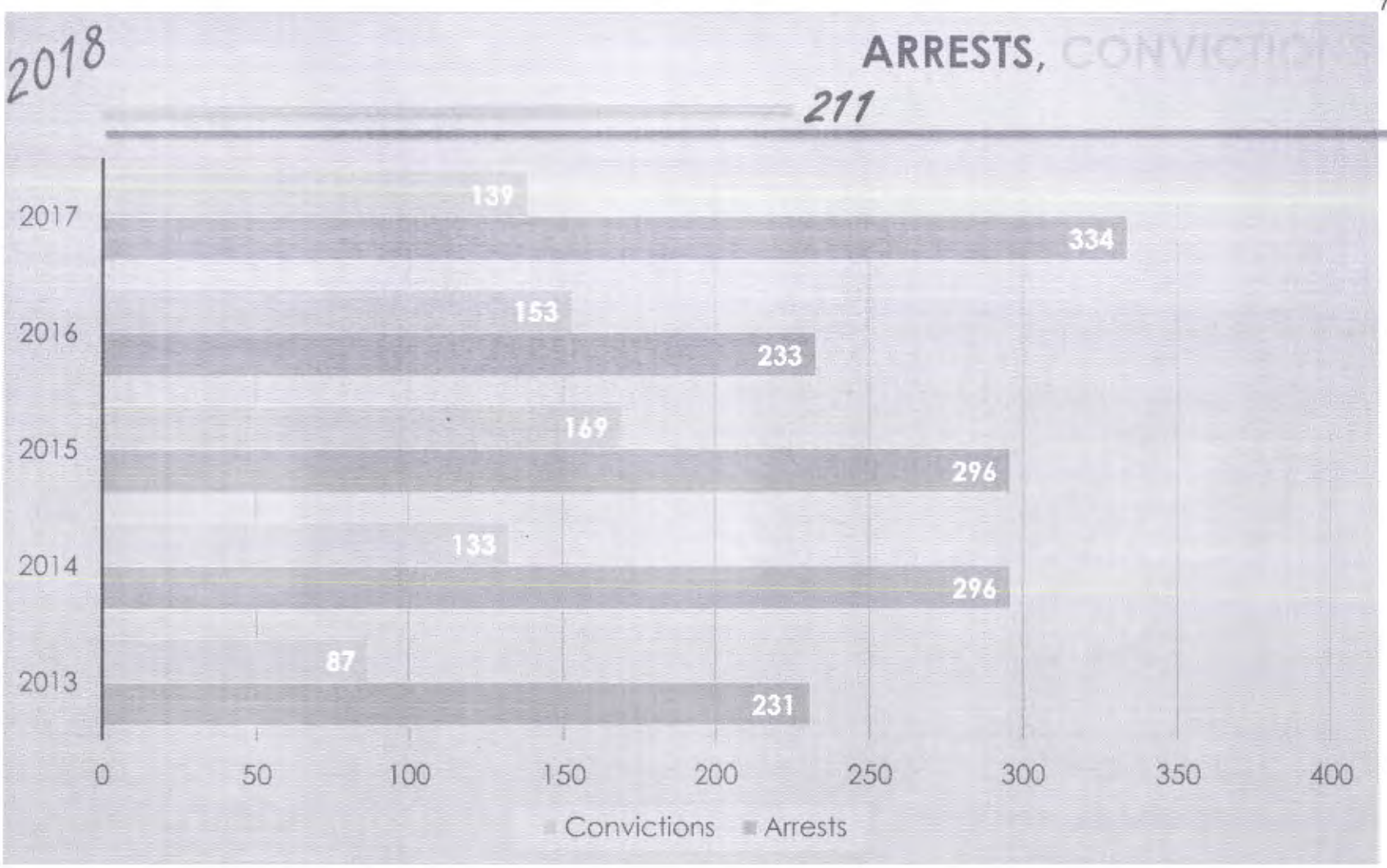




- Incoming Referrals 5,372
- Arrests for 2018 = 457
- Convictions = 211
- Total amount of restitution ordered to date

  $5,372,734.58

- New Special Agents are assigned an average of 100 cases per month


2018
ARRESTS, CONVICTIONS
211
457
2017
139
334
2016
153
233
2015
169
296
2014
133
296
2013
87
231
0
50
100
150
200
250
300
350
400
Convictions
Arrests

CRIMINAL LEGAL SERVICES

- Sworn in 30+ counties
- Total number of cases currently assigned - 70
- Total number of defendant's cases resolved -72
- Total number of charges resolved- 240
- Total amount of restitution ordered to date (cases resolved by our special prosecutors) **$512,878.99**



Report Insurance Fraud

http://www.ncdoi.com/Investigations/Report_Insurance_Fraud.aspx

QUESTIONS?

Marty A. Sumner
Sr. Deputy Commissioner
919-714-1660 mobile

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

A presentation to the Joint Legislative Oversight Committee on General Government

January 3, 2019

Cliff Isaac, Deputy Commissioner

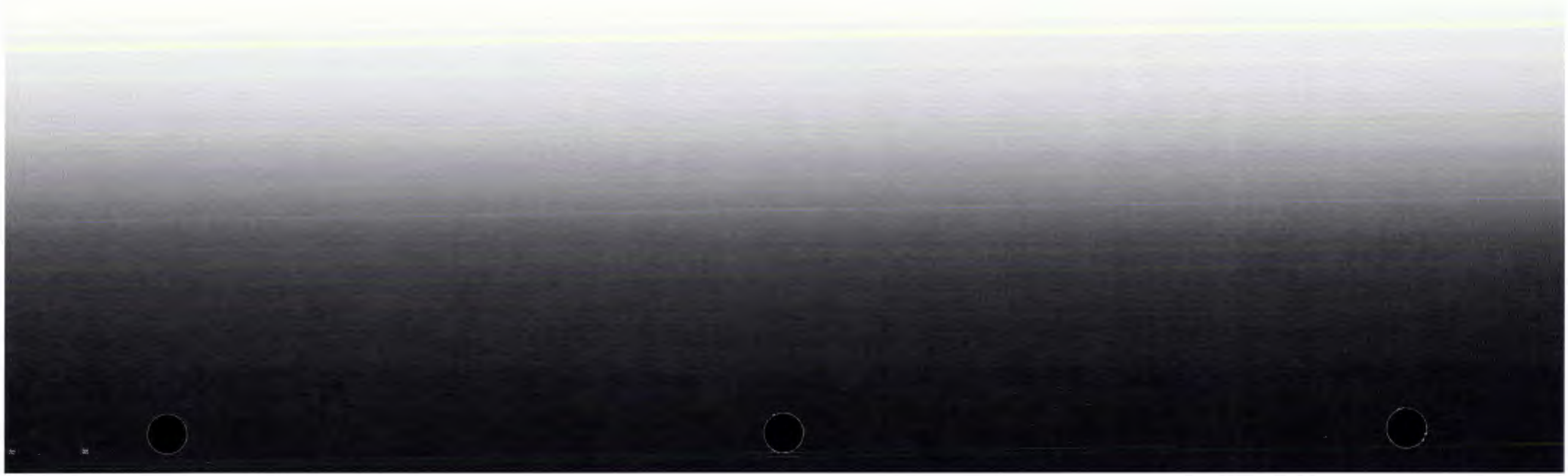


ATTACHMENT # 9

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Session Law 2018-29

- This summarizes what the new law had on construction.



NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Session Law 2018-29

- NCDOI has instituted the changes specified by the Law. Notice to all inspection departments of the 2 business day requirement on all requested inspections was sent out shortly after the passage of the law.
- The law and the efforts of NCDOI have provided a more service oriented atmosphere for the building community.
- NCDOI has begun to compile inspection department results related to:
  - Inspection departments that are not within the two business days.
  - Proper use of the permit fees for the administration and activities of the inspection departments.

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Metrics and Accomplishments

- Session law 2018-29 has also defined mutual aid contracts as an option for use by Inspection departments experiencing high inspection demand.
- NCDOI has answered calls from permit holders and responded by calling the jurisdiction to determine if a requested inspection will not be performed within two business days. Because of our work and those of the jurisdictions, no official written request has been submitted to us to provide inspections.
- There are several areas effected by the Hurricanes. These areas are still experiencing a high volume of inspections and will for some time as the recovery continues.

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Metrics and Accomplishments

- A recent survey sent to 220 building inspection departments shows that less than 1% are out more than two business days verses 8-10% from a survey before the new law.
- Jurisdictions are hiring more inspectors across the state and ones from out of state with ICC certifications.
- More inspections are being performed statewide and in a timely manner.

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Session Law 2018-29

- In an effort to determine the root cause of the inefficiency in the building process the law gave NCDOI the opportunity to collect information about the performance of the building community as well.
- As a result, inspection departments are reporting on residential builders in which have 15 or more separate framing violations.
  - The violation list of so many items is a significant tax on the inspectors time.
  - This impacts the inspection schedule for the remainder of the day.
  - This impacts other builders that have checked their projects and are ready.
  - Is typically a clear indication of a builder that was not ready.

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Session Law 2018-29

- As a result of the authority, NCDOI's positive reporting techniques, and the desire of the regulatory and building communities to embrace these proactive changes, great strides have been made in the efficiency of the building process.
- NCDOI has taken an active role in identifying and actively pursuing improvement with builders identified as having 15 violations or greater.
- Marked improvements in builder performance have resulted from this data collection.

NC DEPARTMENT OF INSURANCE
OFFICE OF STATE FIRE MARSHAL

Session Law 2018-29

- Since July 1, NCDOI has 136 framing inspection reports that have 15 or more code violations. Not all reports have been sent.
- Upon receiving the report and verifying the violations are valid, NCDOI sends an email to the permit holder and often calls and speaks to them.
- NCDOI has met with builders and jurisdictions about the reports.
- NCDOI has made a common violation checklist in English and Spanish and sent it out to the home builders and jurisdictions to share.

Common Residential Building Framing Violations Checklist
September 2018 – per the 2018 NCRC – version 1.0

SECTION 107 – NCACP
Building framing inspection

- ❑ **Not ready.**
- ❑ *Previous violations not corrected.*
- ❑ *Jobsite not safe to inspect.*
- ❑ *Started work without prior approval of past inspections or acceptance of designer's letter on a footing, foundation or slab.* [NCACP Section 107.3]
- ❑ **No plans on site.** [NCACP Section 106]
- ❑ Not a positive connection on all post and beams. [NCRC R602.3]
- ❑ Stud columns or walls not nailed per Code. [NCRC Table R602.3(1)]
- ❑ **Over spanned framing members.** [NCRC Chapters 4,6,8 and tables]
- ❑ Portal frame at garage not installed correctly. [NCRC Figure R602.10.1 or [NCACP Section 105]
- ❑ *Over notching, drilling and cutting of framing members.* *[NCRC Figure R602.3(1) and R602.6(1)]*
- ❑ *Missing bracing on trusses.* *[NCRC R802.10.3]*
- ❑ **Cut or damaged truss with no engineering fix.** [NCRC R802.10]

Lista de Violaciones Comunes de Construcción de Armazones Residenciales
Septiembre 2018 – por el 2018 NCRC – versión 1.0 SV

Sección 107 – NCACP
Inspección del Armazón

- ❑ **No está listo.**
- ❑ *Violaciones anteriores no corregidas.*

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Framing Reports

	A	B	C	D	E	F	G	H	I	J	K	L	
1													
2		136	= homes	Date					Date Called or		Separate		
3	No.	x	Address	Received	Builder	Area Manager	Cell Phone	Email Address	Email Sent	Jurisdiction	Violations	Date	Tin
4	1			7/13/2018					7/20/2018	Cary	20	8/28/2018	
5	2			7/13/2018					7/20/2018	Cary	20	8/28/2018	
6	3			7/17/2018					7/20/2018	Apex	40	7/16/2018	
7	4			7/20/2018					7/23/2018	Wake Forest	16	7/9/2018	
8	5			7/20/2018					7/23/2018	Wake Forest	19	7/10/2018	
9	6			7/20/2018					7/23/2018	Wake Forest	16	7/13/2018	
10	7			7/23/2018					7/26/2018	Cary	21	7/23/2018	
11	8			7/25/2018					7/24/2018	Wake Forest	18	7/2/2018	
12	9			7/25/2018					7/24/2018	Wake Forest	26	7/2/2018	
13	10			7/25/2018					7/25/2018	Wake Forest	25	7/16/2018	
14	11			7/25/2018					7/25/2018	Wake Forest	20	7/2/2018	
15	12			7/27/2018					8/8/2018	Wake Forest	28	7/20/2018	
16	13			7/27/2018					8/8/2018	Wake Forest	15	7/25/2018	
17	14			7/27/2018					8/8/2018	Wake Forest	17	7/23/2018	
18	15			7/27/2018					8/8/2018	Wake Forest	17	7/26/2018	
19	16			7/27/2018					7/28/2018	Wake Forest	20	7/20/2018	
20	17			8/2/2018					8/2/2018	Cary	18	7/27/2018	
21	18			8/2/2018					8/2/2018	Cary	22	8/2/2018	
22	19			8/3/2018					8/6/2018	Cary	25	8/3/2018	
23	20			8/3/2018					8/10/2018	Mecklenburg	16	7/16/2018	
24	21			8/3/2018					8/10/2018	Mecklenburg	16	7/2/2018	
25	22			8/3/2018					8/7/2018	Mecklenburg	20	7/20/2018	
26	23			8/3/2018					8/7/2018	Mecklenburg	15	7/10/2018	
27	24			8/3/2018					8/7/2018	Mecklenburg	16	7/13/2018	
28	25			8/3/2018					8/7/2018	Mecklenburg	16	7/24/2018	
29	26			8/3/2018					8/6/2018	Mecklenburg	25	7/3/2018	
30	27			8/3/2018					8/13/2018	Mecklenburg	15	7/11/2018	
31	28			8/3/2018					8/10/2018	Mecklenburg	20	7/9/2018	
32	29			8/3/2018					8/10/2018	Mecklenburg	20	7/17/2018	
33	30			8/3/2018					8/13/2018	Mecklenburg	18	7/11/2018	
34	31			8/3/2018					8/13/2018	Mecklenburg	16	7/2/2018	
35	32			8/3/2018					8/13/2018	Mecklenburg	15	7/24/2018	
36	33			8/3/2018					8/16/2018	Mecklenburg	13	7/16/2018	
37	34			8/3/2018					8/13/2018	Mecklenburg	15	7/26/2018	
38	35			8/7/2018					8/9/2018	Apex	23	8/6/2018	
39	36			8/7/2018					8/9/2018	Apex	23	8/3/2018	
40	37			8/9/2018					8/9/2018	Apex	34	8/7/2018	
41	38			8/10/2018					8/10/2018	Apex	35	8/8/2018	
42	39			8/10/2018					8/10/2018	Apex	27	8/9/2018	
43	40			8/10/2018					8/10/2018	Apex	59	8/7/2018	
44	41			8/14/2018					8/14/2018	Apex	33	8/10/2018	
45	42			8/14/2018					8/14/2018	Apex	35	8/10/2018	
46	43			8/15/2018					8/15/2018	Gastonia	17	8/14/2018	
47	44			8/14/2018					8/16/2018	Holly Springs	27	8/14/2018	
48	45			8/15/2018					8/16/2018	Gastonia	18	8/15/2018	
49	46			8/16/2018					8/17/2018	Apex	29	8/10/2018	
50	47			8/21/2018					8/21/2018	Gastonia	25	8/20/2018	
51	48			8/22/2018					8/22/2018	Cary	19	8/21/2018	
52	49			8/22/2018					7/26/2018	Cary	21	8/21/2018	
53	50			8/28/2018					8/29/2018	Wake Forest	17	8/22/2018	
54	51			8/29/2018					8/29/2018	Wake Forest	18	8/24/2018	

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

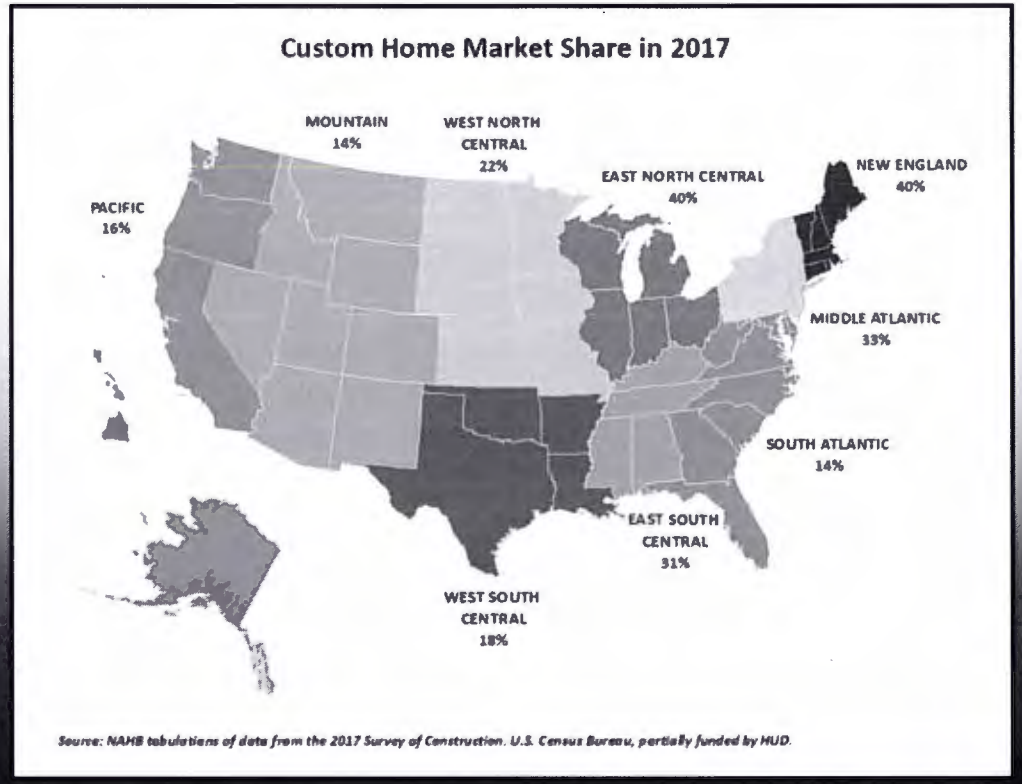
Report Data

- One framing inspection took 8 hours and had 102 code violations. This rolled 12-14 other requested inspections.
- Builders in the high growth areas have a difficult time complying with the Code due to the lack of knowledge or time and skilled personnel.
- Due to the understanding that reports would be sent to NCDOI and with our proactive approach, builders have improved.
- Inspectors are performing a complete inspection per SL2018-29.
- The reduction in re-inspections has saved money across the board.
- Lower costs produces more affordable homes to every citizen.

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Report Data

- Out of the 135 framing reports, roughly 14% are from custom builders. This mirrors the current trend in the South Atlantic from 2017 data.

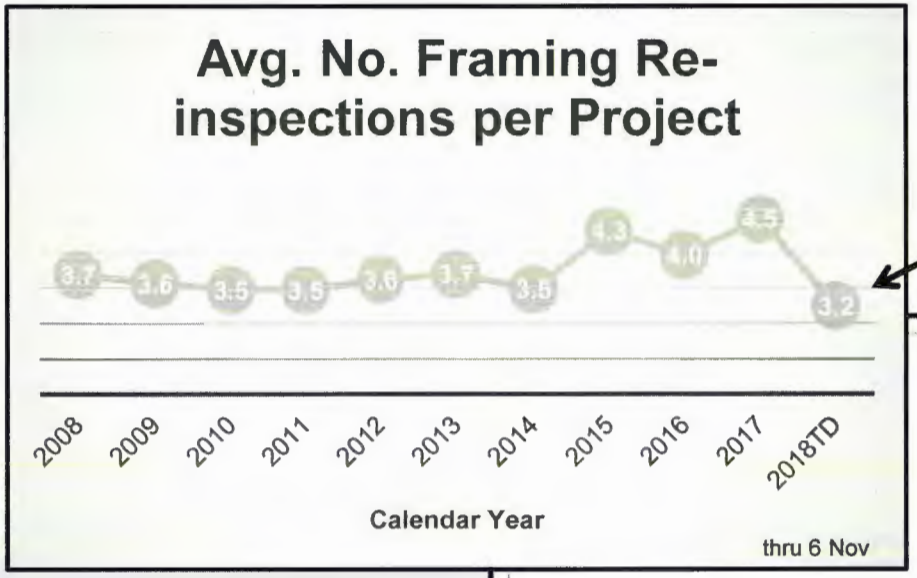


Fastest growing jurisdictions (pop%):

1 – Wake County
2 – Waxhaw
3 – Leland [2010 – 2018]
4 – Morrisville
5 – Holly Springs
6 – Cabarrus County
7 – Wake Forest
8 – Mebane
9 – Apex
10 - Clayton

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Avg. No. Framing Re-inspections per Project



Reduction of 1.3 trips



NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

Further Results and Survey

- In a recent survey of 220 building inspection departments, 80% say that the builders have improved code compliance and 72.86% are for extending the reporting to any of all inspections.
- Added inspection capacity makes for completing inspections without delays and time to assist builders that needs help.

NC DEPARTMENT OF
INSURANCE
OFFICE OF STATE FIRE MARSHAL

5-Star Plan

Conclusion

The passage of HB 948 has produced positive affects throughout the state. The entire *home building community* has benefited. Less cost, more inspections, and improved Code compliance saves time and money for home builders, commercial contractors, jurisdictions and the citizens of our state.

A simple analysis of such savings we have estimated so far (½ year since July 2018):

One less framing inspection (jurisdiction)	$75
5-10 days less of production (builder)	$750
5-10 days less on construction loan (bank)	$250
	$1,075 per house

($1,075 per house) x (30,000 homes produced) = $32,250,000*

* Note: This estimate is conservative. More than 70% of the homes are being built in high growth counties throughout North Carolina. With future passage of HB 949 - The Code Response Team will result in more consistent inspections and improved Code compliance through field training to builders and trade subcontractors. This will increase the savings close to 100 million per year.

Let's build North Carolina together.

Progress Report
Performance Management Pilot

Office of State Budget and Management
January 2019

ATTACHMENT # 10

OSBM Updates

OSBM Reorganization Efforts

Our goal was to:

- Create greater emphasis on data-driven, evidence-based budgeting and programs
- Increase our focus on strategic and executive level budget issues
- Reduce routine and non value-add transactions and streamline processes
- Improve customer service to agencies/campuses

OSBM Reorganization Efforts

Budget Execution Section

- Interprets statutes/session laws and develops policies to guide agencies
- Meets with agency leadership to resolve complex/high-profile budget execution issues
- Reviews and approves revisions to the budget
- Ensures a balanced budget by monitoring expenditures and approving allotments
- Conducts closeout and carryforward
- Leads budget execution improvement initiatives
- Conducts Base Budget Development Process

Budget Development and Performance Evaluation Sections

- Develops Governor's budget recommendations (Change Budget)
- Conducts objective analysis and develops options to support Governor's priorities
- Reviews and analyzes agency programs (e.g. performance/ effectiveness, alternative analysis)
- Meets with agency leadership to review programs and priorities
- Conducts budget certification

Building a Performance Management Framework



Fostering a culture of statewide organizational excellence.

- Aligning strategic planning, performance tools, and the budget process
- Championing the use of data and evidence in state government
- Improving outcomes for North Carolinians by piloting innovative tools and sharing best practices

Building a Performance Management Framework

What we've done in 2018

- Hosted three trainings in partnership with the UNC School of Government on strategic planning and creating performance measures for over 200 state leaders
- Provided an evidence-based budgeting workshop in partnership with the Results First Initiative
- Retooled worksheet II to include more data and evidence to build better business cases
- Nearing completion of first Results First policy area on child and family health
- Provided customized strategic planning support and feedback to state agencies

Building a Performance Management Framework

What we're planning for 2019

- Expand Results First Initiative to include juvenile justice policy area
- Provide more training opportunities and best practice sharing on performance management topics for agency staff
- Continue to integrate data and analysis into the state's operational culture
- Build OSBM's toolbox to be a resource for state agencies
- Update the LINC (Log Into North Carolina) System for increased efficiency and access to data

Highlight - Log Into North Carolina (LINC)

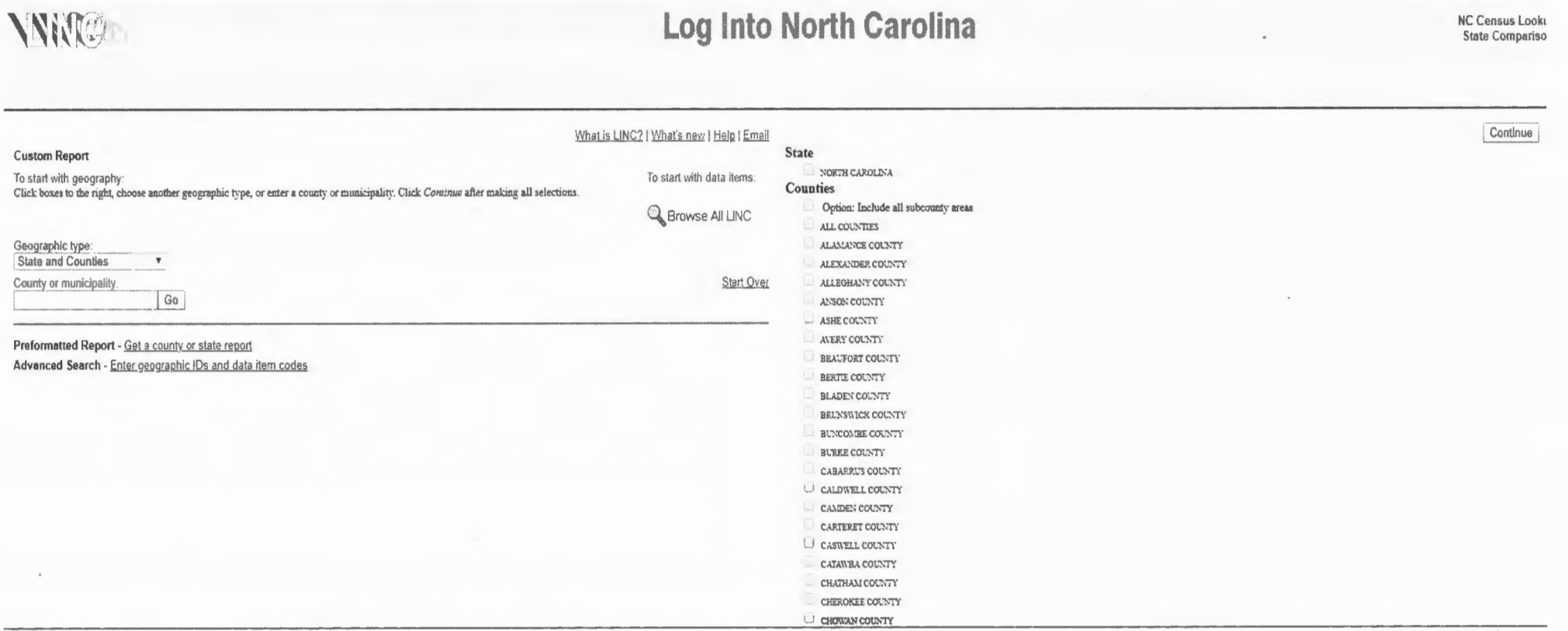
LINC – Best First Resource for Information about NC

- Was originally created in late 1970s
- Is an interactive database of North Carolina
- Provides free, publicly available, transparent data
- Encompasses 1,200+ variables organized into 12 Topic Groups
- Contains state, federal, and some limited private data
- Covers data from 1969 to 2036
- Provides data descriptions for each variable
- Allows custom and topic profile reports

Limitations

- Does not support data download
- Requires a manual, time-intensive data update process
- Does not support data visualization and mapping opportunities

LINC - Currently



Enhanced LINC – Dynamic Visualization

✔ Clear All

Select a county:

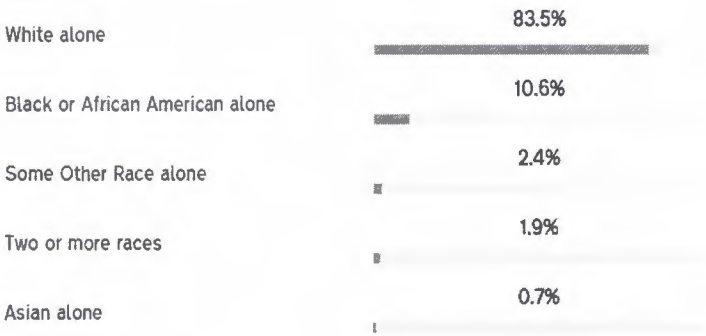
Brunswick County

Brunswick County Census Information

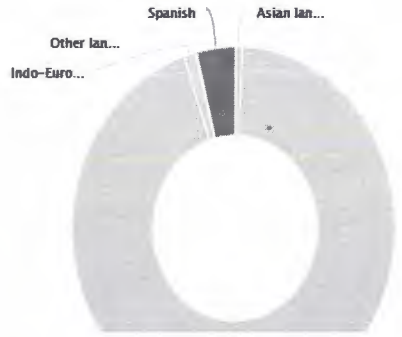


2010 Population:	107,431
Current Population:	119,167
2020 Population:	141,520
Median Income:	$49,356
High school graduate or higher:	88.0%
Persons in poverty:	15.2%
Persons 65 years and over:	26.9%
Persons under 5 years:	4.6%
Foreign-born persons:	4.3%
2000 Census Response Rate:	48.0%
2010 Census Response Rate:	76.0%

Race



Language Spoken



Pilot Progress Report

S.L. 2018-5

SECTION 26.1.(b) The Office of State Budget and Management shall research best practices in performance management from leading states, academia, and nongovernmental organizations and implement a pilot performance management initiative that is designed to inform the budget process and operational management of State programs. By November 30, 2018, the Office of State Budget and Management shall report to the Joint Legislative Oversight Committee on General Government on the progress of implementing the pilot. The report may include recommendations for additional legislation. For purposes of this section, the term "performance management" means an ongoing process of measuring, evaluating, and adjusting actions to improve outcomes.

Best Practices Research

Best Practices Research

Researched best practices in performance management from:

- Previous efforts in North Carolina
- Professional organizations and nongovernmental organizations such as NASBO, ICMA, and Pew
- Peer reviewed articles as well as publications from the UNC School of Government
- Leading states in performance management practices such as Colorado, Connecticut, Indiana, Iowa, Michigan, Minnesota, Rhode Island, Utah, Virginia, Washington, and Wisconsin

Best Practices Research

There is no one size fits all answer.

Issues from failed or discontinued efforts:

- Lack of integration of performance to the budget process in a meaningful way
- Overly burdensome processes for agencies
- Measuring too much or not measuring meaningful data
- Lack of engagement and collaboration with agencies in the process

Common factors for success:

- Need for agency engagement and buy-in
- Demonstrating value to agencies
- Building knowledge and capacity
- Regular communication between program staff, budget staff, and policymakers
- Development of strong executive and legislative champions

GOVERNOR'S OFFICE OF
MANAGEMENT AND BUDGET

Utah's SUCCESS Framework

- Focused on building agency capacity and improving the efficiency and effectiveness of state operations
- Founded in Lean, Six Sigma, and the Theory of Constraints
- Approaches improvement from a "systems" perspective
- Connects budget, performance, and agency staff as part of the measurement process

COLORADO

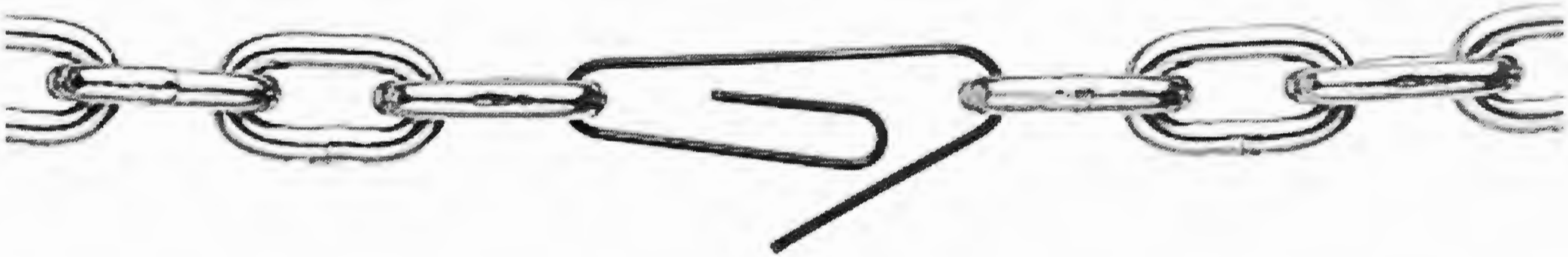
Colorado's Performance Management

- "SMART" Act that formalizes performance management
- Focused on building agency capacity
- Provide Performance Management Training Academy on topics of: *operational excellence, customer focus, strategic planning, operational planning & evaluation, lean process improvement, and implementation & culture.*

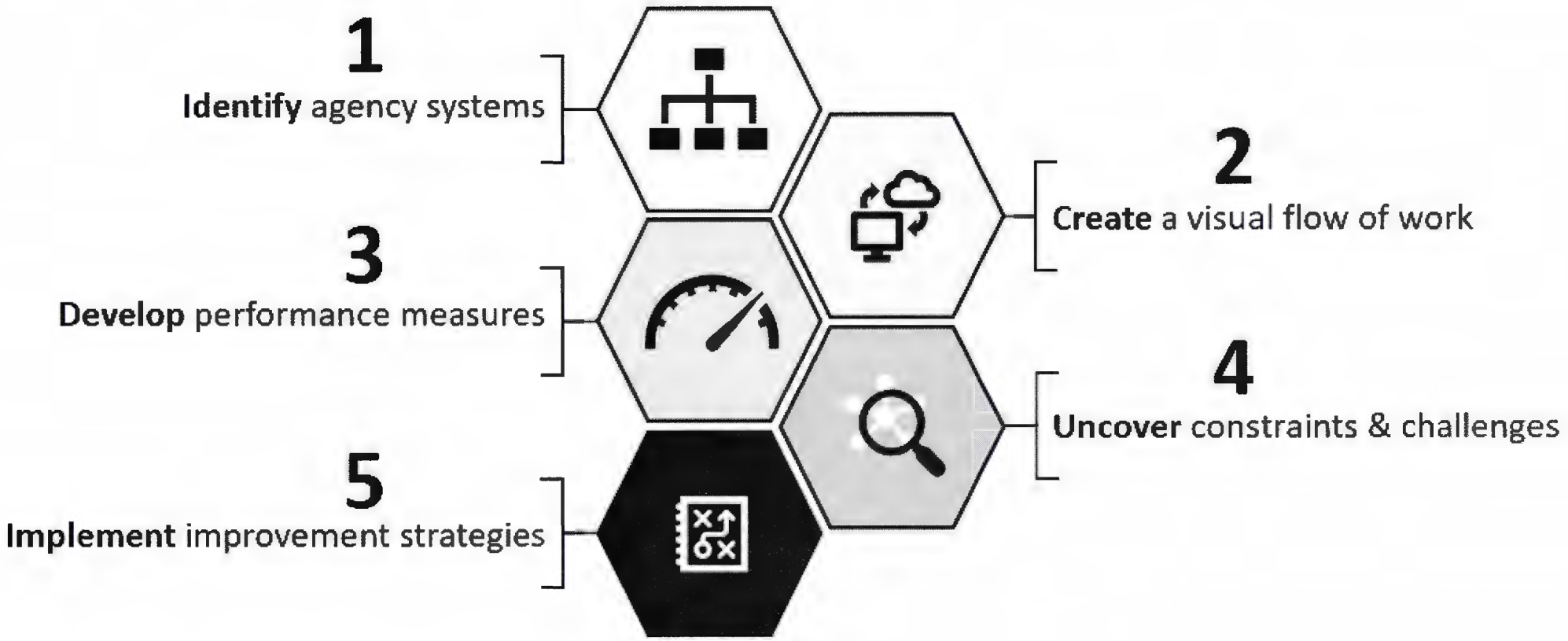
Pilot Implementation

Systems Analysis Pilot

- Centered on building agency capacity and collaboration
- Uses a similar "systems" approach as Utah
- Applies Theory of Constraints, Lean, and Six Sigma



Pilot Implementation



Pilot Implementation

Systems Analysis training curriculum:

	Sessions	Topics Covered
Theory and Strategy	• Session 1: Introduction to Systems Analysis	• Systems Analysis Basics • Theory of Constraints • Getting Started - Agency Profile
	Milestone – Identify agency systems	
Measurement Process	• Session 2: System Mapping • Session 3: System Measures	• What Is a System? • Performance Measures • Systems Analysis Formula
	Milestone – Map systems and develop system measures	
Continuous Improvement	• Session 4: Performance Improvement Strategies	• Theory of Constraints Application • Lean – Maximize Capacity and Flow • Six Sigma – Maximize Quality
	Milestone – Identify challenges and implement strategies	

Pilot Implementation

OSBM

- Identified major systems
- Mapped out first system
- Currently developing performance measures

Department of Labor

- Conducted initial training with leadership team
- Currently working to identify major systems

Moving Forward

- Looking to add a third pilot agency in this fiscal year
- Assess applicability and feasibility for broader rollout

Next Steps

Next Steps

OSBM

1. Provide additional performance management training opportunities for state agencies.
2. Work with agencies to build better business cases.
3. Ensure strategic plans are meaningful, comprehensive, and robust.
4. Directly link budget requests to agency strategic plans.

Next Steps

Items for 2019

- Embed additional analytics capacity in state government
  - Expertise in statewide organizations including OSBM, OSC, DST, and OSHR
  - Tiered support in all agencies
- Enhance LINC's capacity

Questions

Charles Perusse
State Budget Director
NC Office of State Budget & Management
charles.perusse@osbm.nc.gov

Corey Petersohn
State Budget and Management Analyst
NC Office of State Budget & Management
corey.petersohn@osbm.nc.gov

NC OpenBudget Update

Joint Legislative Oversight Committee on General Government

John Correllus
Chief Data Officer and GDAC Director

January 3, 2019

NC DIT

ATTACHMENT # 11

Legislative Overview

Budget Transparency Website Requirements:

- Functional by April 2016
- User friendly
- Provide search and download capabilities
- Include budgeted and actual expenditures
- Include receipts and expenditures from all sources
- And more…

Program Approach

- Leverage existing technology investments
- Build the foundation, focus on State data first
- Implement in a phased approach
- Automate data integration and transformation
- Ensure proper business rules are implemented to ensure not exposing PII, HIPAA, FERPA, etc.
- Document the process in detail

OpenBudget Website



State Grants



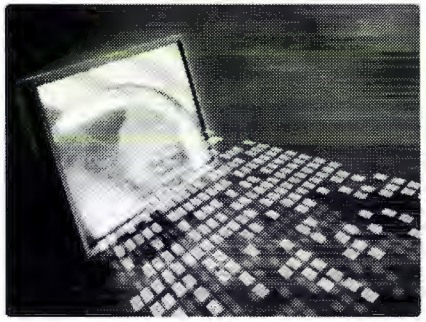
Explore State Budget



Vendor Payments



Statewide and Agency Contracts



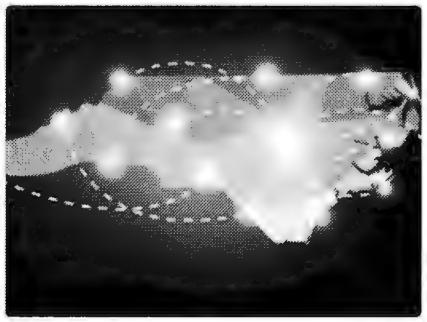
IT Contracts



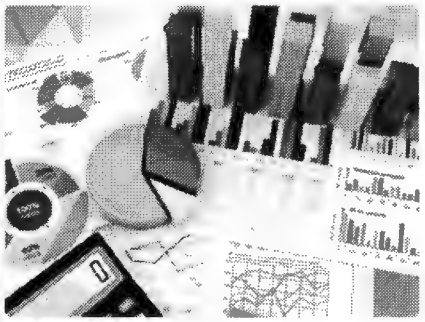
Transportation Contracts

https://www.openbudget.nc.gov

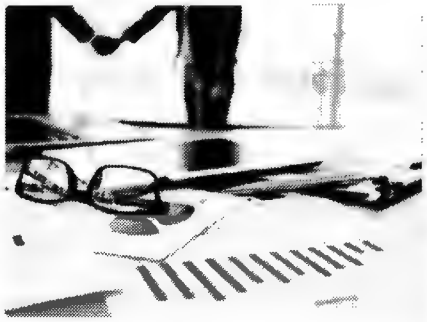
State Grants



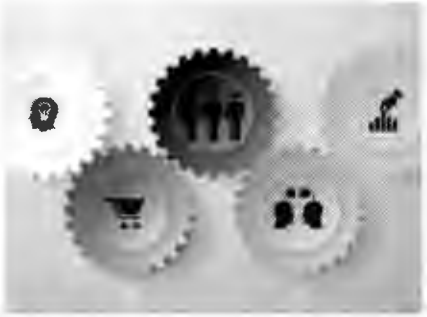
State Grants



Explore State Budget



Vendor Payments



Statewide and Agency Contracts



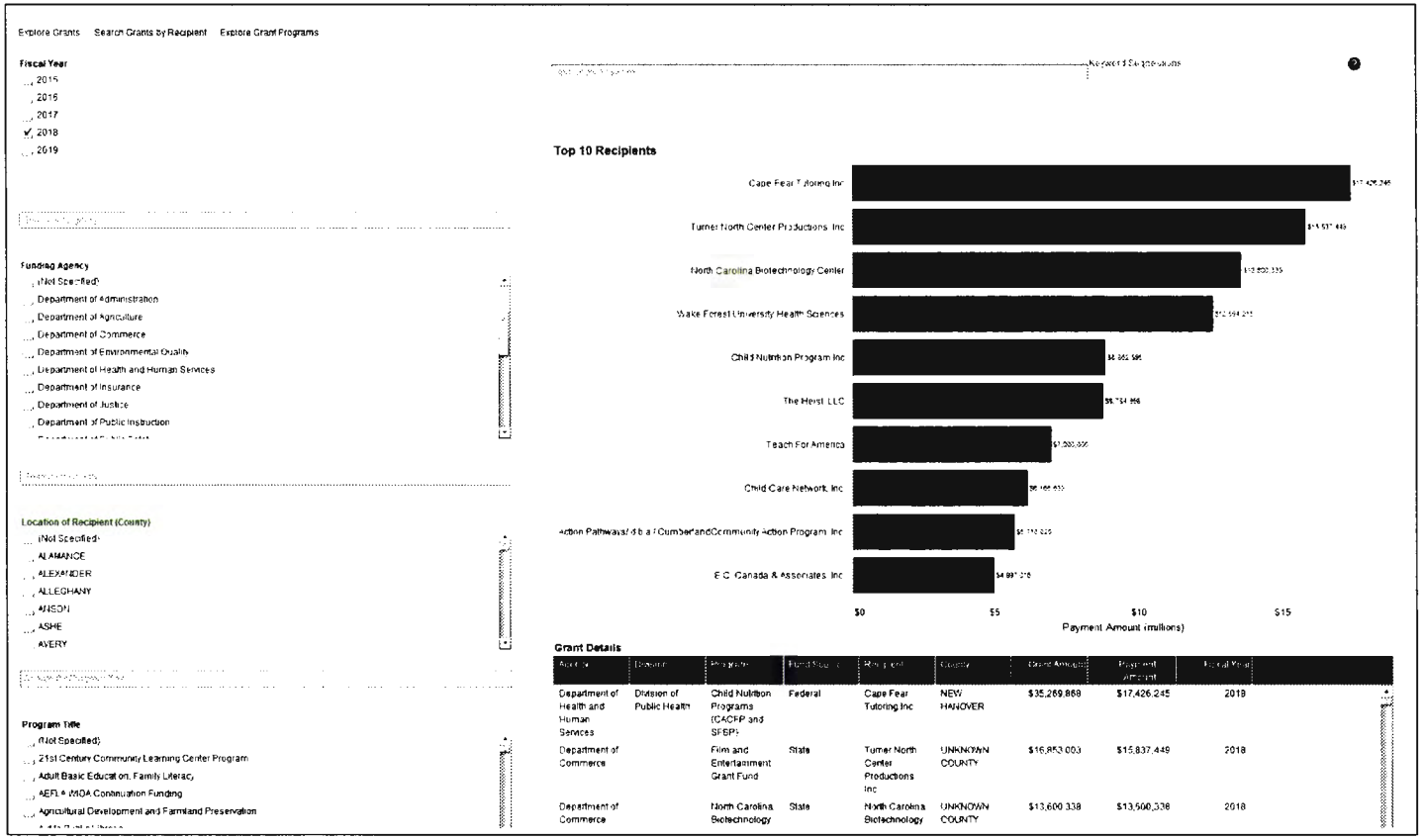
IT Contracts



Transportation Contracts

https://www.openbudget.nc.gov

State Grants View



https://www.openbudget.nc.gov

State Budget



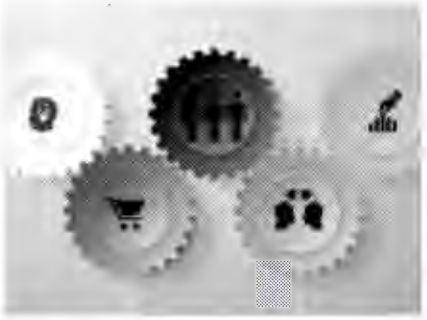
State Grants



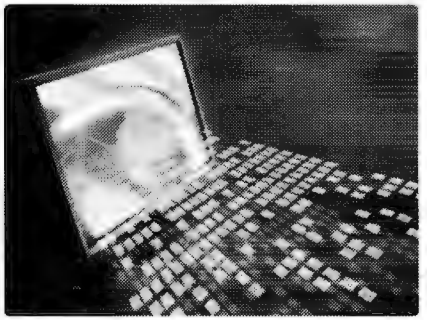
Explore State Budget



Vendor Payments



Statewide and Agency Contracts



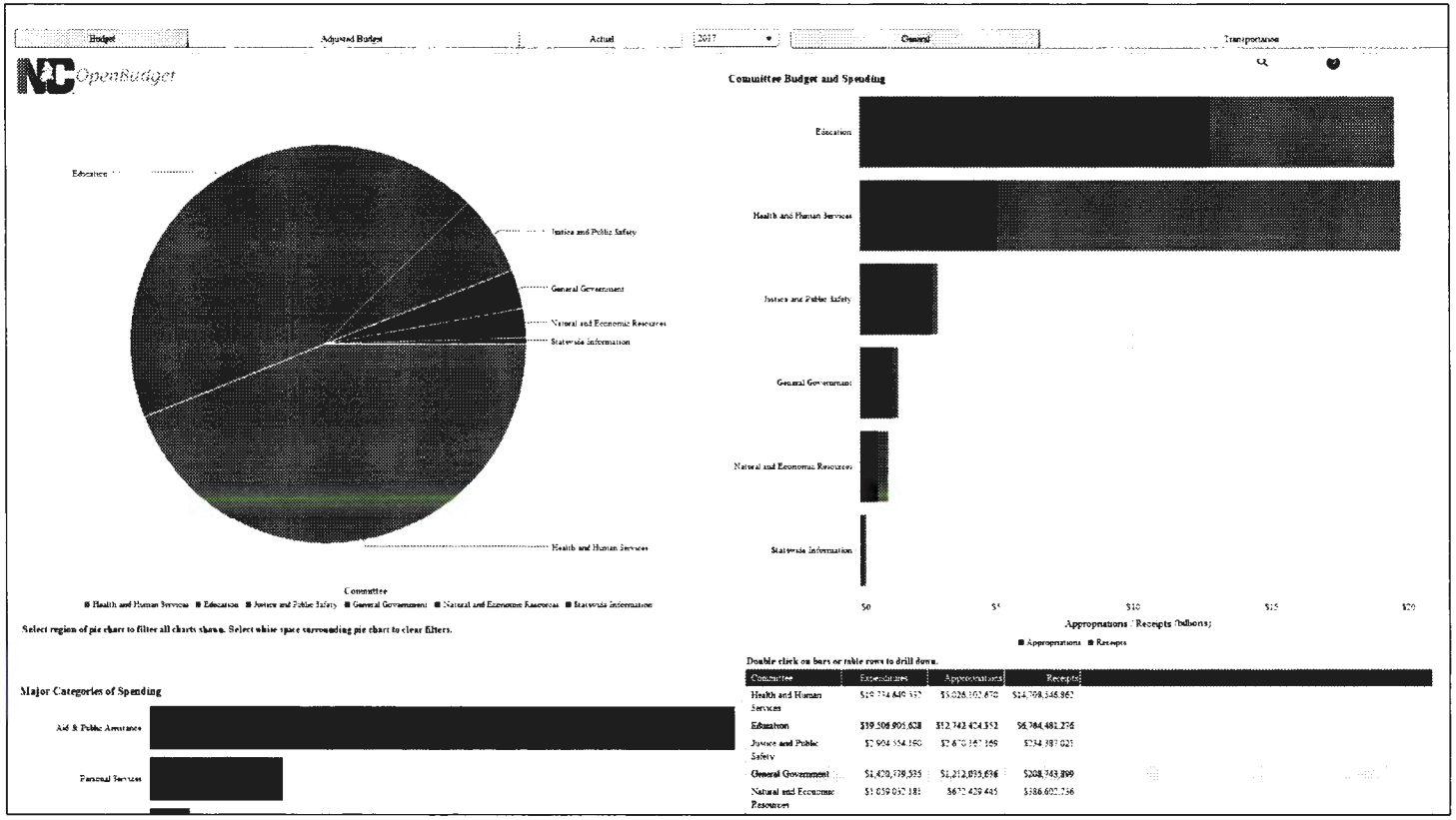
IT Contracts



Transportation Contracts

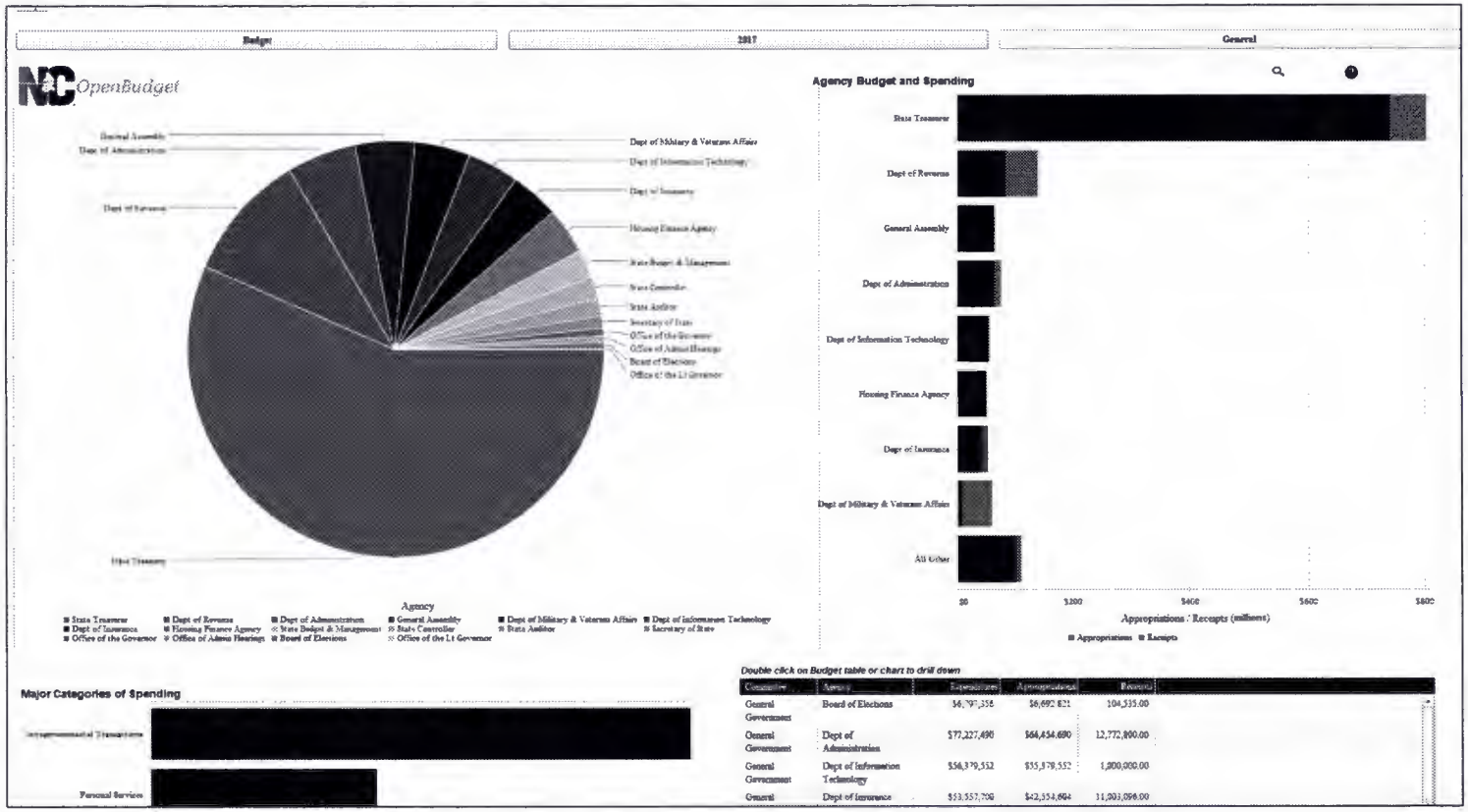
https://www.openbudget.nc.gov

State Budget View



https://www.openbudget.nc.gov

Gen. Govt. Committee Budget View



https://www.openbudget.nc.gov

Vendor Payments



State Grants



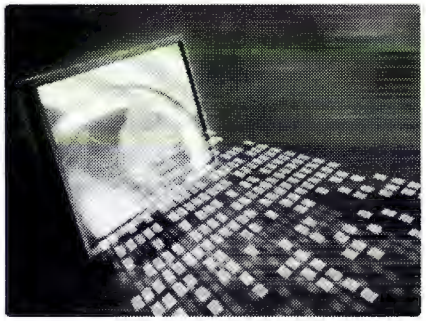
Explore State Budget



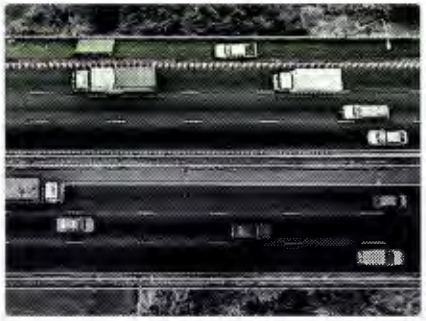
Vendor Payments



Statewide and Agency Contracts



IT Contracts

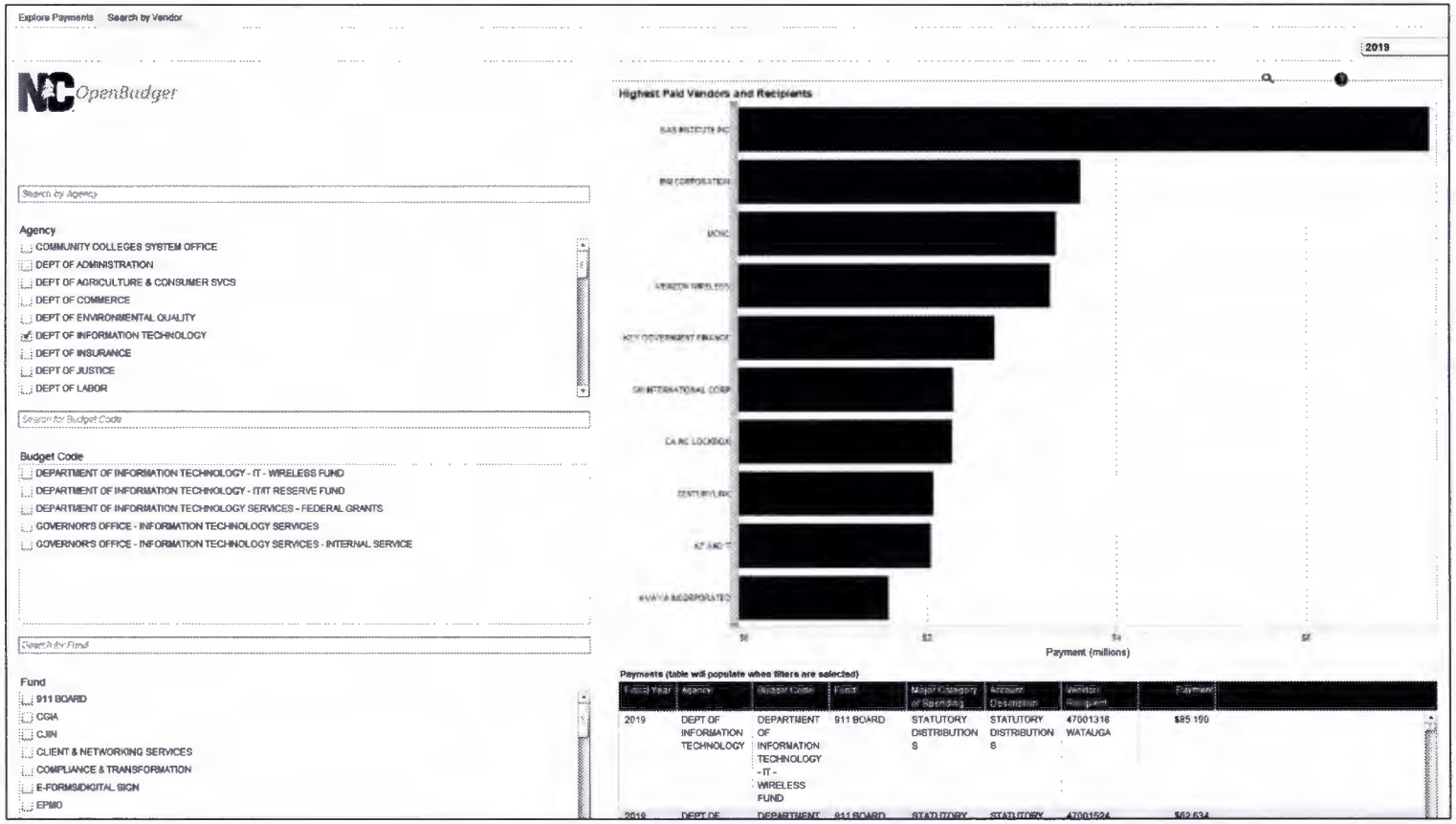


Transportation Contracts

https://www.openbudget.nc.gov

NC DIT

Vendor Payments View



https://www.openbudget.nc.gov

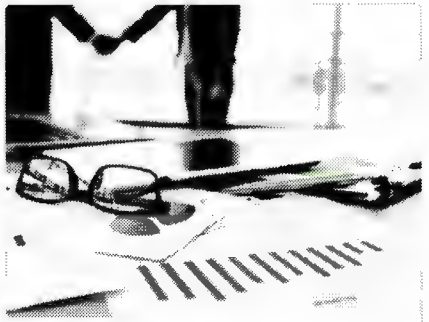
State and Agency Contracts



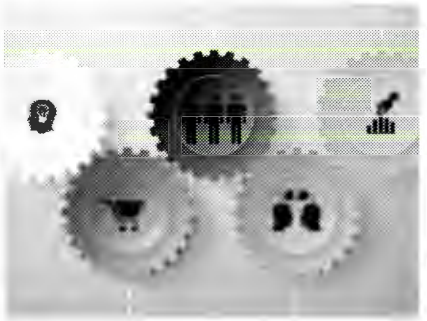
State Grants



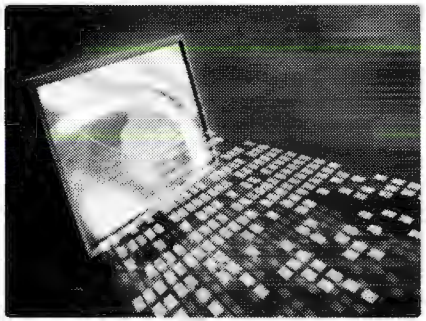
Explore State Budget



Vendor Payments



Statewide and Agency Contracts



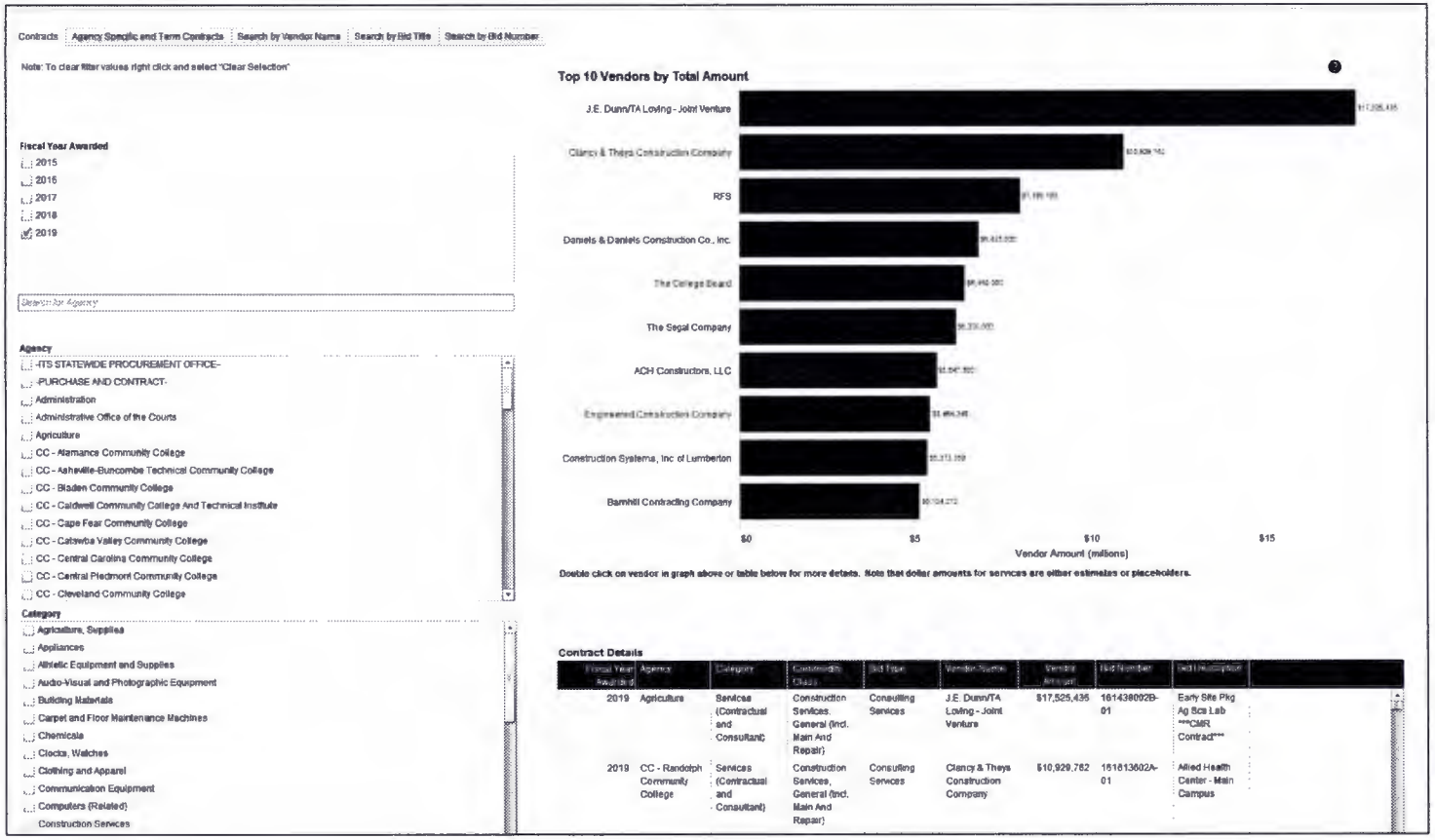
IT Contracts



Transportation Contracts

https://www.openbudget.nc.gov

State Contracts View (Non-IT)



https://www.openbudget.nc.gov

State IT Contracts



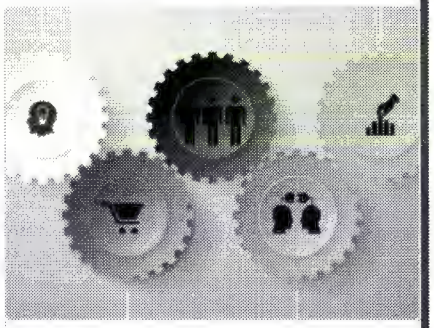
State Grants



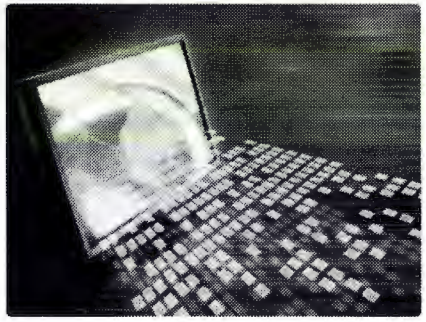
Explore State Budget



Vendor Payments



Statewide and Agency Contracts



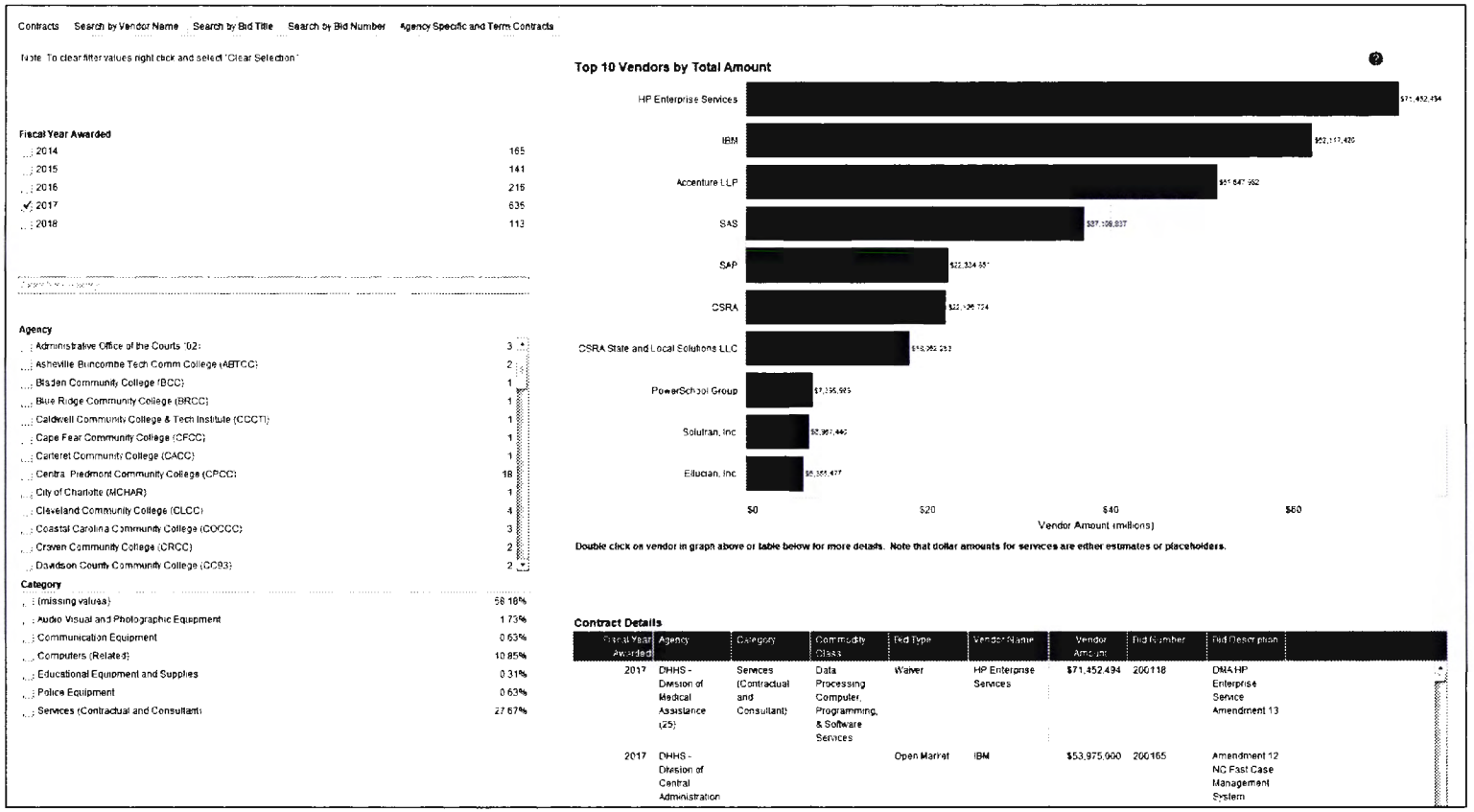
IT Contracts



Transportation Contracts

https://www.openbudget.nc.gov

State IT Contracts View



https://www.openbudget.nc.gov

Transportation Contracts View



State Grants



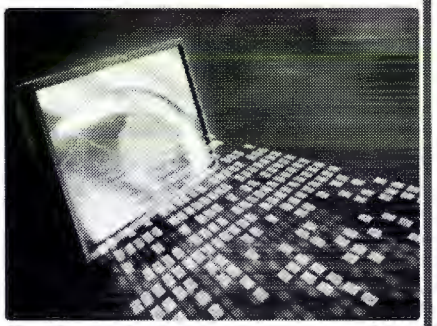
Explore State Budget



Vendor Payments



Statewide and Agency Contracts



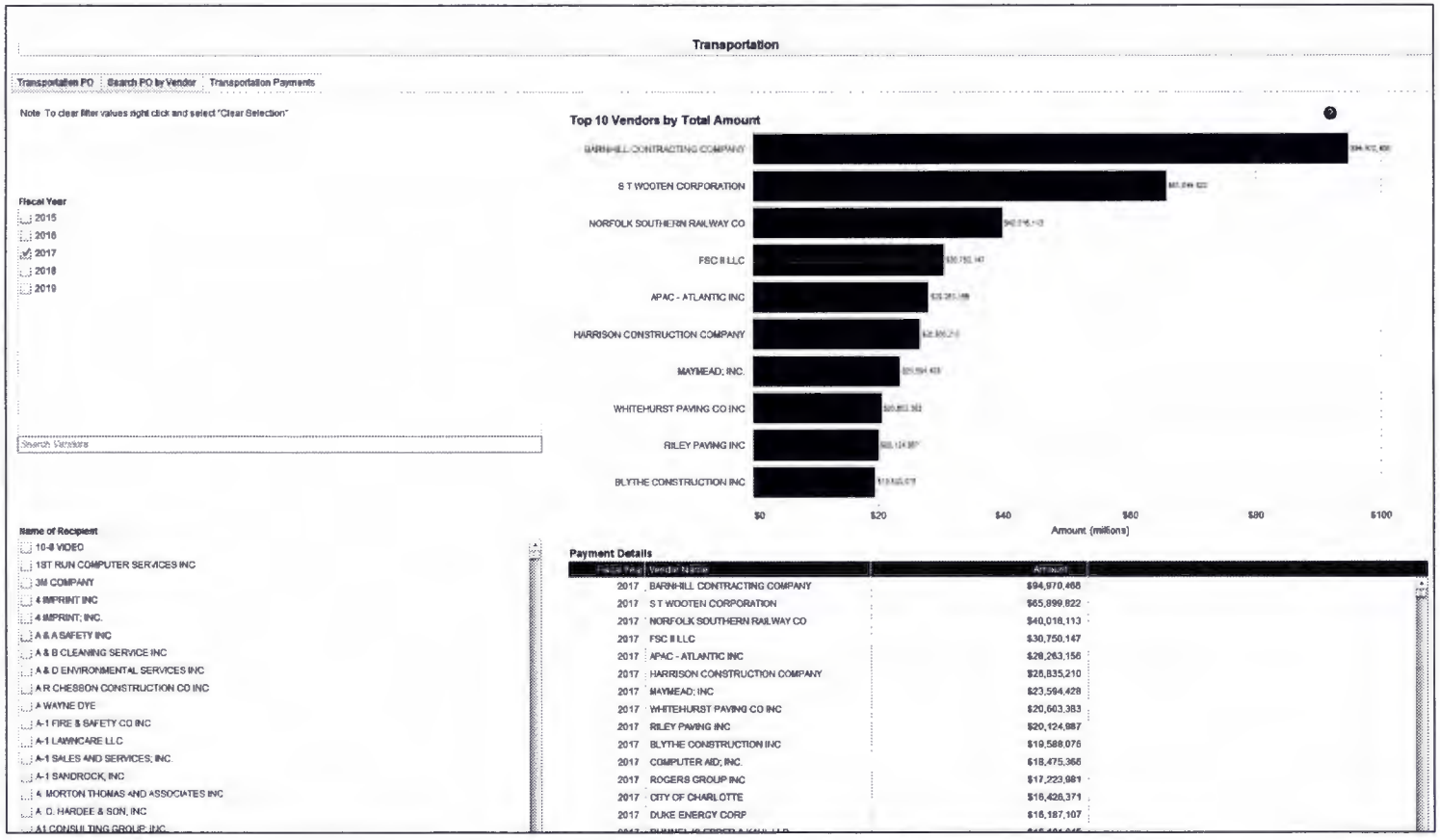
IT Contracts



Transportation Contracts

https://www.openbudget.nc.gov

Transportation Contracts



https://www.openbudget.nc.gov

Next Steps

- Include all State Agency fund types
- Modernize the platform/interface
- Additional data integration
  - Public universities
  - Community colleges
  - Counties
  - Local school administrative units

Continuing the Conversation

John Correllus
Chief Data Officer and GDAC Director
John.Correllus@nc.gov
(919) 754-6145

Let's Connect!



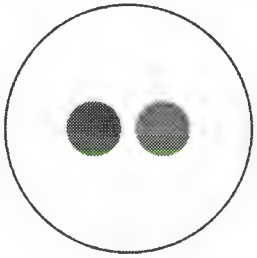
@NCDIT
@BroadbandIO
@ncicenter



NC Department of Information Technology



NCDIT



NC DIT



@NCDIT

it.nc.gov



North Carolina State Government Facilities' Master Plan

January 3, 2019

ATTACHMENT # 12

Facilities Master Plan Overview

As specified in the *Appropriations Act of 2018*, the General Assembly directed the Legislative Services Office (LSO) to develop a State Government Facilities' Master Plan.

The objectives of this plan include:

- Increasing value to citizens by reducing the cost to house state employees while ensuring achievement of the state's goals and objectives
- Enabling more effective oversight of State-owned and leased office facilities

Facilities Master Plan Overview

Approach:

- Utilize the Old Revenue Building as the pilot facility and the Office of the State Auditor as the pilot agency

Results:

- Process to ensure necessary property management information is valid and can be compared with other state-managed office facilities
- Essential information for effective decision-making

Pilot Study Components

1. Facility Condition Assessment (FCA) – Analysis of a facility in terms of age, design, construction methods, and materials
2. Market valuation - Cost/benefit analysis of facility utilization alternatives
3. Econometric analysis - Economic and state/local tax impact of identified facility utilization alternatives
4. Agency/Employee workspace analysis - Employee workspace requirements based on an analysis of agency work patterns and employee mobility requirements

Facility Condition Assessment (FCA)

Evaluation of the current facility condition to determine the cost of restoration and repair activities necessary to sustain its intended functionality

Deliverable:

- Cost estimates of facility restoration and repairs utilizing a methodology that is consistent, repeatable, and defendable

Status:

- Contract awarded to Faithful+Gould in December, 2018

Market Valuation and Econometric Analysis

Analysis of current market condition to identify estimated fiscal and economic impact of selected facility utilization alternatives

Deliverables:

- State expenditure requirements and associated revenue projections
- Economic and state/local tax impacts

Status:

- Market valuation contract: Upon completion of FCA and Workspace analysis
- Econometric Analysis: Upon completion of FCA and market valuation

Agency/Employee Workspace Analysis

Analysis of employee workspace requirements based on agency work patterns and employee mobility requirements

Deliverables:

- Facility workspace design to cost-effectively house state employees
- Standardized process to evaluate and establish facility workspace requirements

Status:

- Contract awarded to Baskin Strategies/JLL in December , 2018

Tennessee Workspace Initiative

- Piloted with two agencies
  - Realized annual savings of nearly $1 million in in office space costs due to increased use of telework and other space saving alternatives
- To date, implementation has begun in 17 of 23 state agencies
  - Estimated $39 million annual cost reductions upon full implementation
- Tennessee realized documented increased productivity for all participating agencies

Summary

- The General Assembly directed the LSO to develop a State Government Facilities' Master Plan
- Objective: Provide information to reduce the cost to house state employees and contribute to the achievement of the State's goals
  - Old Revenue Building will be used as the pilot facility.
  - Office of the State Auditor will be the pilot agency
- Plan will include four components
  - Facility Condition Assessment
  - Market Valuation
  - Econometric Analysis
  - Agency/Employee Workspace Evaluation


NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE SERVICES OFFICE
ESSE QUAM VIDERI

Tennessee Workspace Initiative

Tennessee's workspace requirements are based on a position's duties and the operational structure of an agency

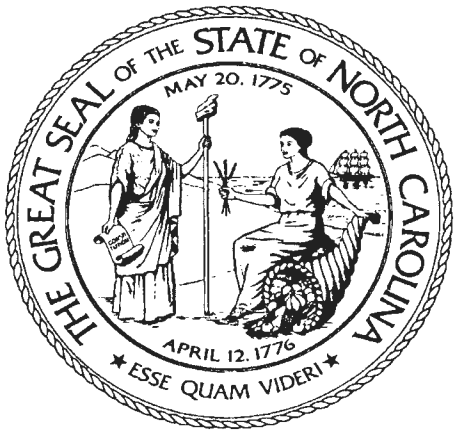
Employee workspace considerations include:

- Nature of the employee's work performed
- Efficiency of an employee's work processes
- Impact on an employee's ability to provide quality customer service
- Utilization of office space
- Impact on an employee's quality of life

Tennessee Workspace Initiative

Key elements of Tennessee's success:

- Agency and employee participation
- Collaboration with enterprise-level agencies
- Capital funding assessment
- Employee and supervisor training
- Technology assessment for remote communication and collaboration
- Policies and procedures



JOINT LEGISLATIVE OVERSIGHT COMMITTEE ON GENERAL GOVERNMENT

January 3, 2019

9:00 AM

House Sergeant-at-Arms

Warren Dawkins

Doug Harris

Malachi McCullough

Senate Sergeant-at-Arms

Tom Burroughs

Hal Roach

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government
(Committee Name)

Thursday, January 3rd, 2019
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Michael Eutsss	OSC
LINDA COMBS	State Controller
Jim Dolan	OSC
Chuck Hefren	Leg Services Office
DAVID ROSEBERRY	DOR
Ron Penny	DOR
Jackie McKay	DOR
CALE JOHNSON	DOR
Angela Stephenson	DOR
BOB Mays	DOI
Leo John	Secy of State
Bud Young	OSA
[illegible]	DOA
Barry Smith	NC DOT
John Cable	NCDOI
Frank Rodriguez	NC DOI
Jacqualine McCullen	Visitor

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government
(Committee Name)

Thursday, January 3rd, 2019
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Chris Spencer	Pitney Bowes Software
Rhaegan Jackson	Focus AI
Will Futrell	NCDOR
Anthony Edwards	NCDOR
Angela Altice	NCDOR
Alan Woodard	NCDOR
SCHORR JOHNSON	NCDOR
Starnes	OST
Glenn Poplawski	DIT
Flint Benson	SEANC
Resha Fortson	SEANC
Beth Wood	OSA
Jeff Green	OSA
Peter Miller	OSA
Vernon Utley	OSA

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government
(Committee Name)

Thursday, January 3rd, 2019
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Mike Carpenter	NCHBA
Tim Minton	NCHBA
Steven Wenger	NCHBA
Robert Privott	NCHBA
Doug Lassiter	NCSTA
Tim Walton	DOA
John Cox	DOA

09-21-201

VISITOR REGISTRATION SHEET

Joint Legislative Oversight Committee on General Government
(Committee Name)

Thursday, January 3rd, 2019
Date

VISITORS: PLEASE SIGN IN BELOW AND RETURN TO COMMITTEE CLERK

NAME	FIRM OR AGENCY AND ADDRESS
Erin Matteson	OSBM
Corey Petersohn	OSBM
Charlie Perusse	OSBM

09-21-201