



STATE OF NORTH CAROLINA

SPECIAL REVIEW

**DEPARTMENT OF HUMAN RESOURCES
DIVISION OF SOCIAL SERVICES**

RALEIGH, NORTH CAROLINA

MARCH 1997

OFFICE OF THE STATE AUDITOR

RALPH CAMPBELL, JR.

STATE AUDITOR

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LETTER OF TRANSMITTAL

March 5, 1997

The Honorable James B. Hunt, Jr., Governor
Dr. H. David Bruton, M.D., Secretary
North Carolina Department of Human Resources
Members of the North Carolina General Assembly

Ladies and Gentlemen:

Pursuant to General Statute §147-64.6(c)(16), we have completed our special review into allegations concerning the North Carolina Department of Human Resources, Division of Social Services. The results of our review, along with recommendations for corrective actions, are contained in this report.

General Statute §147-64.6(c)(12) requires the State Auditor to provide the Governor, the Attorney General, and other appropriate officials with written notice of apparent instances of violations of penal statutes or apparent instances of malfeasance, misfeasance, or nonfeasance by an officer or employee. In accordance with that mandate, and our standard operating practice, we are providing copies of this special review to the Governor, the Attorney General, and other appropriate officials.

Respectfully submitted,

Ralph Campbell, Jr.
State Auditor

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OVERVIEW

The North Carolina Department of Human Resources, Division of Social Services (DSS), contracted with a nonprofit organization to evaluate the statewide efforts to recruit and sustain foster/adoptive families. The contract was for the period March 1, 1995 through June 30, 1995. In addition, the nonprofit organization provided DSS with three evaluation tools to be used by DSS in evaluating other counties across the state that were not addressed in the nonprofit organization's evaluation. DSS paid the nonprofit \$32,366.14 for these services.

DSS also contracted with the nonprofit organization to train DSS personnel. The contract period was February 1, 1995 through June 30, 1995. The nonprofit organization trained DSS personnel in implementing the *Model Approach to Partnerships in Parenting* (MAPP), *Group Preparation, and Selection of Foster and/or Adoptive Families* (GPS). DSS paid the nonprofit organization \$145,806.34 for these services. DSS extended the training contract through January 31, 1996 and paid the nonprofit organization \$142,744 for the services provided during the extended time period. The contract later extended to June 30, 1996, at no additional cost.

The training contracts consisted of many detail elements, but in summary, provided that the nonprofit organization train four (4) state level employees on the MAPP-GPS curriculum, who in turn, will train the foster care and adoption workers across the state on the implementation of the process.

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INTRODUCTION

In August 1996, we received an allegation through the State Auditor's Hotline concerning an employee with the North Carolina Department of Human Resources, Division of Social Services (DSS). The caller stated that the Foster Care Program Manager for DSS entered into a personal contract with a nonprofit organization that had a contractual agreement with DSS. The caller also stated that the Foster Care Program Manager was the contract administrator for an existing contract between DSS and the nonprofit organization.

We used the following procedures to conduct our special review:

1. Interviews with employees of the North Carolina Division of Social Services.
2. Interviews with employees of the nonprofit organization.
3. Examination of the contracts between the Division of Social Services and the non-profit organization.
4. Examination of time records, travel reimbursement forms, and payments to the Foster Care Program Manager from the Division of Social Services and the nonprofit organization.
5. Examination of the contracts between the Foster Care Program Manager and the nonprofit organization.

This report presents the results of our Special Review. This review was conducted pursuant to G.S. §147-64.b(c)(16), rather than a financial audit. The Office of the State Auditor performs the annual audit of the State's Comprehensive Annual Financial Report that includes the Department of Human Resources.

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FINDINGS AND RECOMMENDATIONS

1. THE FOSTER CARE PROGRAM MANAGER FOR THE DIVISION OF SOCIAL SERVICES PRIVATELY CONTRACTED WITH A NONPROFIT ORGANIZATION WHILE SERVING AS CONTRACT ADMINISTRATOR FOR A CONTRACT BETWEEN THE DIVISION OF SOCIAL SERVICES AND THE SAME NONPROFIT ORGANIZATION THEREBY CREATING A CONFLICT OF INTEREST.

In February 1995, the Division of Social Services (DSS) contracted with a nonprofit organization to provide training in adoptive and foster care preparation and selection. The Foster Care Program Manager for DSS requested the approval of the contract and was named contract administrator. During the time period the Foster Care Program Manager served as contract administrator, she privately entered into two separate contracts with the same nonprofit organization.

In April 1996, the Foster Care Program Manager privately contracted with the nonprofit organization to conduct a workshop for Single and Adoptive Parenting. The nonprofit organization paid her \$400 plus expenses to conduct the workshop. Additionally, in June 1996, the Foster Care Program Manager privately contracted to conduct a second workshop consisting of an eight (8) day session in Group Preparation and Selection Certification. The nonprofit organization paid the Foster Care Program Manager \$3,500 plus expenses for the eight (8) day training session.

The Foster Care Program Manager stated she obtained approval from her supervisor, the Branch Head for Child Placement Services, prior to privately contracting with the nonprofit organization in June 1996. However, no secondary employment forms were

FINDINGS AND RECOMMENDATIONS (CONTINUED)

completed. The Foster Care Program Manager deducted a total of 64 hours in compensatory and sick leave for the time she was performing these personal services.

The Branch Head for Child Placement Services (Branch Head) stated he approved the June 1996 contract provided the Foster Care Program Manager record her leave time. However, he said he was not aware of the April 1996 contract. The Branch Head said he knew she would be presenting the workshops, but he believed she was acting as a representative of DSS and would not receive any personal compensation from the nonprofit organization. In fact, a travel authorization form prepared by the Foster Care Program Manager requesting permission to participate in the April 1996 workshops states, "I will be participating in the conference as well as leading two workshops... As compensation for leading the workshops my registration fee, travel, hotel and meals for these two days are paid for by the Institute." She did not mention the additional \$400 she would personally be paid. Since the Branch Head was unaware of the contractual agreement, he did not require the Foster Care Program Manager to record leave or complete secondary employment forms. Review of the Foster Care Program Manager's April 1996 time sheet revealed she actually earned six hours compensatory time on the date of the workshop.

According to the Foster Care Program Manager, she forgot she received the \$400 payment, and did not provide this information to her supervisor. Additionally, she stated that she earned the six (6) hours compensatory time because her flight was delayed.

Consequently, the Foster Care Program Manager created a conflict of interest by

FINDINGS AND RECOMMENDATIONS (CONTINUED)

accepting personal payments from an organization that she administered as part of her state duties.

After we began our review, we were informed by DSS that the Foster Care Program Manager has been removed as the Contract Administrator.

2. THE FOSTER CARE PROGRAM MANAGER VIOLATED NORTH CAROLINA STATE PERSONNEL SECONDARY EMPLOYMENT REGULATIONS BY FAILING TO DISCLOSE HER CONTRACTUAL RELATIONSHIP WITH A NONPROFIT ORGANIZATION.

The Foster Care Program Manager entered into contracts with the nonprofit organization in November 1993 and November 1994, in addition to the contracts in April and June 1996. The November 1993 contract provided that the Foster Care Program Manager present several workshops. Only her expenses were paid by the nonprofit organization and leave was not deducted. However, according to the Director of the nonprofit organization, the contract agreement was with the Foster Care Program Manager personally and not as a representative of DSS. Therefore, leave should have been recorded.

The contract executed in November 1994 provided that the Foster Care Program Manager conduct training session(s). As compensation, the Foster Care Program Manager received a payment of \$600 and all expenses were paid by the nonprofit organization. Again, leave was not deducted and secondary employment forms were not completed. Section 5, page 49 of the North Carolina Budget Manual states,

FINDINGS AND RECOMMENDATIONS (CONTINUED)

...A state employee shall not accept an honorarium for an activity conducted where state-reimbursed travel, work time or resources are used or where the activity can be construed as having a relationship to the employee's state position; such activity would be considered official duty on behalf of the state...

When initially questioned, the Foster Care Program Manager stated she contracted with the nonprofit organization on one occasion. She stated, as a representative of the Division of Social Services, she presented workshops for the organization, but did not receive monetary compensation. After we reviewed all the contracts, the Foster Care Program Manager stated she forgot she had been paid by the nonprofit organization in November 1994 and April 1996 and would deduct the appropriate amount of leave.

The Branch Head for Child Placement Services stated he was not aware of the two additional contracts and again believed the Foster Care Program Manager was acting as a representative of DSS. According to the Director of the nonprofit organization, all contractual agreements were for services rendered by the individual and not a representative of the North Carolina Division of Social Services.

The North Carolina State Personnel policy on secondary employment (Section 4, page 5) states, "...An employee shall have approval from the agency head before engaging in any secondary employment..." The Foster Care Program Manager violated this policy by not disclosing her secondary employment to her supervisor. Additionally, it appears that the Foster Care Program Manager was compensated by both the nonprofit organization and DSS in November 1994 and April 1996, since she did not record leave at that time.

FINDINGS AND RECOMMENDATIONS (CONTINUED)

Furthermore, leave should have been recorded in November 1993, since the Foster Care Program Manager provided personal services to the nonprofit organization.

3. THE BRANCH HEAD FOR CHILD PLACEMENT SERVICES FOR DSS VIOLATED THE SECONDARY EMPLOYMENT POLICY BY PERMITTING THE FOSTER CARE PROGRAM MANAGER TO PRIVATELY CONTRACT WITH A NONPROFIT ORGANIZATION WHILE SERVING AS CONTRACT ADMINISTRATOR.

The North Carolina State Personnel policy on secondary employment (Section 4, page 5) states,

...Secondary employment shall not be permitted when it would:

- a) create either directly or indirectly a conflict of interest with the primary employment.
- b) impair in any way the employee's ability to perform all expected duties, to make decisions and carry out in an objective fashion the responsibilities of the employee's position.

The Branch Head for Child Placement Services (Branch Head) stated he consulted with the Section Chief for Children's Services (Section Chief) and approved the Foster Care Program Manager's secondary employment, provided she record the appropriate amount of leave. Neither the Branch Head nor the Section Chief required the Foster Care Program Manager to complete a secondary employment form. Furthermore, the Branch Head and the Section Chief were aware the Program Manager served as contract administrator, however, the issue of a conflict of interest was not discussed.

FINDINGS AND RECOMMENDATIONS (CONCLUDED)

The Branch Head violated the North Carolina State Personnel policy stated above when he approved the Foster Care Program Manager's secondary employment in June 1996. However, it appears the Branch Head had no knowledge of the Program Manager's past contractual agreements with the nonprofit organization.

RECOMMENDATION

We recommend the Division of Social Services:

- ◆ Emphasize to employees the policies and procedures regarding secondary employment,
- ◆ Determine that the appropriate leave was charged for the time spent on secondary employment. If no leave was available, the employee should reimburse the Division for this time,
- ◆ Assure that situations resulting in conflicts of interest are dealt with appropriately, and;
- ◆ Take appropriate action to prevent these employees from engaging in such matters in the future.

Exhibit A

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DISTRIBUTION OF AUDIT REPORT

In accordance with G.S. § 147-64.5 and G.S. § 147-64.6(c)(14), copies of this report have been distributed to the public officials listed below. Additional copies are provided to other legislators, state officials, the press, and the general public upon request.

EXECUTIVE BRANCH

The Honorable James B. Hunt, Jr.	Governor of North Carolina
The Honorable Dennis A. Wicker	Lieutenant Governor of North Carolina
The Honorable Harlan E. Boyles	State Treasurer
The Honorable Michael F. Easley	Attorney General
Mr. James J. Coman	Director, State Bureau of Investigation
Mr. Marvin K. Dorman, Jr.	State Budget Officer
Mr. Edward Renfrow	State Controller
Dr. H. David Bruton, M.D.	Secretary, Department of Human Resources

LEGISLATIVE BRANCH

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Senator Ed N. Warren	Representative Carolyn B. Russell

Other Legislative Officials

Representative James B. Black	Minority Leader of the N.C. House of Representatives
Mr. Thomas L. Covington	Director, Fiscal Research Division

March 5, 1997

ORDERING INFORMATION

Copies of this report may be obtained by contacting the:

Office of the State Auditor
State of North Carolina
300 North Salisbury Street
Raleigh, North Carolina 27602-5903

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As required for disclosure by G. S. §143-170.1, 200 copies of this public document were printed at a cost of \$80.00, or 40¢ per copy.