



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF GOVERNMENT AFFAIRS

ROY COOPER
GOVERNOR

MANDY COHEN, MD, MPH
SECRETARY

BEN POPKIN
ASSISTANT SECRETARY FOR LEGISLATION

March 30, 2017

SENT VIA ELECTRONIC MAIL

The Honorable Phil Berger, Co-Chair
Joint Legislative Commission on
Governmental Operations
North Carolina General Assembly
Room 2007, Legislative Building
Raleigh, NC 27601

The Honorable Tim Moore, Co-Chair
Joint Legislative Commission on
Governmental Operations
North Carolina General Assembly
Room 2304, Legislative Building
Raleigh, NC 27601

Dear Chairmen:

North Carolina General Statute §143B-216.51(g) requires the Department of Health and Human Services' Office of Internal Auditor to monitor implementation of monitor the implementation of the Department's response to any audit of the Department conducted by the State Auditor pursuant to law and to issue a report to the Secretary on the status of corrective actions implemented no later than six months after the State Auditor publishes any audit report pursuant to law. The law also requires that a copy of this report be filed with the Joint Legislative Commission on Governmental Operations pursuant to the General Statute. In accordance with the requirement found in General Statute §143B-216.51(g), please find the attached reports.

Should you have any questions regarding the report, please contact Chet Spruill, Director of the Office of the Internal Auditor, at 919-855-3662.

Sincerely,

Ben Popkin
Assistant Secretary for Legislation

cc:	Chet Spruill	Denise Thomas	Marjorie Donaldson	Kolt Ulm
	Theresa Matula	Rod Davis	Joyce Jones	Pam Kilpatrick
	Susan Jacobs	Lindsey Dowling	LT McCrimmon	Ben Popkin
	reports@ncleg.net	Bill Scott		



Office of the Internal Auditor
HEALTH AND HUMAN SERVICES

Follow-up Assessment of the Division of Services for the Blind –
Business Enterprise Program
Financial Related Audit

Issued by the Office of the State Auditor
July 30, 2015

January 26, 2016

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Office of the Internal Auditor
HEALTH AND HUMAN SERVICES

RICHARD O. BRAJER
Secretary, DHHS

CHET SPRUILL, CPA
Director, Office of the Internal Auditor

January 26, 2016

Secretary Richard O. Brajer
N.C. Department of Health and Human Services
Adams Building, 101 Blair Drive
Raleigh, NC 27603

The Office of the Internal Auditor (OIA) has conducted a follow-up assessment of the findings and recommendations identified in the financial related audit of the Department of Health and Human Services – Division of Services for the Blind – Business Enterprise Program, FCA-2015-4450. The report was issued by the Office of the State Auditor (OSA) on July 30, 2015.

Conclusion

OIA observed sufficient evidence to conclude that while the Division of Services for the Blind (DSB) has taken appropriate corrective action to reduce some of the risks identified in the two findings noted in OSA's audit report, additional planned actions are undergoing implementation. DSB management states they have revised the expected implementation date for those items to September 2016. The Risk Mitigation and Audit Monitoring group will follow up with DSB after the revised expected implementation date and OIA will perform additional procedures to validate management's corrective actions are complete after RMAM confirms these actions are complete. A summary of each of OSA's findings and recommendations and OIA's observed results are included in Appendix A of our report.

Objective

The objective of our follow-up assessment was to evaluate whether DSB has taken appropriate corrective action in response to OSA's findings and recommendations. Our follow-up assessment was conducted pursuant to G.S. 143B-216.51(g). The General Statute requires OIA to issue a report to the Secretary on the status of corrective actions taken by the Department of Health and Human Services no later than six months after the State Auditor publishes any audit report pursuant to law. A copy of this report shall also be filed with the Joint Legislative Commission on Governmental Operations pursuant to the General Statute.

Scope

The scope of our follow-up encompasses the review of all activities directed toward the resolution of the risks associated with the findings and recommendations as provided by OSA, as well as management's action plan from the original audit report.

Methodology

In order to form an opinion on the current status of each of the two findings identified, we performed the following functions:

- We reviewed OSA’s audit report in order to gain a better understanding of the findings.
- We discussed with DSB management the basis for any findings and the corrective actions which were to be implemented.
- We conducted subsequent tests to evaluate whether corrective actions taken by DSB were implemented and reduced the risk that the finding would continue to exist in subsequent periods.

We express our appreciation to the management and staff of the Division of Services for the Blind and the Office of the State Auditor for their cooperation and assistance provided during this follow-up assessment.

Respectfully submitted,

Chet

Chet Spruill
Director, Office of the Internal Auditor

APPENDIX A

SUMMARY OF OSA'S FINDINGS AND RECOMMENDATIONS

AND

OIA'S FOLLOW-UP RESULTS

1. OSA FINDING AND RECOMMENDATION #1 – \$29 MILLION SPENT SINCE 2000 WITHOUT DETERMINING WHETHER THE PROGRAM MEETS THE VOCATIONAL NEEDS OF THE BLIND

The Division of Services for the Blind procedures did not have goals and measures to determine whether it was meeting the vocational needs and maximizing business opportunities to provide a living for the legally blind. (paraphrased)

OSA recommended:

- a. The Program should set clear, specific goals that are linked to and measured by performance measures so that decision-makers can evaluate the Program's performance.
- b. Management should review and approve key agency indicators to ensure they are outcome-based and measure goal achievement.
- c. Management should require the measures to be reported periodically, monitor the measures, and use the measures in decision making.

Agency Response (paraphrased): DSB agrees that enhanced documentation of specific goals and measures related to operator performance would improve management's decision making processes. DSB will establish, document, track and periodically evaluate more specific program goals and measures to ensure the Program maximizes business opportunities to provide a living for the legally blind.

OIA Follow-up Results

DSB established four new, clear and specific goals that are linked to performance measures, which will enable decision-makers to evaluate the Program's performance. These goals are:

1. Increase opportunities for individuals who are legally blind to manage their own vending/food service business by 3% during the federal fiscal year.
 - Based on the number of new vending/food service opportunities developed; number of trainees who demonstrate competency and number of licensees who are awarded their first facility.
2. Business Enterprise (BE) operators successfully manage and maintain sustainable vending/food service business.
 - 80% of BE operators to maintain or increase their level of income from prior performance year.
 - 75% of BE operators to maintain management of their first facility for at least 12 months.
 - 80% of BE operators who are not receiving the guaranteed minimum rate achieve earnings of at least \$30,000 annually.
3. BE operators receive satisfactory ratings from the business location where they operate.
 - 80% of BE operators who maintain level three and four operations will receive a rating of 85 or above for food quality, sanitation and customer service.

4. BE operators demonstrate accuracy and punctuality with all accounting activities required by the state.
 - 95% of all operators to report on time and with 90% accuracy based on the assessment of the Fiscal Services Unit.

DSB also created a follow-up status form that includes these goals and performance indicators. Program management is overseeing an ongoing evaluation of the program, resulting in the structural changes, performance plan updates, as well as increased monitoring of operators by Business Enterprises Program representatives/counselors.

The Program is working on a formal evaluation of the performance indicators, which is projected to occur by September 30, 2016. Since the program improvement process is ongoing, OIA will perform additional procedures after DSB has completed its evaluation of the program and implemented all associated changes that would adequately address the risks associated with the findings and recommendations provided in the original audit report.

2. OSA FINDING AND RECOMMENDATION #2 – INEFFECTIVE OVERSIGHT INCREASED RISK OF FACILITY MANAGEMENT.

The Business Enterprise Program’s (BEP) oversight of licensee operated food and vending operations was ineffective. More than half of the scheduled oversight activities were not performed, and those that were performed were not performed in accordance with BEP’s policies and procedures. (paraphrased)

OSA recommended:

- a. The Program should monitor facilities in accordance with its defined schedules as stated in the “Manual for Food Service Facility Operators.” Specifically, a tracking tool should be created to ensure that all required monitoring reviews occur as required.
- b. The Program chief or a designee should periodically review monitoring activities to ensure they are completed accurately.

Agency Response (paraphrased): The Department agrees that the oversight and monitoring activities of the Division of Services for the Blind’s Business Enterprise Program must be strengthened. DSB has set expectations and has accepted the resignation of the Program Director. DSB will:

- a. Evaluate BEP operations of DSB, including an assessment of current policies/procedures, financial and program monitoring mechanisms and general oversight of the Program.
- b. Develop a tracking tool to ensure that the required reviews, inspections and financial analysis are performed timely.
- c. Periodically inspect monitoring reviews to ensure adequate and complete documentation is submitted.
- d. Establish procedures to strengthen reporting requirements and develop a process to review operators’ monthly report submissions for accuracy and validity of supporting documentation.

OIA Follow-up Results

DSB developed a follow-up status form and tracking tool to ensure oversight activities are performed by the Program in accordance with state guidelines and division policies. Business enterprise representatives are required to submit the tracking report and supporting documentation to their direct supervisor and BE chief quarterly. OIA verified the tracking tool has been developed and populated with an expected completion of having all files up to date by April 2016. OIA documented that DSB is in the process of verifying that monitoring has occurred, and DSB is scheduling monitoring reviews that need to be completed. OIA recommends that DSB develop a policy and rules that inform BE representatives of corrective/disciplinary actions that may be taken within specific timeframes when operators do not comply with requirements. Since the program improvement process is ongoing, OIA will perform additional procedures after DSB has completed its evaluation of the program and implemented all associated changes that would adequately address the risks associated with the findings and recommendations provided in the original audit report.