



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Accountability Gaps Limit State Oversight of \$694 Million in Grants to Non-Profit Organizations

Summary

As directed by the North Carolina General Assembly's Joint Legislative Program Evaluation Oversight Committee, this policy review examines practices and policies regarding oversight of state grants to non-profit organizations. The specific focus of this investigation is whether current oversight provides assurance that public resources are spent in the way intended by the state.

Because statutes stipulate state funds include federal funds that flow through the State Treasury, the amount of money involved is considerable: \$694 million was distributed to non-profits in Fiscal Year 2007-08.

Although grants to non-profits are covered by administrative rules and statutes that were intended to assure accountability for non-profit grants, findings from this review indicate persistent gaps that stand in the way of this goal. Statewide reporting requirements do not require sufficient documentation, do not adequately address program performance outcomes, fail to produce timely reporting, and lack sufficient enforcement. Contracts can provide a framework for establishing and tracking performance benchmarks, but current contract requirements often fail to do so because administrative rules are not consistently implemented. At the agency level, despite strong practices in some grant programs and agencies, inconsistent grants monitoring results in a lack of accountability statewide.

Based on these findings, the Program Evaluation Division developed four recommendations for action by the General Assembly:

- modify statutes to improve oversight of grants to non-profits by requiring performance-based contracting, program monitoring plans, and more timely and accurate reporting;
- emphasize competitive grant award processes and limit awards to legislatively named grantees;
- increase enforcement of reporting requirements by directing the Office of the State Controller to electronically stop payments to grantees that are ineligible to receive state funds; and
- enact legislation to give agencies the authority to withhold up to 2% of grant awards to fund oversight activities statewide and at the agency level.