

PERFORMANCE AUDIT REPORT

Division of Emergency Management
Including State Radio

November 18, 2005

Report No. 3023-1
(Report 1 of 2)

November 18, 2005

Honorable John Hoeven, Governor

Members of the North Dakota Legislative Assembly

Transmitted herewith is the performance audit report on aspects of the Division of Emergency Management including State Radio. This report contains the results of our review of the effectiveness of the policies and procedures established by management to fulfill the Division of Emergency Management's purposes, functions, and responsibilities.

The audit was conducted pursuant to Chapter 16 of the 2005 North Dakota Session Laws. We conducted this audit under the authority of North Dakota Century Code Chapter 54-10. Included in the report are the goals and scope, findings and recommendations, conclusions, and management responses.

Sincerely,

Robert R. Peterson
State Auditor

Table of Contents

Transmittal Letter	
Executive Summary	i
Chapter 1 Introduction	
Purpose and Authority of the Audit.....	1
Background Information	1
Goals of the Audit.....	2
Scope and Methodology.....	2
Chapter 2 Establishing, Collecting, and Using Fees	
Introduction.....	3
Improving How Fees are Established, Collected, and Used	3
Ensuring Compliance with Century Code	3
Making Improvements with 911 Billing and Collection.....	6
Obtaining Authority and Establishing Fees for Services.....	7
Improving Financial Monitoring of the Hazardous Chemical Program.....	8
Chapter 3 Management Processes and Procedures	
Introduction.....	10
Making Improvements with Salary Increases.....	10
Salary Increases Identified.....	10
Financial Effects of Salary Increases.....	11
Additional Effects of Salary Increases	13
Improving Compliance with Salary Administration Requirements	13
Reviewing Salary Increases.....	15
Improving Documentation of Salary Increases	15
Ensuring Compliance with Emergency Commission Approval	16
Improving Communication and Management Style.....	17
Making Improvements with Organizational Structure and Staffing.....	18
Combining Administrative Areas.....	18
Modifying Century Code	19
Reviewing the Number of Dispatchers.....	20
Establishing a Strategic Plan.....	20
Obtaining Input on How Homeland Security Funds are Distributed	21
Complying with Local Emergency Operations Plan Requirements	22
Making Improvements in Personnel and Administration Areas	23
Improving Actions Taken with Potentially Harmful Situations	23
Establishing a Formal Review Process.....	24
Combining Personnel Policies	25
Making Improvements with Training	25
Improving Employee Performance Appraisals.....	26
Complying with Hiring Requirements.....	27
Improving PIQs and Job Descriptions.....	27
Appendices	28
Appendix A: List of Recommendations	

Executive Summary

Purpose and Authority of the Audit

The performance audit of aspects of the Division of Emergency Management (DEM) including State Radio was conducted pursuant to Chapter 16 of the 2005 Session Laws. The purpose of this report is to provide our analysis, findings, and recommendations regarding our limited review of DEM.

Background Information

In September 2003, the Governor moved the operations of State Radio from within the Office of Management and Budget to the control of the Division of Emergency Management (DEM). Changes made to state law during the 2005 Legislative Session created the Department of Emergency Services (DES) consisting of the Division of State Radio and the Division of Homeland Security (the former Division of Emergency Management).

Results and Findings

We reviewed management controls, applicable state laws and policies, related financial information, and selected operations of DEM. All recommendations are included in Appendix A. Discussions relating to individual recommendations are included in Chapters 2 through 3 of this report.

Establishing, Collecting, and Using Fees

Through tests and reviews performed, significant improvements are required in establishing fees as the charges are not sufficient to cover the costs of services as required by North Dakota Century Code. Changes should be made to improve the billing and collection process to ensure all fees are properly collected. Fees to cover the costs of services provided should be collected to reduce the amount of general funds needed. Also, improvements are needed to ensure all appropriate program costs are paid with fees collected for the program.

Management Processes and Procedures

Through tests and reviews performed, we identified a number of problematic areas associated with employees receiving salary increases during the 2003-2005 biennium. Changes need to be made to ensure compliance with salary administration procedures established in Administrative Code. We concluded a review of the salary increases was required to determine whether any action was necessary as a result of the noncompliance. Also, improvements are needed with the documentation of salary increases and DEM should ensure funds approved by the Emergency Commission are properly expended.

Based on interviews with employees and surveys of employees and local Emergency Managers, it appears that under the former Director of DEM, the agency was micro managed and communication with employees and local Emergency Managers was not adequate. The administration area of the newly created Department of Emergency Services should be analyzed to determine whether restructuring or combining units could increase efficiencies and effectiveness. Changes should be made to state law to remove the requirement of the Adjutant General appointing two division directors. A formal review should be conducted of the

Executive Summary

number of dispatchers within State Radio's communication center to determine whether an appropriate number of employees are being scheduled.

A strategic plan should be developed for the new Department of Emergency Services (DES). Input regarding the allocation and distribution of homeland security funds should be obtained from the Advisory Committee of DES. In addition, steps should be taken to ensure compliance with North Dakota Century Code relating to responsibilities involving local emergency organizations and local emergency operation plans.

A number of improvements should be made to personnel and administration areas. We concluded improvements were needed involving actions taken when potentially harmful situations are identified. In addition, improvements are needed with policy and procedure manuals, training, performance appraisals, hiring employees, and job descriptions.

Introduction

Purpose and Authority of the Audit

The performance audit of aspects of the Division of Emergency Management including State Radio and the collection and use of 911 fees was conducted by the Office of the State Auditor pursuant to Chapter 16 of the 2005 Session Laws. This Session Law required a performance audit be conducted of the Department of Emergency Services (formerly the Division of Emergency Management including State Radio) including a review of fees collected for 911 services and the utilization of the fees during the biennium beginning July 1, 2005 and ending June 30, 2007. The results of the audit are required to be presented to the Legislative Audit and Fiscal Review Committee and filed with the Appropriations Committees during the 60th Legislative Assembly.

A performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision-making by parties with responsibility to oversee or initiate corrective action.

The purpose of this report is to provide our analysis, findings, and recommendations regarding our limited review of the Division of Emergency Management including State Radio. An additional report was issued for our analysis, findings, and recommendations regarding our limited review of 911 fees (report entitled *911 Fees – Collection and Use*). During the time period reviewed, the Division of Emergency Management had been given control of the operations of State Radio. Changes made during the 2005 Legislative Session created the Department of Emergency Services to include both of these entities' operations. As such, this report addresses findings and information related to the Division of Emergency Management and State Radio but recommendations for improvement are addressed to the newly created Department of Emergency Services as this is the entity now responsible for taking appropriate actions.

Background Information

In September 2003, the Governor moved the operations of State Radio from within the Office of Management and Budget to the control of the Division of Emergency Management (DEM). Information related to both entities is below.

Division of Emergency Management

The Division of Emergency Management (DEM) is responsible for establishing a statewide system for mitigation, preparation for, response to, and recovery from disasters. DEM is also responsible for preparing and maintaining a state emergency operations plan as well as being responsible for implementation of federal guidelines and programs related to homeland security.

Chapter 1 Introduction

State Radio

State Radio provides voice and data communications to federal, state, local, and tribal public safety entities. The entity uses a number of different systems to provide communications including the State Radio Communications System, Mobile Data Terminal Communication Systems, and Law Enforcement Telecommunications System. The communication center within State Radio provides 911 services to 22 counties and is the dispatch center for these 22 counties and for the state's Highway Patrol. The communications system has over 4,000 users representing over 250 federal, state, local, and tribal entities.

Chapter 16 of the 2005 Session Laws modified North Dakota Century Code to remove language related to DEM and created the Department of Emergency Services (DES). DES consists of the Division of State Radio and the Division of Homeland Security (the former DEM). The Adjutant General is the Director of DES and is responsible for appointing both division directors. DES was authorized 54 full-time equivalents for the 2005-2007 biennium with an appropriation of \$62 million (approximately \$5 million general funds).

Goals of the Audit

North Dakota Century Code Section 54-10-01 requires our office to conduct performance audits in accordance with generally accepted government auditing standards. The goals of our audit, listed below, include the necessary elements of a performance audit conducted in accordance with generally accepted government auditing standards. Information related to the first goal is included in this report and an additional report entitled *911 Fees – Collection and Use* contains information related to the second goal.

Goal One

Has management established effective processes and procedures to fulfill the Division of Emergency Management's purposes, functions, and responsibilities?

Goal Two

Are 911 fees properly used and sufficient for the costs incurred with operating the 911 system?

Scope and Methodology

This audit was conducted in accordance with generally accepted government auditing standards and includes appropriate performance auditing and evaluation methods. Audit fieldwork was conducted from the middle of May 2005 to the middle of November 2005. The audit period for which information was collected and reviewed was July 1, 2002 through April 30, 2005. In certain instances, additional information was reviewed. This was due, in part, to obtain and review information related to the newly created Department of Emergency Services. Specific methodologies are identified in the respective chapters of this report.

Establishing, Collecting, and Using Fees

Introduction

A goal of this performance audit was to answer the following question:

“Has management established effective processes and procedures to fulfill the Division of Emergency Management’s purposes, functions, and responsibilities?”

Through tests and reviews performed, we noted significant improvements are needed in how the Division of Emergency Management including State Radio is establishing, collecting, and using fees. Significant improvements related to fees are included within this chapter of the report. Improvements of less significance were communicated to management in a separate letter.

To determine whether management had established effective processes and procedures, we:

- Reviewed applicable laws, rules, policies, and procedures;
- Reviewed applicable management controls;
- Reviewed financial information; and
- Interviewed selected staff.

Improving How Fees are Established, Collected, and Used

We determined significant improvements are required relating to how fees are being established by the Division of Emergency Management including State Radio. There is a lack of appropriate expenditure information to track data by program, service, or function. Fees charged are not sufficient to cover the costs of services as required by North Dakota Century Code. Changes should be made to improve the billing and collection process to ensure all fees are properly collected. Fees should be collected for services provided to other entities to reduce the amount of general funds needed. Also, improvements are needed to ensure all appropriate program costs are paid with fees collected for the program.

Ensuring Compliance with Century Code

North Dakota Century Code (NDCC) Chapter 54-23.2 grants authority to State Radio to provide 911 services to a political subdivision with a population of less than 20,000, operate the Law Enforcement Telecommunications System (LETS), and provide Mobile Data Terminal (MDT) services to interested local law enforcement agencies. NDCC identifies the requirements related to the establishment and charging of fees for State Radio to provide such services. We concluded there is noncompliance with these requirements which has resulted in additional general funds being used to support operations.

Prior to September 2003, the Office of Management and Budget was authorized to establish and collect these State Radio fees. In September 2003, the Governor moved the operations of State Radio under the control of the Division of Emergency Management.

Chapter 2

Establishing, Collecting, and Using Fees

A brief description of State Radio services and related fee requirements follows:

- 911 Services: State Radio provides 911 services to 22 counties. A 911 call made in one of these counties is routed to State Radio. State Radio staff is responsible for collecting the necessary information and dispatching appropriate units and personnel. Each of these counties is charging residents a monthly \$1 fee per telephone access line (landline) and wireless access line. NDCC requires State Radio to charge each county at least 20 cents per landline and wireless access line.
- LETS: This teletype system provides local, state, and federal agencies with nationwide information on wanted felons, state to state information on crimes, and every day police activities. NDCC requires each county to pay approximately 50% of the cost of LETS. Payments are to be made based on county population (larger the population, higher the fee) but the Director can adjust such payments for economic conditions and the general economy.
- MDT: Interfaces occur with 15 mobile data stations in more populated areas of the state to provide law enforcement with mobile communications to access data bases and vehicle information. NDCC requires a fee to be established based on actual costs incurred for providing the service.

Certain LETS fees charged counties do not comply with legislative intent.

We concluded there was noncompliance with legislative intent regarding the LETS fees assessed to certain counties. The fees assessed are not consistent with the schedule established in NDCC which is based on population size (population ranges exist for each fee amount). For example, in the population range of 5,000 to 9,999, one county is charged \$285 per month while the others are charged \$70 per month. In the population range of 10,000 to 14,999, one county is charged \$285 per month while the others are charged \$100 per month.

Due to a lack of an adequate accounting system, State Radio is unable to determine whether fees assessed comply with legislative intent.

All revenue obtained by State Radio for providing 911 services, LETS, and MDT is required by NDCC to be deposited into the State Radio Broadcasting System operating account (Fund 373). While revenue information in this fund is accounted for by type of service or program, the expenditures from this fund are not accounted for by type of program, service, or function. No expenditure information is available to assist in determining whether the fees established are covering the costs as required by NDCC. State Radio was unable to identify information justifying the fees currently being assessed.

Since State Radio does not adequately track information by program, service, or function, we attempted to determine a reasonable estimate of costs to compare to the fees established. We selected 911 services for our analysis since a similar analysis was performed at selected local Public Safety Answering Points (PSAPs) within the state. Information related to the cost categories used is provided in the other report issued as part of this audit (report entitled *911 Fees – Collection and Use*).

Chapter 2

Establishing, Collecting, and Using Fees

In conducting our analysis of State Radio, we used estimates since no information was available for certain cost categories. For example, the average amount of time dispatchers spent on 911 training and 911 administrative duties had to be estimated. In addition, there are numerous costs associated with the 911 system which benefit other purposes. Examples include the following:

Certain items within the 911 system are used for non 911 purposes.

1. State Radio has a significant monthly telephone bill (nearly \$49,000 in December 2004) for costs related to circuits, access lines, etc. While these costs appear necessary to operate a 911 system, the services received are also used for non 911 purposes. For example, a bill from one vendor is approximately \$27,000 a month for circuit charges related to 13 towers within the state. These circuits are apparently required for 911 purposes but are also used for non 911 purposes as non 911 radio traffic and communications flow through this tower. Based on discussions with State Radio representatives and through our observations, it appears the majority of communication traffic on these towers is not related to 911.
2. The towers used by State Radio are owned and maintained by the Department of Transportation (DOT). State Radio is billed approximately \$10,000 per month for electrical costs (the total electrical cost is split 50-50 between DOT and State Radio). They are also billed monthly for the costs incurred working on State Radio equipment on the towers (State Radio pays 100% of these costs). There is a significant amount of non 911 communications on these towers but such towers are necessary to operate the 911 system.
3. In establishing an estimated cost of State Radio's 911 system, one category relates to equipment costs. Since these equipment items (over \$5,000 in cost) should be allocated over a period of time in which the benefits of the expenditures are realized, we identified a depreciation cost of State Radio's capitalized assets. Again, this equipment is used for both 911 purposes and non 911 purposes.

Using estimated information, we determined the insufficient fee collected by State Radio resulted in approximately \$140,000 to \$940,000 more per year of general funds being expended.

The estimated amount of time State Radio spends on 911 activities was determined to be approximately 15% (this is only an estimate as 911 time is not tracked). In determining the cost of 911 for State Radio, the amount will vary significantly dependent upon whether it is the intent of the legislature to allow 911 fees to be used to pay entire costs of items which have significant non 911 use or whether such costs are to be allocated to users (this is further addressed in the other report issued as part of this audit entitled *911 Fees – Collection and Use*).

We identified an annual estimated cost of the 911 system ranged from approximately \$300,000 (allocates items used for non 911 purposes based on estimated usage) to as high as \$1.1 million (no allocation of items used for non 911 purposes) for calendar year 2004. These amounts are based on certain estimates and actual costs may have been different. State Radio collected approximately \$160,000 during this same time. Thus, the 911 collections are significantly lower than the

Chapter 2

Establishing, Collecting, and Using Fees

costs associated with the system. Therefore, general funds are used to pay certain costs associated with 911. In the 2003-2005 biennium, general fund expenditures for State Radio exceeded \$4 million (total expenditures for State Radio were approximately \$7.3 million).

The 911 fees collected by State Radio do not appear sufficient to cover State Radio's costs associated with the 911 system. Based on a limited review of information related to LETS and MDT fees and the fact that representatives of the Division of Emergency Management indicated the rates have remained unchanged since at least the mid 1990's, it is apparent that State Radio is not recouping costs with the fees currently collected. Due to the length of time involved with determining the amount that costs exceed revenues, we did not perform an additional analysis. We have no evidence to suggest the fees established for these two services are sufficient to cover the required costs as identified in NDCC.

Recommendation 2-1

We recommend the Department of Emergency Services comply with North Dakota Century Code Sections 54-23.2-08 and 54-23.2-09 to ensure fees charged for 911 services, Law Enforcement Telecommunications System (LETS), and Mobile Data Terminal (MDT) services cover applicable costs of services. At a minimum, the Department must establish an adequate cost accounting system to track costs of services and use of special funds.

Management's Response

Concur with the recommendation. DES will work with ITD, the State Auditor's Office, the Advisory Committee, and other necessary groups to develop a fee structure to be presented to the Legislature in 2007 along with a process to track costs of services and special funds.

Making Improvements with 911 Billing and Collection

Quarterly invoices are sent to each of the 22 counties provided 911 services by State Radio. The amount of the bill is based on the number of landline and wireless lines at the county level (State Radio attempts to collect 20 cents per line which is the minimum amount to be charged in accordance with NDCC). The line information is obtained from the county and there is no review of the information to determine whether or not it is accurate. Not only is this information not verified, but State Radio has not requested the counties provide such information on a periodic basis. As a result, billed amounts have remained relatively constant. The last two requests of the counties to provide line information occurred in July 2003 (only related to wireless information) and June 2005.

We concluded State Radio should have collected approximately \$22,000 more in a year from the counties receiving 911 services from State Radio.

To determine whether the apparent inefficient and ineffective billing process resulted in lost revenue to State Radio, we identified the actual number of lines at 7 of 22 counties for January, February, and March 2005. The number of lines was obtained from information provided by phone vendors in these seven counties. Comparing the line information to what was collected, we identified State Radio could have collected approximately \$2,770 more in the quarter (approximately 14%) from

Chapter 2

Establishing, Collecting, and Using Fees

these 7 counties. If 14% was an average amount State Radio could have collected from the other 15 counties, State Radio may have been able to collect approximately \$22,000 more in a year from all 22 counties.

It would not appear to be efficient for State Radio to invest a large amount of time to verify line information at the county level each month. Different options exist for making improvements in this area. One to consider is using a process similar to the one the counties follow involving the North Dakota Association of Counties (NDACo). This particular process provides a certain amount of wireless 911 fees to NDACo for coordinating the statewide implementation of wireless 911. Each month, counties are to submit 50 cents of their wireless revenue to NDACo (effective July 1, 2005 the amount is 40% of whatever is received from wireless providers). State Radio could use a similar process and enter into formal agreements with the 22 counties requiring a certain percentage of what counties collect be submitted. Regardless of what type of process is used, State Radio should periodically verify the amounts submitted are accurate and reasonable.

Recommendation 2-2

We recommend the Department of Emergency Services improve the billing and collection process involving counties provided 911 services by the Division of State Radio. As part of this process, the Department should periodically verify information at the county level.

Management's Response

Concur with the recommendation. DES will review information collected by the North Dakota Association of Counties for applicability to various fees collected by DES. DES will review the processes involved in billing counties and collecting supporting data from the counties for the billing information.

Obtaining Authority and Establishing Fees for Services

State Radio provides a number of services and operates various programs through its communication center. The communication center is the 911 answering point for 22 counties, provides non 911 dispatching services to these 22 counties, is the state dispatch center for Highway Patrol, provides dispatching services for other state entities such as Game and Fish and the Office of the Attorney General, and provides dispatching services for various federal entities such as the National Park Service, U.S. Border Patrol, and U.S. Marshall. In addition to dispatching, State Radio has other responsibilities and duties. State Radio coordinates road closures, answers the security line for the Governor's mansion and office, and answers "Report All Poacher" calls. State Radio does collect fees from the 22 counties for providing 911 answering and dispatching services as well as collecting fees related to LETS and MDT. However, State Radio does not collect fees for the majority of the other services provided and relies on general funds to cover the costs. In a review of North Dakota Century Code, we were unable to identify information which provides State Radio the specific authority to provide certain services such as non 911 dispatching to counties as well as dispatching for the state's Highway Patrol.

Chapter 2

Establishing, Collecting, and Using Fees

State Radio provided certain dispatching services across the state prior to the mid 1980's. Based on discussions with State Radio representatives, the counties were not paying for such services at that time. As local governments began establishing their own 911 call centers, they placed the non 911 dispatching responsibilities within the call center and no longer used State Radio's services. Fewer counties used State Radio for dispatching services as more locally owned centers were established.

State Radio does not charge entities for a number of services provided. For non 911 dispatching services provided to Highway Patrol and 22 counties, we determined approximately \$500,000 a year was expended on salaries and benefits for providing these services.

Since no State Radio expenditure information is maintained by function, service, or program, an estimate of the total amount of fees that could be collected was not determined. However, we did estimate salary and benefit costs associated with non 911 related dispatching to the 22 counties and non 911 related dispatching to Highway Patrol. Using estimates provided by dispatchers on the amount of time spent on these two activities, we determined approximately \$500,000 a year was expended on salaries and benefits for providing these services.

If State Radio was to charge and collect fees for services provided to other entities, it would reduce the amount of general funds required for the division and the state. For example, if State Radio were to charge the counties or federal entities for such services, all funds received would be special funds. Also, certain state agencies that could be charged could use special or federal funds to pay for such services.

Recommendation 2-3

We recommend the Department of Emergency Services take appropriate action to obtain proper legislative authority to provide dispatching services to various state entities, political subdivisions, and other entities and to charge fees for the services provided. After such authority is received and an adequate cost accounting system is established to identify estimated costs for services, respective entities should be charged for services provided.

Management's Response

Concur with the recommendation. DES will work with ITD, the State Auditor's Office, the Advisory Committee, and other groups to review current fees and develop a series of proposals for the charging of fees for non-911 usage. We will also obtain the necessary legislative authority.

Improving Financial Monitoring of the Hazardous Chemical Program

North Dakota Century Code (NDCC) Section 37-17.1-07.1 required the Division of Emergency Management to coordinate the development and maintenance of the State Hazardous Chemicals Preparedness and Response Program. DEM is to collect an annual fee from owners and operators of certain facilities (\$25 for each hazardous chemical, maximum of \$150 per facility) and place the moneys in the State Hazardous Chemicals Preparedness and Response Fund (Fund 378). DEM is to transfer one-half of funds collected from the state's hazardous chemicals fee system to the counties. The remaining one-half of the funds are biennially appropriated to DEM for carrying out the purposes, goals, and objectives of the program.

Chapter 2

Establishing, Collecting, and Using Fees

The fee collected for the hazardous chemical program has remained unchanged since 1991. While a significant fund balance exists, certain expenditures have not been properly charged to the program. An estimated \$9,000 a year could have been charged to the program rather than using general funds.

The \$25 fee collected for each hazardous chemical was established during the 1991 Legislative Session and has remained the same. In discussions with DEM representatives, it appears they believe the \$25 fee is insufficient to cover the costs of the program. However, we noted the fund balance related to this program has increased every fiscal year since fiscal year 2001 (fund balance was \$78,755 at the end of fiscal year 2005). Thus, it would appear the fee is sufficient to cover costs if the program were to be adequately managed and monitored. However, we noted one employee's salary should have been charged to the program. Using an estimated amount of time spent on the program and salary and benefit information for fiscal year 2005, we determined approximately \$9,000 of general funds could have been saved in a year if this employee's salary and benefits were appropriately charged.

Recommendation 2-4

We recommend the Department of Emergency Services adequately manage and monitor the financial and accounting area of the state hazardous chemicals preparedness and response program. At a minimum, the Department should:

- a) Ensure all appropriate expenditures of the program use special funds to save general fund moneys; and
- b) Review the effect of the increase in costs on the fund balance and, if necessary, take appropriate action to increase the fee amount.

Management's Response

Concur with the recommendation. DES will review the Hazardous Chemical Fee program and develop a series of proposals for the use and possible expansion of the program to include full utilization of the fund.

Management Processes and Procedures

Introduction

As identified in Chapter 2, a goal of this performance audit was

“Has management established effective processes and procedures to fulfill the Division of Emergency Management’s purposes, functions, and responsibilities?”

Through tests and reviews performed, we noted significant improvements were needed regarding the management of the Division of Emergency Management including State Radio. Significant improvements related to management processes and procedures are included within this chapter of the report. Improvements of less significance were communicated to management in a separate letter.

To determine whether management had established effective processes and procedures, we:

- Reviewed applicable laws, rules, policies, and procedures;
- Reviewed applicable management controls;
- Reviewed financial information including salary payments; and
- Interviewed selected staff.

Making Improvements with Salary Increases

All full-time equivalent employees (not on probation) of the Division of Emergency Management including State Radio received salary increases during fiscal years 2004 and 2005. Based on a review of information and discussions with applicable representatives, we noted salary increases resulted in noncompliance with North Dakota Administrative Code salary administration procedures. A review needs to be performed to determine whether any action is necessary as a result of the noncompliance. We also noted improvements were needed with the documentation of salary increases and with appropriately expending funds approved by the Emergency Commission.

Salary Increases Identified

Every full-time equivalent employee (FTE) not on probation within the Division of Emergency Management (DEM) and State Radio received a salary increase during the 2003-2005 biennium. We identified 13 employees within DEM and State Radio who received increases exceeding 20% in the period reviewed. Information related to salary increases provided to DEM and State Radio employees follows.

DEM

Three DEM employees received significant increases (over \$500 per month) during fiscal year 2004. Two employees received raises after their positions were reclassified and one employee received a raise for a workload increase. During fiscal year 2005, all DEM employees not on probation received a salary increase as of one of two effective dates – August 1, 2004 or November 1, 2004. The increases effective in August followed reclassifications of a number of positions within DEM. The increases in November appear to have been given to those employees who did not have their

All full-time equivalent employees not on probation received a salary increase during the 2003-2005 biennium.

Chapter 3

Management Processes and Procedures

positions reclassified and were provided for apparent increases in workload and responsibility. We noted one employee received a salary increase of over 74% during this time while six other employees received salary increases over 30%.

At the end of fiscal year 2003, we identified the Director of DEM, the Deputy Director, and Administrative Manager also received increases effective June 2003. While three other DEM employees also received raises at this time, none exceeded 5%. The raises provided were 8% for the Director, 8% for the Deputy Director, and 11% for the Administrative Manager and were apparently for an increase in workload. All three of these employees received significant increases in fiscal year 2005 (25%, 37%, and 33% respectively).

State Radio

All dispatchers, or communication specialists, received at least two raises – one effective in March 2004 and one effective in December 2004. The increases provided in March (\$200 per month for all employees) were related to an apparent inequity in pay of dispatchers compared with other dispatchers around the state. The increases provided in December (increase amounts varied from \$100, \$120, to \$150 per month) were given at the same time that a reclassification of the communication specialist class series was done which resulted in an increase in pay grades.

The amount of salary increases provided to employees was apparently decided by the former Director of DEM. HRMS was not involved with the salary increases given.

Based on discussions with DEM representatives, a team consisting of the former Director of DEM, the then Deputy Director, and Administrative Manager reviewed information and held discussions regarding salary increases for DEM and State Radio employees. There appears to have been no formal meeting process involved regarding the determination of the amounts of the salary increases and all three individuals were DEM employees. While Human Resource Management Services (HRMS) within the Office of Management and Budget was involved in the reclassification processes, HRMS was not involved with the salary increases given and was unaware of the salary increases until after they had been paid. Apparently, the actual amount of salary increases given to employees was decided solely by the former Director of DEM.

Financial Effects of Salary Increases

For the 2003-2005 biennium in which salary increases were provided, we projected the effect the raises had on salary expenditures. Probationary raises are typically given to all state employees when their probationary period is completed and we did not include such raises given to either DEM or State Radio employees in our analysis. For DEM employees, approximately \$140,000 more was expended on salaries during the biennium as a result of the salary increases. For State Radio employees, approximately \$119,000 more was expended on salaries during the biennium as a result of the salary increases. These amounts include only actual salary costs and do not include the increase in benefit costs. Using an approximate amount for benefits, we estimated the total

Chapter 3

Management Processes and Procedures

Salary increases resulted in approximately \$300,000 more being expended in the 2003-2005 biennium and required approximately \$625,000 more in salaries and benefits for the 2005-2007 biennium.

Salary increases used federal funds received from the U.S. Department of Homeland Security.

additional salary and benefit amount expended in the 2003-2005 biennium due to the salary increases was approximately \$300,000.

The salary increases given during the 2003-2005 biennium also had an effect on the amount of funding required for the Department of Emergency Services' salary and benefits for the 2005-2007 biennium. Using an estimated amount for benefits and assuming that all salaries would have remained constant, we determined approximately \$625,000 more would be required in the 2005-2007 biennium due to the salary increases provided.

Discussions were held with DEM representatives and a limited review of payroll information was conducted to identify the moneys used to fund the salary increases. Information related to the funding used is below:

- DEM: salary increases were provided using federal homeland security grant funds. Up to 20% of these homeland security grants received by the state can be retained while the remaining 80% is distributed to local jurisdictions. The homeland security grant funds received could be used for purchases of equipment, paying expenditures related to the analog to digital migration project, and other items.
- State Radio: salary increases were provided using funds from an Emergency Management Performance Grant (EMPG) received from the federal Department of Homeland Security. In federal fiscal year 2004, the state retained approximately 45% of EMPG funds received and approximately 37% in 2005. The EMPG money provided to the counties is to be used for the development, maintenance, and improvement of local emergency management capabilities.

If the amount of federal funds received decreased and/or the amount allowed to be retained by the state was decreased, DEM and State Radio would need to take action relating to the salary increases given. Below are options which would be available:

- Continue to fund salaries with such federal funds and reduce the amount of federal funds available to be expended by the state for other purposes or reduce the amount of funds passed on to local jurisdictions;
- Use another funding source (general funds or special funds) for salary costs; or
- Reduce salary costs.

In discussions with DEM representatives, they were unsure what the federal government was expected to do with the amount of federal funding available to the state.

Chapter 3

Management Processes and Procedures

Additional Effects of Salary Increases

A number of the salary increases provided to employees resulted in instances of noncompliance with North Dakota Administrative Code salary administration requirements. We determined these noncompliance issues should be reviewed by Human Resource Management Services (HRMS) and the State Personnel Board to determine whether any action should be taken (this is further addressed in the following sections entitled “Improving Compliance with Salary Administration Requirements” and “Reviewing Salary Increases”). In addition, we noted homeland security funds used to fund salary increases of DEM employees should not have been used for this purpose (see section entitled “Ensuring Compliance with Emergency Commission Approval”).

The salary increases provided to employees has created an apparent internal equity problem.

We performed a limited review of internal equity information within DEM and State Radio based on May 2005 data provided by HRMS. Based on this information, concerns regarding internal equity were identified. An internal salary review was performed by DEM and State Radio using a salary administration plan or step plan used by the National Guard. This review also identified an apparent internal salary equity problem.

We performed a limited comparison of DEM and State Radio employee salaries to other state government employees. This review was based on May 2005 data provided by HRMS. This information includes employee salaries, pay grade salary ranges, and years of service in state government. While a more accurate comparison would result if the years of service were that of the employees’ years of service in the pay grade, the information provided by HRMS identified that DEM and State Radio employees appear, on average, to be paid higher than other state government employees in similar pay grades.

Improving Compliance with Salary Administration Requirements

We performed a review of information related to salary increases given to 19 full-time equivalent (FTE) employees to determine whether salary increases provided were in compliance with requirements identified in North Dakota Administrative Code (NDAC) Chapter 4-07-02 (“Salary Administration Procedures”). While our review was hampered by a lack of documentation of the salary increases (further addressed in the section entitled “Improving Documentation of Salary Increases”), we did note instances of noncompliance with NDAC requirements.

As previously identified, a number of salary increases were provided to employees following a reclassification of a position or a class series. While DEM identified salary increases were provided as a result of such reclassifications, the majority of increases provided to employees were not authorized for a reclassification adjustment based on requirements within NDAC. The salaries already paid employees prior to reclassification actions taken were at a rate high enough that new pay grades assigned did not result in the majority of employees being allowed the NDAC authorized increase of up to 5% above the minimum of the new salary range. DEM identified multiple other reasons for salary increases given to employees to justify the salary increases provided.

Chapter 3

Management Processes and Procedures

Based on our review of 19 employees, we noted instances of noncompliance issues in the following areas:

Certain salary increases provided to employees resulted in noncompliance with NDAC salary administration requirements.

- Through June 30, 2004, NDAC Section 4-07-02-11 stated a responsibility level/workload salary increase could not exceed 10% in a biennium (effective July 1, 2004, this was increased to 20%). During fiscal year 2004, we identified four employees that received salary increases in excess of 10%. One employee had a 27% increase, one an increase of 17%, and two an increase of 12%. In fiscal year 2005, we noted an employee received a 53% salary increase related to responsibility level/workload increase.
- NDAC Section 4-07-02-10 states an increase of up to 5% may be provided upon an employee's successful completion of a probationary period. We noted two employees received salary increases of 17% when they completed their probationary period.
- NDAC Section 4-07-02-15 states an agency may grant an equity increase if, at the time the increase is granted, certain documentation is submitted to Human Resource Management Services (HRMS). No documentation was provided to HRMS for all equity increases reviewed.
- NDAC Section 4-07-02-11 states a responsibility level/workload salary increase may be given if the change in workload or responsibility is documented and on file within the agency. We identified 13 salary increases given for responsibility level/workload increases that did not have the required documentation.
- NDAC Section 4-07-02-11 states an agency granting a responsibility level/workload salary increase must give consideration to the effect granting such increases would have on internal equity. We identified no information related to consideration of internal equity.

Recommendation 3-1

We recommend the Department of Emergency Services comply with the salary administration procedures established in North Dakota Administrative Code Chapter 4-07-02. The Department must ensure, at a minimum:

- a) Maximum salary increase amounts are not exceeded;
- b) Changes in workload or responsibility are documented and on file within the agency;
- c) Proper documentation is provided to Human Resource Management Services at the time an equity increase is given; and
- d) Consideration is given to the effect granting salary increases will have on internal equity.

Management's Response

Concur with the recommendation. We disagree, however, that all the raises were in non-compliance with the administrative code. We agree that a detailed explanation for the increases was lacking.

DES is in the process of a major reorganization and one aspect is working closely with HRMS to ensure PIQs are correct and that salaries are at appropriate levels after the reorganization and new PIQ review.

Chapter 3

Management Processes and Procedures

We will ensure we comply with the Administrative Code and work with the Human Resource Management Services (HRMS) in developing a salary administration plan.

State Auditor's Concluding Remarks

DES states they disagree that all raises were in noncompliance with the administrative code. We never state, nor do we imply, that all raises resulted in noncompliance. We based our findings on a review of 19 full-time equivalent employees and specifically note noncompliance issues associated with the review of such employees (for example, two employees received salary increases of 17% when they completed their probationary period).

Reviewing Salary Increases

As previously identified, salary increases provided to employees resulted in instances of noncompliance with NDAC salary administration requirements. We noted a review needed to be conducted to determine whether any action was necessary as a result of the noncompliance. It appears such a review should be conducted by Human Resource Management Services (HRMS) and the State Personnel Board.

Salary increases should be reviewed by HRMS and the State Personnel Board to determine whether any action should be taken as a result of noncompliance with NDAC salary administration requirements.

North Dakota Century Code (NDCC) Section 54-44.3-15 states the Director of HRMS may disapprove the payment to an employee for classification issues or when the Director determines the rate of pay is not authorized. In accordance with NDCC Section 54-44.3-10, the State Personnel Board may maintain such action or proceeding at law or in equity as the Board considers necessary or appropriate to secure compliance with NDCC Chapter 54-44.3 and its rules. The State Personnel Board is a five member board consisting of the Director of HRMS, two members appointed by the Governor, and two members elected by classified employees. The Board's primary responsibility is to foster and assure a system of personnel administration in the classified service.

Recommendation 3-2

We recommend the State Personnel Board and Human Resource Management Services, with assistance from the Office of the Attorney General, review the salary increases the Department of Emergency Services provided employees. As part of this review, a determination should be made as to whether any action should be taken regarding the instances of noncompliance with North Dakota Administrative Code.

Management's Response

Agree. The Personnel Board and HRMS will work with the Attorney General's Office to complete the recommended review within statutory authority.

Improving Documentation of Salary Increases

In a review of information regarding salary increases given to DEM and State Radio employees, we noted a lack of adequate documentation defining the reasons for the increases. This includes allocating the amount of the increases to salary increase categories identified in NDAC. This hampered the review performed to determine whether the salary increases were in compliance with NDAC requirements.

Chapter 3

Management Processes and Procedures

Adequate documentation of certain salary increases does not exist.

For an employee who received a 37% increase, we noted a letter identifying reasons for the increase as a reclassification of the position, an increase in workload, equity reasons, and performance. This employee was not entitled to an increase in salary for a reclassification conducted (salary was already over 5% of the minimum of the new salary range) so the 37% increase appears to be related to a combination of workload increase, equity, and performance. NDAC maximum amounts for salary increases are 20% in a biennium for responsibility level/workload increase, 20% in a biennium for equity, and 5% in any 12 month period for performance. It is unclear whether or not the NDAC maximum amounts were complied with since no documentation exists as to how much of the increase was provided in conjunction with each reason.

Recommendation 3-3

We recommend the Department of Emergency Services adequately document salary increases. At a minimum, increase amounts must be defined and allocated by salary increase category as identified in North Dakota Administrative Code Chapter 4-07-02.

Management's Response

Concur with the recommendation. DES will comply with the Administrative Code and work with the Human Resource Management Services (HRMS) in developing a proper salary administration plan to include salary increases.

Ensuring Compliance with Emergency Commission Approval

When discussing the impact salary increases had on the 2003-2005 biennium, DEM representatives noted additional spending authority was provided by the Emergency Commission. DEM representatives stated approval was obtained to allow homeland security funds to be used on salary increases. The following two Emergency Commission meetings relate to requests for additional spending authority of homeland security funds:

Emergency Commission approval was obtained to use homeland security funds for adding staff and retaining temporary staff. The funds should not have been used for salary increases of current employees.

- October 9, 2003: a request was made for the then Division of Emergency Management (DEM) to accept \$13.2 million of federal funds from the U.S. Department of Homeland Security. The application information notes DEM seeks approval for three additional full-time equivalents (FTE) and for the retention of three full-time temporary positions. DEM identifies the total cost of the staffing requirement is \$300,500 which is the amount approved by the Emergency Commission for the salaries line.
- January 6, 2004: a request was made for DEM to accept \$19,536,000 of federal funds from the U.S. Department of Homeland Security. The application information notes DEM seeks approval for two additional FTE positions and one full-time temporary position. DEM identifies the cost is \$400,000 which is the amount approved by the Emergency Commission for the salaries line.

DEM's request for additional salary spending authority was related to the addition of new staff and for retaining temporary staff. The request was

Chapter 3

Management Processes and Procedures

not related to using these funds for salary increases of current employees which DEM admits occurred. A November 4, 2004 Attorney General's Opinion states the Emergency Commission approval for an increase in a specific line item does not allow an agency to spend the funds for any purpose within that line item. Rather, the funds must be expended for the purpose identified in the application.

Recommendation 3-4

We recommend the Department of Emergency Services expend funds only as outlined in the application request approved by the Emergency Commission.

Management's Response

Concur with the recommendation. DES will be more descriptive in its Emergency Commission requests for the line items being requested and will ensure that only items identified will be funded.

Improving Communication and Management Style

Based on information received in a survey of local Emergency Managers and a survey of employees of the Division of Emergency Management (DEM) including State Radio, review of documentation, discussions with applicable representatives, and observations made during the audit, it appears to us that the agency was micro managed. DEM and State Radio are in need of improvements in communication with employees and Emergency Managers. Employees noted a lack of communication with management, a need to improve communication between divisions, and communication problems between management and employees. Emergency Managers noted communication with DEM needed improvement, more interaction with DEM and Emergency Managers was needed, and DEM and Emergency Managers were at odds with each other. In addition, comments were also identified regarding poor management style at DEM.

Based on information we gathered, the former Director appears to have micro managed the agency. A lack of communication with Emergency Managers has created a poor working relationship between DEM and Emergency Managers.

The problems with communication between DEM and State Radio can create a lack of information for employees, reduce cooperative working efforts, make it appear differences exist between the two divisions, and reduce morale if the two divisions are not working for the same common goals and objectives. The lack of communication with the local Emergency Managers has apparently created a poor working relationship between DEM and Emergency Managers. This hampers the interaction needed to ensure adequate information is provided to Emergency Managers as well as Emergency Managers making DEM aware of necessary information. Without this cooperation, the state's emergency management system will not function efficiently or effectively and may place the residents of the state at risk as emergency plans are not sufficient or disaster processes are not adequately coordinated.

Recommendation 3-5

We recommend the Department of Emergency Services take immediate action to improve communications with employees and local Emergency Managers; and ensure an adequate management style is implemented to foster open communications and improve coordination and cooperation among divisions and with Emergency Managers.

Chapter 3

Management Processes and Procedures

Management's Response

Concur with the recommendation. DES is working on these areas and has initiated a plan to visit stakeholders to improve communications. Also, internal communications are being reviewed and are part of the strategic planning process which will help to identify the various tools we can use to better communicate with employees.

Making Improvements with Organizational Structure and Staffing

We determined improvements were needed with financial, human resources, and other administrative areas within the Division of Emergency Management including State Radio. The administration area should be reviewed to determine whether combining units could increase efficiency and effectiveness. Changes should be made to state law to remove the requirement that the Adjutant General appoint two division directors. A review of the number of dispatchers within State Radio's communication center should be conducted.

Combining Administrative Areas

Throughout this audit, we noted a number of areas where improvements were needed relating to financial, human resources, and other administrative areas. The Division of Emergency Management (DEM) did not have proper procedures in place to ensure compliance with establishing fees for programs and services and was unaware of whether such fees were sufficient to cover the costs of such programs and services. As a result, additional general funds were expended. Salary increases provided to employees resulted in noncompliance with North Dakota Administrative Code requirements and DEM inappropriately used funds obtained through the Emergency Commission. Various other issues requiring improvement related to administration are also identified in this chapter including improvements with hiring processes and performance evaluations. We also noted that DEM could reduce their number of cell phones as certain cell phones were not being used, phones were being used for an insignificant amount of time, and certain phones do not appear necessary.

Fees collected for certain State Radio services are placed into a special fund (Fund 373). When the Governor combined State Radio with DEM in September 2003, the accounting responsibilities of State Radio were given to DEM. In review of the use of Fund 373, we noted inconsistent use of the fund and it appears the fund was not properly monitored or managed. An email from an Office of Management and Budget (OMB) representative to DEM in September 2004 noted State Radio was still using too many general funds and not enough special funds. The OMB representative noted in previous bienniums, the average amount of special funds used for salary and benefits was \$11,000 per month but only \$3,000 per month was being charged to Fund 373. The OMB representative stated that OMB would like DEM to use Fund 373 for two employees' salaries. Rather than following OMB's guidance, DEM started charging all salaries of State Radio employees to Fund 373 (approximately \$70,000 per month expended on salaries). This is not an appropriate way to manage a fund and the activity related to the fund does not reflect actual costs of operations.

Chapter 3

Management Processes and Procedures

Under the current plan for re-organization, two directors of administration would report directly to the Adjutant General.

Due to changes made during the 2005 Legislative Session, DEM and State Radio were going through a restructuring process at the time of our review. DEM and State Radio were combined into the Department of Emergency Services (DES) effective July 1, 2005. A draft organizational chart identifies a chief of the administration unit or section being at the same reporting level as the director of the Division of State Radio and the director of the Division of Homeland Security. This would result in two directors of administration reporting directly to the Adjutant General – one from DES and one from the National Guard (an administration unit is already established within the Office of the Adjutant General). For a state entity with 193 budgeted full-time equivalents (54 for DES and 139 for the Adjutant General), having two administration chiefs or directors does not appear necessary. Combining these two administration units into one could reduce the amount of administrative costs including salary, equipment, and supply costs.

Recommendation 3-6

We recommend the Department of Emergency Services (DES), in conjunction with appropriate personnel of the Office of the Adjutant General, formally review the financial, human resources, and other administrative areas of DES and determine whether the administration section, or portions of the section, can be combined with or be placed under the current administrative section within the Office of the Adjutant General.

Management's Response

Concur with the recommendation. DES, in conjunction with personnel from the Office of the Adjutant General, will review and discuss the current operating structure of administration functions and, where appropriate, will combine operations for greater efficiency.

Modifying Century Code

Changes to North Dakota Century Code during the 2005 Legislative Session created the Department of Emergency Services which includes the Division of State Radio and Division of Homeland Security. When these changes occurred, state law was modified to require the Adjutant General to appoint the directors of both divisions. In a comparison of full-time equivalent (FTE) information and appointed positions within other state agencies, having two division directors appointed for an agency with only 54 FTEs appears high. If these positions were included in the state's classification system; there could be increased continuity of the positions as there would not be potential turnover with every change in Governor and/or the Adjutant General; minimum qualifications would be established to ensure individuals with proper qualifications hold these positions; and a salary range would be established to ensure the salaries are consistent with similar work performed in the state.

Recommendation 3-7

We recommend the Department of Emergency Services take appropriate action to modify North Dakota Century Code Section 37-17.1-02.1 to either:

- a) Have the two division director positions placed within the state's classification system; or
- b) Have one appointed position for the entire department.

Chapter 3

Management Processes and Procedures

Management's Response

Non-concur with the recommendation. This was approved and created by the 2005 Legislature and, absent evidence the system isn't working as intended, it is premature to make or recommend a change.

Reviewing the Number of Dispatchers

A communication center exists within State Radio which is staffed 24 hours a day, 7 days a week to receive 911 calls from 22 counties, to provide dispatching services for a variety of entities, and to perform a number of other duties and services. There are six dispatchers scheduled within the communication center. It appears the practice of scheduling six dispatchers has been in place for an extended period of time, with no formal review of whether the number of dispatchers on duty is reasonable.

Scheduling six dispatchers for the communication center appears high.

While six dispatchers are scheduled, the communication center will operate with five dispatchers. In discussions with State Radio representatives, they noted the center operates with four dispatchers very rarely. We performed a review of the number of dispatchers on duty during April 2005 and noted that approximately 11% of the time, State Radio operated with 4 dispatchers on duty. The review identified State Radio operated with 5 dispatchers 62% of the time and with 6 dispatchers 20% of the time. The fact that 11% of the time the center was able to operate with 4 dispatchers is an indication that the number of dispatchers routinely on duty may not be necessary.

Recommendation 3-8

We recommend the Department of Emergency Services formally review the scheduling of dispatchers at the Division of State Radio's communication center to determine whether the current number of dispatchers on duty is reasonable.

Management's Response

Concur with the recommendation. DES will review and analyze the staffing pattern of the Communications Center over the next year. Information to be included in the analysis consists of call traffic, time of day for the calls, types of calls, staff on shift, and other pertinent information.

Establishing a Strategic Plan

In discussions with representatives of the Division of Emergency Management (DEM), it was noted a strategic plan had been developed for DEM. However, this plan had become outdated and did not appear to be followed. A strategic plan was not identified for State Radio. With the combining of DEM and State Radio into one agency, setting a direction and establishing a plan is necessary to ensure resources are being used to accomplish what the agency has established as its goals and objectives. At the time of our review, we did note steps had been taken for establishing a new strategic plan.

Recommendation 3-9

We recommend the Department of Emergency Services develop a strategic plan to ensure:

- a) Significant input from its stakeholders is obtained;
- b) Short-term and long-term goals and objectives are established;

Chapter 3

Management Processes and Procedures

- c) The plan provides a means for measuring the productivity and operations of the department; and
- d) The plan is periodically reviewed and revised.

Management's Response

Concur with the recommendation. DES has made significant gains in the Strategic Planning process (over 50% complete) and will be continuing in that effort. We anticipate completion early 2006.

Obtaining Input on How Homeland Security Funds are Distributed

A significant amount of homeland security funds has been provided to the Division of Emergency Management (DEM) for allocation and distribution to various state and local entities. DEM received over \$19 million of homeland security grant funds in federal fiscal year 2004 and over \$14 million in federal fiscal year 2005. Based on a review of information related to how DEM distributed homeland security funds to local jurisdictions, we noted additional input should be obtained regarding the allocation and distribution of funds.

Homeland security funds were provided to DEM to distribute under various programs. For example, in federal fiscal year 2004, funds were designated for the State Homeland Security Program, the Law Enforcement Prevention Grant Program, and Citizen Corps Program. For funds received under the State Homeland Security Program and Law Enforcement Prevention Grant Program, 20% were retained by the state for critical infrastructure protection, program requirements, and administrative expenses. The remaining 80% of the total award is obligated to local jurisdictions and is allocated based on certain formulas using a series of factors including population and risk assessment information. For example, under the State Homeland Security Program, 60% of the funds were allocated to local jurisdictions based upon population with 40% allocated based on risk assessment information. There are 10 categories of risk used in this process and each risk category is assigned a certain percentage. Examples of the risk categories include primary threat elements, basic vulnerability, agricultural vulnerability, and international county border.

Due to the amount of latitude DEM has in determining how homeland security funds will be distributed, additional input should be obtained as part of the process.

We noted the federal government will often give guidance, or in some instances specific instruction, on how homeland security grant funds are to be distributed to the local jurisdictions. However, latitude does remain for DEM as to what percentage of funds is distributed based on population and what percentage will be allocated based on risk assessment. Within the percentage allocated based on risk assessment, DEM has flexibility to modify percentages assigned to risk categories which will have an impact on the amount of funds received by a county or tribe. Due to this, additional input and review of the allocation and distribution process should be obtained. The 2005 Legislative Session established an advisory council to the newly created Department of Emergency Services (DES) which is to advise DES regarding collaboration with political subdivisions. NDCC requires the Adjutant General to create such a committee which is not to consist of more than

Chapter 3

Management Processes and Procedures

11 members representing local and state interests in DES. This committee should be involved in providing input for allocation and distribution of homeland security funds.

Recommendation 3-10

We recommend the Department of Emergency Services receive input from their Advisory Committee regarding the allocation and distribution of homeland security funds.

Management's Response

Concur with the recommendation. DES has begun meeting with the Advisory Committee. The process includes briefings on the Homeland Security funding strategies and their input is being used to develop the upcoming work plan.

Complying with Local Emergency Operations Plan Requirements

North Dakota Century Code (NDCC) Chapter 37-17.1, also known as the "North Dakota Disaster Act of 1985," identifies responsibilities and duties of the Division of Emergency Management (DEM) related to local emergency operations plans. These plans are created by each local emergency organization and provide the essential information needed in the event of an emergency or disaster. Certain requirements of DEM identified in this chapter include:

- Taking an integral part in the development and revision of local emergency operations plans. To this end, DEM is to employ or otherwise secure the services of professional and technical personnel capable of providing expert assistance to local emergency management organizations. These personnel are to consult with local emergency management organizations on a regularly scheduled basis and make field examinations.
- Periodically reviewing local emergency operational plans.
- Making surveys of industries, resources, and facilities, both public and private, as are necessary to carry out the purposes of NDCC Chapter 37-17.1.

As part of this audit, we surveyed Emergency Managers. The Emergency Managers were asked six questions related to DEM's involvement in the development of the local emergency operation plans, on-site visits, and the benefits DEM provided to them. All six questions had negative response rates regarding DEM's involvement in the plans and assistance being provided. For example, over 35% of respondents noted that DEM was not integrally involved in the development of the plan and over 33% of respondents noted that DEM's involvement in developing the plan was not useful and beneficial. Over 74% of respondents identified that an on-site visit of their area had not occurred in the past year.

Local Emergency Manager survey responses identified low ratings regarding DEM providing assistance and conducting on-site visits.

While DEM does review the plans, the reviews do not appear to be performed on a periodic basis. Although DEM gathers information from local emergency organizations, it does not appear DEM directly surveys private industries, resources, and facilities within the state.

Chapter 3

Management Processes and Procedures

DEM appears to be in noncompliance with certain requirements of NDCC related to local emergency operation plans. Lack of adequate assistance to the local emergency organizations may result in a less efficient and effective local plan. When disasters occur, a team effort of local, state, and federal organizations is required to ensure an efficient and effective response is provided.

Recommendation 3-11

We recommend the Department of Emergency Services comply with or take appropriate action to modify North Dakota Century Code Section 37-17.1-06, Subsections 3, 6(c), and 6(f). To comply, the Department should, at a minimum:

- a) Make regularly scheduled visits to local emergency organizations and implement a survey process to monitor satisfaction rates of Department assistance provided;
- b) Periodically review local emergency operations plans; and
- c) Conduct surveys of industries, resources, and facilities within the state.

Management's Response

Concur with the recommendation. DES will review language in the Century Code. Much of the language has not been updated for a number of years and will require action in the next legislative session.

Making Improvements in Personnel and Administration Areas

Improving Actions Taken with Potentially Harmful Situations

We noted improvements were needed in certain personnel and administration areas. We concluded improvements were needed involving actions taken when potentially harmful situations are identified. In addition, improvements should be made with policy and procedure manuals, training, performance appraisals, hiring employees, and job descriptions.

In November 2002, a review of the air quality in the building used by State Radio was performed by an outside consultant. This appears to have occurred as employees were questioning the air quality, especially in the basement. Since the Adjutant General owns the building, the Office of the Adjutant General was notified of employees' concerns and they coordinated the review. It appears the results of this review were not communicated to employees. Certain employees were aware that a review was performed but did not know the results. Air quality issues were identified as a concern of the work environment in a survey we conducted of employees.

When concerns were noted with air quality in the work environment, results of a review were not communicated to all employees and Risk Management was not notified of the situation.

Besides not properly communicating the results of the review performed of the air quality, notification of the situation was not provided to the state's Risk Management Division. In discussions with Risk Management, the Director noted all agencies have been educated that they are to submit a form to Risk Management whenever any situation arises that could potentially harm any citizen or employee of the state. In this way, Risk Management is not only made aware of any potential risk but they can also be involved in the process. Thus, if a situation needs to be reviewed or tests conducted, Risk Management can then

Chapter 3

Management Processes and Procedures

determine proper action was taken by the state agency to adequately address the potential concern raised and those results are adequately communicated back to the public, citizen, or agency personnel.

Recommendation 3-12

We recommend the Department of Emergency Services improve the processes used following the identification of potentially harmful situations. The Department should, at a minimum:

- a) Promptly notify the state's Risk Management Division of such areas and include the division in any studies or reviews to be performed; and
- b) Promptly communicate to all employees the results of any reviews or other actions taken in relation to such areas.

Management's Response

Concur with the recommendation as to prompt communication with employees of results. Non-concur with the recommendation requiring notification to Risk Management. While we have no objection to notification to Risk Management, we are unaware of any guideline or procedure to notify Risk Management of a possible air quality problem with no allegation of injury or treatment by an employee. We took appropriate steps to have the situation quickly addressed (testing) and while the results were communicated to managers, it is clear the communication to all employees was insufficient based on survey results. A recent similar incident was properly and promptly communicated to all employees (air quality testing with negative results). Better communication with employees is a top priority.

Establishing a Formal Review Process

A Standard Operating Procedures (SOP) manual has been established for State Radio dispatchers. This manual identifies the specific procedures which dispatchers are to follow for 53 different emergencies including: 911 calls, officer down, high speed pursuits, AMBER alerts, bomb threats, and other emergencies. The manual also identifies the necessary contact information for the entities that use State Radio's services. We noted there was no formal review or updating process for this vital procedural manual and the manual had become outdated.

State Radio's Standard Operating Procedures manual had become outdated.

The manual had not been updated for a number of years. Based on comments from employees, it appears prior management of State Radio did not take appropriate action when dispatchers noted updates were required. In the spring of 2005, an update of the manual was conducted. Based on discussions with State Radio representatives, dispatchers were not specifically required to review the changes to the updated manual. Since dispatchers were not required to sign a form signifying they had read the changes to the manual, there is no assurance that all dispatchers properly reviewed the updated manual.

Recommendation 3-13

We recommend the Department of Emergency Services establish a formal process to ensure the Division of State Radio's Standard Operating Procedures manual is accurate and current. The Department should, at a minimum:

- a) Review and update the manual on a periodic basis;

Chapter 3

Management Processes and Procedures

- b) Include in the review process two or more dispatchers from different teams;
- c) Notify all employees of changes to the manual; and
- d) Require employees to sign a form signifying they have read all changes to the manual.

Management's Response

Concur with the recommendation. DES will formalize the process of updating the State Radio manuals and develop a training and information process.

Combining Personnel Policies

When the Governor consolidated the Division of Emergency Management (DEM) and State Radio in September 2003, it appears the limited personnel policies of DEM were to be followed by State Radio employees. Additional policies were not developed which does not appear appropriate since differences do exist in the operations of DEM and State Radio. The newly created Department of Emergency Services (DES), includes DEM and State Radio, is under the control of the Office of the Adjutant General which has established an employee handbook which focuses mainly on the National Guard. While similar topics are covered in each personnel manual, differences were also noted with the information. Since all employees are under the control of the Adjutant General, one employee handbook should be established. This will eliminate confusion as to which policies are to be followed and eliminate inefficiencies associated with maintaining two manuals.

Recommendation 3-14

We recommend the Department of Emergency Service's former personnel policies be combined into the Adjutant General Employee Handbook.

Management's Response

Concur with the recommendation. DES has begun the process of reviewing the manuals of the former Division of Emergency Management (DEM), the Office of Management and Budget (OMB) and the Office of the Adjutant General. This item was discussed in our Strategic Planning process and is one of the identified objectives to be met under the goal of "Improve Employee satisfaction and well being". Some significant differences in the organizations will likely mean we cannot have an "identical" employee manual but we will combine to the greatest extent possible.

Making Improvements with Training

North Dakota Century Code Section 57-40.6-10 requires emergency 911 dispatch centers employ dispatchers who have completed an emergency medical dispatch course. We noted the majority of dispatchers within the State Radio's communication center were not properly certified when this requirement became effective (August 2001) until April 2005. The lack of proper certification created a potential liability issue for the state. In addition, we also noted documentation of training was not maintained for all employees.

As part of this audit, we surveyed employees of DEM and State Radio. Employees were requested to answer a question related to whether or

Chapter 3

Management Processes and Procedures

not they required additional training to perform their job more efficiently and effectively. Approximately 53% of respondents noted they need additional training.

Recommendation 3-15

We recommend the Department of Emergency Services improve employee training. The Department should, at a minimum:

- a) Establish formal training policies and procedures which should include a process for identifying employee training needs;
- b) Monitor training of all employees and ensure mandatory training requirements are met; and
- c) Maintain documentation of training received by employees.

Management's Response

Concur with the recommendation. DES has begun the process of reviewing training and the tracking of the participants. This is an identified Strategic Planning goal objective under "Improve Employee satisfaction and well being".

Improving Employee Performance Appraisals

North Dakota Administrative Code requires a performance review of employees to be conducted at least annually. For a three year time period, we noted only 4 of 20 selected employees had the required number of annual performance evaluations properly conducted. We did note improvements in compliance with this requirement within the last year.

The performance appraisal form used is generic and not specific to individual job-related requirements.

We noted the performance evaluation form used is generic and not specific to individual job-related requirements. The same evaluation form is used for all employees within DEM and State Radio. We also identified that the performance evaluation process involved only supervisors conducting evaluations of those they supervise. No evaluations were being done of the supervisors by those they supervised. This does not allow employees a formal opportunity to comment on the performance of their supervisors.

Recommendation 3-16

We recommend the Department of Emergency Services improve the employee performance evaluation process including ensuring compliance with North Dakota Administrative Code requirements and internal policies. The Department should, at a minimum:

- a) Ensure each employee receives an annual performance evaluation based on individual job-related requirements;
- b) Ensure low ratings given in an evaluation include recommendations for improvement and a time frame for actions to be corrected;
- c) Have supervisors evaluated by those they supervise; and
- d) Provide training to employees who will be completing the performance evaluations.

Management's Response

Concur with the recommendation. DES will work with HRMS in developing performance evaluation tools to be used by supervisors and subordinates.

Chapter 3

Management Processes and Procedures

Complying with Hiring Requirements

North Dakota Century Code Chapter 37-19.1 establishes a preference in public employment for veterans and in some instances, the spouses of veterans. In a review of the hiring process of 10 employees, we noted DEM and State Radio did not notify veterans of their nonselection by certified mail which is required by state law. In addition, we also noted DEM and State Radio were not properly documenting justifiable cause when veterans were not selected and the veterans were ranked higher than the applicant selected.

Recommendation 3-17

We recommend the Department of Emergency Services comply with veterans' preference requirements in North Dakota Century Code Chapter 37-19.1. The Department should, at a minimum:

- a) Use certified mail to notify veterans of their nonselection; and
- b) Review veterans' preference requirements with the Office of the Attorney General and modify hiring procedures accordingly.

Management's Response

Concur with the recommendation. DES will use certified mail to notify all eligible veterans of nonselection and will ensure that veteran's preference is properly applied.

Improving PIQs and Job Descriptions

We noted Position Information Questionnaires (PIQs) and job descriptions could not be identified for certain positions. In addition, multiple positions shared one PIQ as the positions were classified in the same job class. However, the positions had different duties and responsibilities assigned. We also noted PIQs were not always signed and dated.

Recommendation 3-18

We recommend the Department of Emergency Services improve the development and maintenance of Position Information Questionnaires and/or job descriptions. The Department should, at a minimum:

- a) Ensure a PIQ and/or job description exists for each position in the Department;
- b) Review and update PIQs on a periodic basis; and
- c) Involve employees in this process and have employees and supervisors sign and date the PIQ and/or job description.

Management's Response

Concur with the recommendation. DES has started the review process of the Position Information Questionnaires (PIQs) and will work with HRMS to ensure proper classification and we will also develop a tracking method to update PIQs on a regular basis.

Appendices

List of RecommendationsA1

List of Recommendations

- Recommendation 2-1** We recommend the Department of Emergency Services comply with North Dakota Century Code Sections 54-23.2-08 and 54-23.2-09 to ensure fees charged for 911 services, Law Enforcement Telecommunications System (LETS), and Mobile Data Terminal (MDT) services cover applicable costs of services. At a minimum, the Department must establish an adequate cost accounting system to track costs of services and use of special funds.
- Recommendation 2-2** We recommend the Department of Emergency Services improve the billing and collection process involving counties provided 911 services by the Division of State Radio. As part of this process, the Department should periodically verify information at the county level.
- Recommendation 2-3** We recommend the Department of Emergency Services take appropriate action to obtain proper legislative authority to provide dispatching services to various state entities, political subdivisions, and other entities and to charge fees for the services provided. After such authority is received and an adequate cost accounting system is established to identify estimated costs for services, respective entities should be charged for services provided.
- Recommendation 2-4** We recommend the Department of Emergency Services adequately manage and monitor the financial and accounting area of the state hazardous chemicals preparedness and response program. At a minimum, the Department should:
- a) Ensure all appropriate expenditures of the program use special funds to save general fund moneys; and
 - b) Review the effect of the increase in costs on the fund balance and, if necessary, take appropriate action to increase the fee amount.
- Recommendation 3-1** We recommend the Department of Emergency Services comply with the salary administration procedures established in North Dakota Administrative Code Chapter 4-07-02. The Department must ensure, at a minimum:
- a) Maximum salary increase amounts are not exceeded;
 - b) Changes in workload or responsibility are documented and on file within the agency;
 - c) Proper documentation is provided to Human Resource Management Services at the time an equity increase is given; and
 - d) Consideration is given to the effect granting salary increases will have on internal equity.
- Recommendation 3-2** We recommend the State Personnel Board and Human Resource Management Services, with assistance from the Office of the Attorney General, review the salary increases the Department of Emergency Services provided employees. As part of this review, a determination should be made as to whether any action should be taken regarding the instances of noncompliance with North Dakota Administrative Code.

Appendix A

List of Recommendations

Recommendation 3-3	We recommend the Department of Emergency Services adequately document salary increases. At a minimum, increase amounts must be defined and allocated by salary increase category as identified in North Dakota Administrative Code Chapter 4-07-02.
Recommendation 3-4	We recommend the Department of Emergency Services expend funds only as outlined in the application request approved by the Emergency Commission.
Recommendation 3-5	We recommend the Department of Emergency Services take immediate action to improve communications with employees and local Emergency Managers; and ensure an adequate management style is implemented to foster open communications and improve coordination and cooperation among divisions and with Emergency Managers.
Recommendation 3-6	We recommend the Department of Emergency Services (DES), in conjunction with appropriate personnel of the Office of the Adjutant General, formally review the financial, human resources, and other administrative areas of DES and determine whether the administration section, or portions of the section, can be combined with or be placed under the current administrative section within the Office of the Adjutant General.
Recommendation 3-7	<p>We recommend the Department of Emergency Services take appropriate action to modify North Dakota Century Code Section 37-17.1-02.1 to either:</p> <ul style="list-style-type: none">a) Have the two division director positions placed within the state's classification system; orb) Have one appointed position for the entire department.
Recommendation 3-8	We recommend the Department of Emergency Services formally review the scheduling of dispatchers at the Division of State Radio's communication center to determine whether the current number of dispatchers on duty is reasonable.
Recommendation 3-9	<p>We recommend the Department of Emergency Services develop a strategic plan to ensure:</p> <ul style="list-style-type: none">a) Significant input from its stakeholders is obtained;b) Short-term and long-term goals and objectives are established;c) The plan provides a means for measuring the productivity and operations of the department; andd) The plan is periodically reviewed and revised.
Recommendation 3-10	We recommend the Department of Emergency Services receive input from their Advisory Committee regarding the allocation and distribution of homeland security funds.

Appendix A

List of Recommendations

- Recommendation 3-11** We recommend the Department of Emergency Services comply with or take appropriate action to modify North Dakota Century Code Section 37-17.1-06, Subsections 3, 6(c), and 6(f). To comply, the Department should, at a minimum:
- a) Make regularly scheduled visits to local emergency organizations and implement a survey process to monitor satisfaction rates of Department assistance provided;
 - b) Periodically review local emergency operations plans; and
 - c) Conduct surveys of industries, resources, and facilities within the state.
- Recommendation 3-12** We recommend the Department of Emergency Services improve the processes used following the identification of potentially harmful situations. The Department should, at a minimum:
- a) Promptly notify the state's Risk Management Division of such areas and include the division in any studies or reviews to be performed; and
 - b) Promptly communicate to all employees the results of any reviews or other actions taken in relation to such areas.
- Recommendation 3-13** We recommend the Department of Emergency Services establish a formal process to ensure the Division of State Radio's Standard Operating Procedures manual is accurate and current. The Department should, at a minimum:
- a) Review and update the manual on a periodic basis;
 - b) Include in the review process two or more dispatchers from different teams;
 - c) Notify all employees of changes to the manual; and
 - d) Require employees to sign a form signifying they have read all changes to the manual.
- Recommendation 3-14** We recommend the Department of Emergency Service's former personnel policies be combined into the Adjutant General Employee Handbook.
- Recommendation 3-15** We recommend the Department of Emergency Services improve employee training. The Department should, at a minimum:
- a) Establish formal training policies and procedures which should include a process for identifying employee training needs;
 - b) Monitor training of all employees and ensure mandatory training requirements are met; and
 - c) Maintain documentation of training received by employees.
- Recommendation 3-16** We recommend the Department of Emergency Services improve the employee performance evaluation process including ensuring compliance with North Dakota Administrative Code requirements and internal policies. The Department should, at a minimum:
- a) Ensure each employee receives an annual performance evaluation based on individual job-related requirements;

Appendix A

List of Recommendations

- b) Ensure low ratings given in an evaluation include recommendations for improvement and a time frame for actions to be corrected;
- c) Have supervisors evaluated by those they supervise; and
- d) Provide training to employees who will be completing the performance evaluations.

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