

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



NORTH CAROLINA SUBSTANCE ABUSE PROFESSIONAL PRACTICE BOARD

RALEIGH, NORTH CAROLINA

FINANCIAL RELATED AUDIT

FEBRUARY 2015



NC  **OSA**
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The purpose of this audit was to determine whether the North Carolina Substance Abuse Professional Practice Board (Board): (1) provided proper oversight of its contractor; (2) timely investigated complaints and took appropriate disciplinary action; (3) maintained an updated online disciplinary action database; and (4) accurately reported performance data to the grantor.

BACKGROUND

The Board was established in 1993 to license and oversee substance abuse professionals. A substance abuse professional works to treat, prevent, or reduce the conditions that place individuals at risk of developing addictive disorders or diseases and help to prevent relapse. As of February 2014, the Board regulates more than 3,700 substance abuse professionals.

The Board has 25 members and contracts with a management company to administer its activities. The Board's activities are supported by licensing fees and an annual grant from the North Carolina Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division).

KEY FINDINGS

- The Board's contract with its management company did not adequately define the company's responsibilities, and the Board did not effectively monitor contract performance.
- The Board often took an excessive amount of time to investigate complaints.
- The Board did not accurately report performance data as required by a grant from the Division.

KEY RECOMMENDATIONS

- The Board should update the contract with its management company to specifically describe responsibilities and establish performance benchmarks.
- The Board should monitor the management company's performance to ensure the Board's goals and objectives are achieved.

The key findings and recommendations in this summary may not include all findings and recommendations in this report.



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AUDITOR'S TRANSMITTAL

February 5, 2015

The Honorable Pat McCrory, Governor
The General Assembly of North Carolina
North Carolina Substance Abuse Professional Practice Board
Selbert M. Wood Jr., President

This report presents the results of our financial related audit at the North Carolina Substance Abuse Professional Practice Board. Our work was performed as authorized by *North Carolina General Statutes*, Chapter 147, Article 5A and was conducted in accordance with the performance audit standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit identified matters that are considered reportable under *Government Auditing Standards*. These items are described in the *Findings, Recommendations, and Response* section of this report.

North Carolina General Statutes require the State Auditor to make audit reports available to the public. Copies of audit reports issued by the Office of the State Auditor may be obtained through one of the ways listed in the back of this report.

A handwritten signature in cursive script that reads "Beth A. Wood".

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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Article V, Chapter 147 of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



BACKGROUND, AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

North Carolina General Statute 90-113.32 established the North Carolina Substance Abuse Professional Practice Board (Board). The Board's purpose is to regulate, license, and ensure availability of qualified persons offering substance abuse counseling services, prevention services, or any other substance abuse service as determined necessary in the State of North Carolina.

A substance abuse professional works to treat, prevent, or reduce the conditions that place individuals at risk of developing addictive disorders or diseases and help to prevent relapse. There are six types of credentials that include: (1) alcohol and drug counselors; (2) advanced counselors; (3) clinical supervisors; (4) prevention specialists; (5) criminal justice professionals; and (6) residential facility directors.

The Board has 25 members and contracts with a management company to administer all of its activities at an annual cost of \$271,000. These activities include:

- Establishing standards for professional practice in the alcoholism and addiction service delivery systems.
- Licensing individuals who meet the necessary competencies as professionals.
- Providing training to professionals for continuing education and to maintain their credentialed status.
- Investigating complaints to ensure the integrity of the profession.

The Board's activities are mainly supported by fees and a grant from the North Carolina Division of Mental Health, Developmental Disabilities, and Substance Abuse Services.

For the period of July 2012 through February 2014, the Board had total revenues of \$1,451,896 and total expenses of \$1,187,943.

The audit objectives were to determine whether the North Carolina Substance Abuse Professional Practice Board (Board): (1) provided proper oversight of its contractor; (2) timely investigated complaints and took appropriate disciplinary action; (3) maintained an updated online disciplinary action database; and (4) accurately reported performance data to the grantor.

The audit scope included Board operations for the period of July 2012 through February 2014. Auditors conducted fieldwork from March 2014 to June 2014.

To accomplish the audit objectives, auditors reviewed state laws, reviewed the management company contract, reviewed complaint files, compared disciplinary action files to the online database, reviewed quarterly progress reports, examined internal documentation, and interviewed personnel.

As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. As discussed in the standards, internal control consists of five interrelated components: (1) control environment; (2) risk assessment; (3) control activities; (4) information and communication; and (5) monitoring.

We conducted this audit in accordance with generally accepted government auditing standards applicable to performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



FINDINGS, RECOMMENDATIONS, AND RESPONSE

1. BOARD DID NOT EFFECTIVELY OVERSEE ITS MANAGEMENT COMPANY

The contract between the North Carolina Substance Abuse Professional Practice Board (Board) and its management company did not adequately define the company's responsibilities, and the Board did not effectively monitor contract performance.

As a result, the management company failed to resolve complaints in a timely way, increasing the risk that consumers could receive substandard care from substance abuse professionals who had violated professional standards.

The management company also submitted inaccurate quarterly progress reports for a grant from the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division) it had received to expand licensing and training of substance abuse professionals. As a result, the Division did not have accurate information to determine whether the Board had properly used the grant to expand licensing and training of substance abuse professionals.

Each of these conditions was the result of a contract that did not define or inadequately defined the responsibilities of the management company and the failure of the Board to properly oversee the activities of the management company.

For example, the Board's contract with the management company required that the company:

- "Process complaints regarding applicants and fully-credentialed substance abuse professionals."
- "Respond in a timely way to correspondence from applicants, credentialed professionals and others"
- "Maintain and update files of credentialed professionals"

These terms do not require the management company to meet any specific standard for communicating with licensees or resolving complaint investigations. In addition, the board has no written policies or procedures indicating what it considers timely resolution.

The management company failed to meet the terms of the contract by:

- Failing to resolve most complaints within 180 days, the approximate mid-point for resolution used by other occupational licensing boards in North Carolina and South Carolina. The average resolution time of a complaint investigation for the Board is 309 days. The average time it took to acknowledge an initial complaint was 59 days.
- Failing to accurately report as required the number of newly licensed professionals as a result of a grant from the Division to increase training and licenses for substance abuse professionals in North Carolina.

The contract does not specify what penalties or recourse the Board may have if the management company fails to meet the terms of the contract nor does it specify how the Board will measure or monitor performance. In addition, the Board lacks any written policies or procedures defining how it will monitor the management company or the terms of its contract.

The Committee of Sponsoring Organizations of the Treadway Commission has published widely accepted internal control guidance that states:

“Many organizations outsource business functions, delegating their roles and responsibilities for day-to-day management to outside service providers. While these external parties execute activities for or on behalf of the organization, management cannot abdicate its responsibility to manage the associated risks. It must implement a program to evaluate those activities performed by others on their behalf to assess the effectiveness of the system of internal control over the activities performed by outsourced service providers.”

In addition, the National State Auditors Association’s Best Practices in Contracting for Services provides guidance that an essential part of the contract process is monitoring and states that:

“Monitoring should ensure that contractors comply with contract terms, performance expectations are achieved, and any problems are identified and resolved. Without a sound monitoring process, that contracting agency does not have adequate assurance it receives what it contracts for.”

RECOMMENDATIONS

The Board should update the contract with its management company to specifically describe responsibilities and establish performance benchmarks.

The Board should develop a mechanism to effectively monitor the management company’s performance to ensure the Board’s goals and objectives are achieved.

2. BOARD DID NOT INVESTIGATE COMPLAINTS IN A TIMELY MANNER

The North Carolina Substance Abuse Professional Practice Board (Board) often took an excessive amount of time to investigate complaints.

As a result, there was an increased risk of consumers receiving substandard services from substance abuse professionals who may have violated professional standards.

The Board is responsible for investigating complaints against licensed substance abuse professionals and taking appropriate disciplinary action, if necessary. The investigations result from complaints received from the public and complaints submitted by the licensees (self-reports). The most common complaints include engaging in non-professional

relationships with clients and abuse of alcohol and drugs. The Board contracted with the management company to “process complaints regarding applicants and fully-credentialed substance abuse professionals.”

Auditors examined 65 cases resolved between July 2012 and February 2014 and found that approximately 40 (62%) complaints took more than 180 days to resolve. One case took 924 days to decide.

Of the cases examined:

- 16 (25%) were resolved in 181 days to 1 year.
- 20 (31%) were resolved in 1 to 2 years.
- 4 (6%) required more than 2 years to resolve.

The Board’s contract with the management company does not require the company to respond to licensees or resolve complaint investigations in a specific timeframe. In addition, the Board has no written policies or procedures indicating what it considers timely resolution.

The Board lacks any written policies or procedures detailing how it will monitor the management company’s performance in communicating with licensees or resolving complaint investigations.

Other North Carolina occupational boards, such as the North Carolina Board of Physical Therapy Examiners, the North Carolina Board of Dental Examiners, and the North Carolina Appraisal Board, use 180 days as an approximate mid-point for resolution of complaint investigations. South Carolina occupational licensing boards use 180 days as the maximum recommended time to resolve complaint investigations.

The National State Auditors Association’s *Best Practices in Carrying out a State Regulatory Program* states that there should be a systematic process for handling complaints:

- a. An entity should set guidelines/requirements for which complaints need action.
- b. An entity should set guidelines/requirements for how quickly complaints should be handled.
- c. An entity should track and oversee complaints to ensure they are being addressed appropriately.
- d. An entity should maintain a record of the complaints received, the investigation results, and any actions taken.
- e. An entity should track and flag people that have not come into compliance after problems or violations were identified, including those operating without a required license or permit.

RECOMMENDATIONS

The Board should update the contract with its management company to specifically describe investigation and disciplinary action responsibilities and establish related performance benchmarks.

The Board should develop a mechanism to effectively monitor the management company’s performance to ensure the Board’s goals and objectives are achieved.

The Board should establish a performance benchmark for resolving cases of alleged ethical violations.

3. BOARD DID NOT REPORT GRANT PERFORMANCE DATA ACCURATELY

The North Carolina Substance Abuse Professional Practice Board (Board) did not accurately report its performance accomplishments under a grant from the North Carolina Division of Mental Health, Developmental Disabilities, and Substance Abuse Services (Division).

The purpose of the grant was to expand licensing and training of substance abuse professionals. As a result of poor reporting, the Division did not have accurate information to determine whether the Board had fulfilled the requirements of the grant.

The Board receives approximately \$358,000 annually from the Division. The Division has estimated (based on 2011 population information) that approximately 23,599 more licensed professionals are needed to alleviate overly large case loads. The grant requires the Board to meet certain performance goals and to report quarterly on progress toward those goals.

The management company is responsible for maintaining files on licensed professionals and reporting quarterly activity to the Division. Over a five-year period the management company reported the number of newly licensed professionals at 80% of the performance goal. However, the Board actually reached 94% of the performance goal.

<u>State Fiscal Year</u>	<u>Number of Newly Licensed Professionals</u>		
	<u>Grant Performance Goal</u>	<u>Reported</u>	<u>Actual</u>
2012-13	326	242	346
2011-12	479	402	409
2010-11	436	372	397
2009-10	492	344	362
2008-09	181	174	276
Totals	1,914	1,534	1,790

The Board’s contract with the management company requires the company to, “maintain and update files of credentialed professionals.” The company failed to meet this term of the contract by failing to accurately account for the number of newly licensed professionals as a result of the grant.

The Board's contract with the management company does not specify what recourse the Board may have if the company fails to meet the terms of the contract nor does it specify how the Board will measure or monitor performance. In addition, the Board lacks any written policies or procedures defining how it will monitor the management company or the terms of its contract.

RECOMMENDATIONS

The Board should update the contract with its management company to specifically describe the responsibilities for reporting to the Division of Mental Health, Developmental Disabilities, and Substance Abuse Services and establish related performance benchmarks.

The Board should develop a mechanism to effectively monitor the management company's performance to ensure the Board's goals and objectives are achieved.



November 13, 2014

The Honorable Beth A. Wood, CPA
State Auditor
Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

Dear Ms. Wood:

The North Carolina Substance Abuse Professional Practice Board has reviewed the findings of the recent financial-related audit performed by the Office of the State Auditor.

Since its establishment, the NCSAPPB has sought to be the standard-bearer for substance abuse and addictions counseling in North Carolina, as well as the nation and world. The Board has received numerous accolades from the International Certification and Reciprocity Consortium (IC&RC) and the leadership of the Board is frequently elected to represent the profession internationally.

The work of the NC Auditor has identified many of the challenges the Board and Staff have worked to address and continue to address in a growing and evolving profession. The Board and management company have brought on additional staff, developed an online application portal, increased the number and frequency of committee meetings, and reduced our paper/postage output. These efforts have increased efficiency, delivered customer service, expanded the number of licensed and certified professionals and most importantly enhanced the protection of the public.

The NCSAPPB is committed to protecting the public, establishing professional standards and licensure as well as monitoring and supporting efforts in our State to prevent and treat behavioral health issues. Thank you for the opportunity to formally address the findings of the audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Barden Culbreth".

Barden Culbreth, Executive Director
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A handwritten signature in black ink, appearing to read "Selbert M. Wood Jr.".

Selbert M. Wood Jr., President

Finding 1: Board Did Not Effectively Oversee Its Management Company

The Board agrees with this Finding and within the next 90 days will develop and implement a plan to further specify the oversight of the management company.

The Board and the management company will develop a contract that will specify penalties and recourse against the management company should it fail to meet its performance objectives and outcomes.

Finding 2: Board Did Not Investigate Complaints In a Timely Manner

The Board considers the protection of the public its paramount goal. A subcommittee of the Ethics Committee meets with Board counsel and staff twice a month to review complaints and self-reports received by the Board office. Much of the delay in resolving cases is due to counselors who leave the state, do not update their contact information, or refuse certified return-receipt mail from the USPS. For this reason, the NCSAPPB has hired an investigator to locate persons, serve papers, and provide information to expedite investigations. Board leadership will meet with the staff in the next 90 days to develop additional methods to expedite resolutions of complaints and “self-reports.”

Finding 3: Board Did Not Report Grant Performance Data Accurately

In 2014, the Board launched its LearningBuilder software, developed by Heuristics Solutions and in conjunction with the management company to better meet the needs of profession through online renewals, credit card transactions, and “cloud-based” storage capabilities. Another consequence of this software is more accurate reporting capability. The audit conducted by the NC Auditor’s office compared data produced at the time of the 08/09, 09/10, 10/11, 11/12 and 12/13 reporting periods to numbers generated from the new software. The older reports were done with an early version of MS Access and manual reports. These methods led to underreporting of the real work done by the management company.

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The Board continues to work with Heuristics Solutions to update and expand LearningBuilder's capabilities and bring greater efficacy and efficiency to the Board and public.

The management company will provide status reports to the Board during its quarterly meetings. These reports will focus on the quantitative output of the Board and reports made to the Division of MH/DD/SAS.

The Board will develop and implement procedures to effectively monitor the management company's output.

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This audit required 1,085 audit hours at an approximate cost of \$82,460.