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Report of the State Auditor



COLORADO DEPARTMENT OF PERSONNEL
PERFORMANCE AUDIT
OCTOBER 1984



STATE OF COLORADO

OFFICE OF STATE AUDITOR
303-866-2051

ROBERT J. SCOTT, C.P.A.
State Auditor

1365 LOGAN STREET, SUITE 300
DENVER, COLORADO 80203

October 29, 1984

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the Department of Personnel conducted pursuant to Section 24-50-105.5, C.R.S., which requires a performance audit of the Department every four years. The report presents our findings, conclusions, and recommendations, and the responses of the Department of Personnel and Personnel Board.

The audit staff who worked on this report are Daniel K. Gould, Principal; Larry T. Gupton, Auditor-in-Charge; Janet Bieringer; Ginger K. Deisher; and Micaela Vining.

APPENDIX

FLOW CHART

SUMMARY OF

RECOMMENDATIONS

PERSONNEL

POSTAL SERVICE

INFLATION

INFLATION

INFLATION

COLORADO DEPARTMENT OF PERSONNEL
PERFORMANCE AUDIT
OCTOBER, 1984

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PERFORMANCE AUDIT
OCTOBER, 1984

REPORT SUMMARY

The Department of Personnel and the State Personnel Board are inadequately fulfilling some of their major responsibilities. This is the conclusion reached by the Performance Audit Staff after approximately five months of data collection and analysis. We found deficiencies in all major personnel functions, including classification, training, affirmative action, examination, performance appraisal, personnel information systems, and the appeals process.

The audit was conducted pursuant to C.R.S. 24-50-105.5 which requires the State Auditor to review the Department of Personnel every four years. Data for the audit were collected between April and August of 1984.

The following information is a summary of the audit's findings and recommendations. Pages 7, 8 and 9 are the Recommendation Locators which

briefly state each recommendation and indicate whether the Department and/or Personnel Board agree with the recommendation.

Oversight of State's Personnel System

Decentralizing personnel functions from the Personnel Department to the various state agencies started a decade ago. Today, most agencies operate under a decentralized personnel system.

Even though most personnel functions have been delegated to other state agencies, the State Personnel Director is still legally responsible for personnel management in the State. The authority delegated to decentralized agencies is exercised subject to directives promulgated by the State Personnel Director. Decentralized functions include selection and hiring, classification, training, staff development, performance appraisal, affirmative action and employee re-

lations. The Personnel Director is required by law to provide post audit reviews of personnel operation and management in decentralized agencies.

Our review indicated that the Personnel Department needs to strengthen its oversight of decentralized personnel activities. We found the following problems:

- managers in the State Personnel Department do not believe they have adequate authority to make improvements in the state personnel system; we believe the state constitution and state statute do give the State Personnel Director adequate authority; however, no administrative or budgetary method for revoking decentralization agreements currently exists
- the post audit function has not been adequately staffed, and post audits are not being done frequently enough
- the Department's post audit process does not utilize accurate standards by which to measure the performance of state agencies and the sample sizes used in the post audit process are not large enough
- decentralization agreements between the department and other state agencies do not cover all functions which have been decentralized
- the Department does not know if state affirmative action goals are being met or if any progress has been made
- the Department cannot ensure that all exams given to job appli-

cants are valid; valid tests measure an applicant's ability to do the work and do not discriminate due to an applicant's race, ethnic origin or sex

- the Department has not adequately monitored the frequency of performance appraisals given to state employees
- the sanctions imposed on managers and supervisors who do not give timely performance appraisals are inadequate; the current sanction to withhold merit pay increases would not affect 77% of the supervisors in the state

We are recommending that decentralization agreements be updated to clearly define the responsibilities of each party. We also recommend that the Department's monitoring process be improved through the development of better standards, the addition of a full time audit staff, automated data processing of affirmative action and performance appraisal data, reinstatement of exam reviews and improved post audit techniques. We believe the Department should work with decentralized agencies and the Joint Budget Committee to develop procedures for transferring resources when decentralization agreements are revoked.

State Classification System

Statutes require the Personnel Director to establish, maintain, and update a job classification system. The job

classification system is to ensure that employees receive compensation that is commensurate with their job duties, education, and experience. Colorado state government contains about 1,400 job classifications that include a total of about 27,000 jobs.

Our review of the state's classification system revealed the following problems:

- . there are many incorrectly classified positions in the state classification system
- . the Department's post audit process does not adequately monitor the accuracy of positions classified by decentralized agencies
- . because the Department does not conduct sufficient numbers of occupational studies, and because occupational studies are not funded and implemented, the classification system is not updated properly

We recommend that the Department improve its method for reviewing job classifications at decentralized agencies. We also recommend that the Department ensure that each job classification in the personnel system be reviewed at least every five years. In addition, the State Personnel Director should assign adequate resources to conduct occupational studies on a five-year cycle. We believe the Legislature should fund the salary increases that result from those studies. Finally, we rec-

ommend clarification of the "save pay" provision in state statutes, so that salary decreases can be implemented and Personnel Board rules will be consistent with state law.

Training for State Employees

Senate Bill 308 passed in 1981 gave the State Personnel Director the responsibility for:

1. establishing and maintaining training programs for employees in the state personnel system
2. identifying training needs for current and anticipated classes
3. identifying and recommending to the Governor and the General Assembly the most economical and effective means of meeting those needs
4. regularly assessing the effectiveness of such training as may be conducted
5. approving the expenditure of state funds for training prior to their expenditure

Our review indicates that the Department is not in full compliance with this law.

A survey of personnel administrators in fifty Colorado state agencies confirmed that needs assessments and evaluation of training effectiveness are not taking place in many agencies. A majority of the respondents to the survey

also stated that the State Personnel Director does not approve their expenditure of state dollars for training.

We identified the following causes for the Department's failure to comply with the law. Many state agencies have failed to comply with Personnel Department requirements to furnish training budgets and reports. We also found that the Personnel Director has little recourse when this happens. State appropriations for training are given directly to agencies, not the personnel director. Therefore, he/she does not have control over the expenditure of state dollars for training, as required in statute.

We are recommending that statute and/or Board rules be revised to divide the responsibility for training among the Personnel Department and other state agencies. The Department should be responsible for training that has a state-wide impact, (e.g., supervisory, management and personnel functions training) while other state agencies should be responsible for training that is specific to that agency.

Personnel Board and the Appeals Process

The Personnel Board's functions are to make rules and hear appeals on personnel issues. Its authority derives

from statutes and the Constitution. In the past decade, there have been more than a dozen studies of the personnel system conducted by legislative committees, public interest organizations, and the executive branch. Many of these reports addressed structural relationships between the Personnel Board and the Department and deficiencies to the appeals process. We evaluated these same issues and found the following weaknesses:

- the Board lacks autonomy from the Department in preparing its own budget and communicating to the Legislature the Board's budget requests and performance measures
- personnel rules and regulations still need revision to improve their clarity, consistency, and organization
- recent legislation about the appeals process needs clarification regarding questions of penalties and jurisdiction if the Board does not process appeals within the time limit
- the Board has some procedural weaknesses in its appeals process; most notable is the fact that the average time for processing an appeal is nine months; statutes enacted last year call for the processing to be completed in three months
- the Board does not collect and analyze data sufficient to monitor its performance in processing appeals

We recommend that the Board as-

sume control for preparing and justifying its budget and set forth the new arrangement in a written agreement to be signed by Board and Department staff. We also recommend that the Board obtain clarification on legislative intent. In addition, the Board should complete rules revisions by a certain date, collect additional data about its performance, and make changes to improve the time required to process appeals. Among the changes are possibly hiring a word processor operator, using recording equipment instead of a court reporter, and describing the appeals process in the employee's handbook.

Personnel Data System

The Personnel Data System (PDS) was developed in 1981 in response to state statutes which require the Personnel Department to maintain an employment record for each employee, personnel data inventory, proper certification of payroll and a standard format for personnel records and reports. Since 1980 the Legislature has appropriated about \$1.7 million to the Department of Personnel for developing and maintaining a personnel data system.

The State Auditor's survey of personnel administrators in fifty decentralized agencies revealed their opinion of the Personnel Data System.

- 61% said PDS was not providing the information it was designed to provide
- 73% need additional personnel information not provided by PDS
- 61% do not have confidence in the accuracy of information provided by PDS
- 78% maintain manual records that duplicate data in PDS
- 58% said they do get timely information from PDS

The staff for the Personnel Data System report that they receive between thirty and forty phone calls per day from PDS users asking for help with the system. In spite of persisting user problems, the Department of Personnel has not assessed user needs since 1981. We also found no evidence that the Department ever conducted a thorough user needs assessment prior to implementing the PDS.

A recent study of the PDS by a private consulting firm found that the PDS staff spend an unusually large amount of time on "ad hoc" reports (reports that are not currently programmed into the system). This points out that PDS does not provide users with information they regularly need.

We commend the Department for its recent efforts (hiring the consultants) to improve the PDS. We recommend the

Department of Personnel conduct a user needs assessment, schedule training for PDS users, and develop a system for keeping users up to date on changes to the Personnel Data System.

Personnel Department Responsive to Audit

We thank the Department of Personnel staff and the Personnel Board and their staff for their cooperation during the audit process. They eagerly assisted us in identifying problems and developing solutions.

RECOMMENDATION LOCATOR

RECOMMEN- DATION NUMBER	PAGE NUMBER	PARTY ADDRESSED	RECOMMENDATION SUMMARY	AGENCY RESPONSE
1	20	Department of Personnel	Determine under what conditions delegation agreements will be dissolved and determine how personnel resources can be transferred if delegation agreements are dissolved.	Agree
2	22	Department of Personnel	Ensure that post audit function is staffed adequately to review each decentralized agency every five years.	Agree
3	24	Department of Personnel	Develop and distribute system averages for use in monitoring decentralized agencies. Analyze these averages over time for changes and emerging trends.	Agree
4	24	Department of Personnel	Post audit process should include randomly selected, statistically valid samples so generalization to the whole population can be made.	Agree generally
5	25	Department of Personnel	Renegotiate delegation agreements with each decentralized agency to include all delegated personnel functions, monitoring done by the Department, responsibilities of each party and the method for addressing agency's failure to perform personnel functions.	Agree in concept
6	27	Department of Personnel	Identify the total number of agencies subject to post audit and ensure they are audited on a regular cycle.	Agree
7	30	Department of Personnel	Comply with statutes, Board rules, and executive order regarding affirmative action and equal employment opportunity.	Agree
8	33	Department of Personnel	Reinstitute the reviews of the selection process.	Implemented
9	36	Department of Personnel	Revise Personnel Data System, statutes, and Personnel Board rules to improve monitoring of and compliance with annual performance evaluation requirements.	Partially agree
10	39	Department of Personnel	Desk audit positions in decentralized agencies to assess the extent of incorrectly classified positions. Ensure all agencies attain acceptable classification error rate.	Agree
11	42	Department of Personnel	Ensure classification post audits include randomly selected, statistically valid samples and use desk audits to assess classification accuracy.	Agree generally
12	45	Department of Personnel	Review each class within the state system every five years or less.	Agree
13	49	Legislature	Ensure that state classification system is revised and maintained in accord with the State Constitution and statutes by providing necessary funding to implement changes recommended by occupational studies.	Dept: Agree

RECOMMEN- DATION NUMBER	PAGE NUMBER	PARTY ADDRESSED	RECOMMENDATION SUMMARY	AGENCY RESPONSE
14	51	Legislature	Consider revising CRS 24-50-107 to clarify under what conditions and for what period of time "save pay" should be awarded.	Dept: Agree Board: Partially agree
15	51	Personnel Board	Revise Personnel Board rule so that it is consistent with statute.	Agree
16	56	Department of Personnel	Director should develop administrative procedures to clarify what kind of training should be provided by the Personnel Department and what kind should be provided by decentralized agencies.	Agree
17	56	Department of Personnel	Formally delegate training functions to decentralized agencies through decentralization agreements.	Agree
18	57	Department of Personnel	Ensure training in needs assessment and evaluation techniques is available to decentralized agencies.	Agree
19	57	Department of Personnel	Conduct needs assessment, provide and evaluate training for state managers and supervisors and all employees who perform personnel functions in decentralized agencies.	Agree
20	62	Personnel Board	Assume full responsibility for preparing its own budget and seeing it through the appropriation process.	Dept: Disagree Board: Agree
21	62	Personnel Board	Enter into written agreement with Personnel Department describing Board's budgetary responsibilities.	Dept: Disagree Board: Agree
22	62	Personnel Board	If recommendation 20 and 21 don't solve the problem, propose legislation which states that the Personnel Board, not the Department, is responsible for developing the Board's budget.	Dept: Disagree Board: Agree
23	65	Personnel Board	Propose legislation to clarify what would happen if the Board failed to process an appeal within the prescribed time limit.	Dept: Agree Board: Agree
24	67	Department of Personnel Personnel Board	Communicate and document what they agree on regarding the purpose, methodology, time schedule, and product of the 1984 Task Force on Rules Revision.	Dept: Agree Board: Agree
25	67	Department of Personnel Personnel Board	Ensure that 1984 Task Force on Rules Revision integrates as much as possible the work done by the 1981 task force into the 1984 revisions.	Dept: Agree Board: Agree
26	69	Department of Personnel	Include a description of the appeals process and how to use it in the new edition of the Employee Handbook.	Agree
27	73	Personnel Board	Implement six recommendations to ensure appeal time limits are met and employees are notified on a timely basis of hearing request demands.	Agree

RECOMMEN- DATION NUMBER	PAGE NUMBER	PARTY ADDRESSED	RECOMMENDATION SUMMARY	AGENCY RESPONSE
28	78	Personnel Board	Begin collecting additional data listed in appendix, page C-1.	Agree
29	79	Personnel Board	Develop a list of documentation needed for each appeal case file.	Agree
30	79	Department of Personnel	Communicate with Personnel Board staff about appeals data needed to help identify training needs.	Dept: Agree Board: Agree
31	79	Department of Personnel	Plan future training programs as needed to correct weaknesses identified from appeals data.	Agree
32	82	Department of Personnel	Conduct PDS user needs assessment and develop implementation plan to satisfy user needs. Train PDS users and develop a method to regularly communicate changes in PDS to users.	Agree generally

PURPOSE AND SCOPE OF AUDIT

This performance audit on the Department of Personnel was conducted pursuant to Section 24-50-105.5, **Department of Personnel Review**. This law calls for a review of the Department every four years. The purpose of the audit was to determine how well the Personnel Department and the Personnel Board were carrying out the duties and functions set forth by statutes and the Constitution.

Our review focused on the following issues:

- the Department's monitoring of decentralized functions, including job classification, employee selection and training, and affirmative action program
- job classification
- the appeals process, particularly Personnel Board functions
- data systems operated by the Personnel Department
- training for state employees

The audit did not include:

- on site reviews of decentralized agencies
- productivity studies of the Personnel Department staff

- evaluation of the method or results of the Department's salary survey. (The State Auditor will begin reviewing salary survey methods in 1985.)

This audit was conducted according to generally accepted auditing standards for economy, efficiency, and program results audits. The information on this report was collected through:

- conducting interviews with staff at the Department of Personnel as well as a half dozen other state agencies
- reviewing documents such as budget requests, computer reports, and appropriation documents
- administering questionnaires to personnel administrators in decentralized and centralized agencies
- collecting data from appeals cases and complaint letters
- conducting desk audits of position classification at decentralized agencies
- studying statute and constitutional provisions related to the Personnel Department and the Personnel Board
- reviewing previous studies about Colorado's personnel system conducted by various legislative committees, public interest groups, and the executive branch

- conducting interviews with Personnel staff in other states and reviewing studies of practices and policies in other states

The data for this report were collected between April and August of 1984.

DESCRIPTION OF DEPARTMENT OF PERSONNEL

MISSION AND HISTORY

The Department of Personnel has 79 employees charged with the responsibility of providing a well-qualified work force for Colorado state government. The Department had a 1983-84 budget of \$2,752,551 to carry out the duties and responsibilities assigned by the Constitution and state statutes. Some 27,000 state employees depend on the Department of Personnel to provide a comprehensive and uniform system of personnel management and administration.

Legislation in 1907 established a personnel system for Colorado government. In 1918, a constitutional amendment created a three-member, full-time Civil Service Commission and set forth a merit system for state employment. The Commission established management policy, administered the system, performed judicial review, and conducted compliance monitoring. The office of State Personnel Director was also formed in 1918 to administer the personnel system under the direction of the Commission.

The Commission was transferred to, but functionally and operationally

independent of, the Department of Administration by the "Administrative Organization Act of 1968". Voters adopted constitutional amendments in 1970 that revised this structure. The amendments replaced the Commission with a part-time, five-member State Personnel Board and a separate Department of Personnel under a State Personnel Director.

DUTIES AND STRUCTURE OF PERSONNEL DEPARTMENT AND THE BOARD

As a result of the 1970 amendments, the Personnel Department assumed responsibility for administering the personnel system. The Board has the authority to make rules and hear appeals.

The Department of Personnel:

- develops the wage and classification plan for state employees
- provides competitive examinations to fill vacancies
- provides training programs
- monitors the personnel activities of decentralized agencies
- carries out personnel functions for centralized agencies

- processes personnel actions (promotions, transfers, hirings, firings, etc.) for all state agencies

The Department provides these services through the following units:

Computer Systems - records and processes all personnel transactions entered into a central computer system

Selection Center - recruitment, test research, exam development and administration, referrals and layoff placement for non-decentralized agencies

Technical and Consulting Services - training, performance appraisal, post audit, etc.

Classification and Compensation - maintain state classification plan, conduct salary and fringe benefits surveys

The State Personnel Board has five members each serving five-year terms. Three members are appointed by the governor with Senate consent. State employees elect the other two members. Board members cannot be officers or employees of the state or of any state employee organization. Board members are paid \$75 a day, plus expenses, for attending Personnel Board meetings. The Board met 21 times in 1983-84.

The State Personnel Board:

- adopts, amends, or repeals rules necessary to administer the state personnel system
- considers requests for out-of-state residency waivers
- hears appeals from classified employees directly or through hearing officers.

DEPARTMENT OF PERSONNEL
BUDGET

	<u>Actual</u> 1982-83	<u>Estimate</u> 1983-84	<u>Appropriation</u> 1984-85
General Funds	\$2,289,442	\$2,330,613	\$2,567,372
Cash Funds	264,399	272,176	239,831
Federal Funds	-0-	-0-	-0-
TOTAL	\$2,553,841	\$2,602,789	\$2,807,203

	<u>Actual</u> FTE 1982-83	<u>Estimate</u> FTE 1983-84	<u>Appropriation</u> FTE 1984-85
General	62.8	69.4	67.9
Cash	8.5	6.6	6.6
TOTAL	71.3	76.0	74.5

DEPARTMENT OF PERSONNEL
FTE OVERVIEW

	<u>1982-83</u>	<u>1983-84</u>	<u>1984-85</u>
Executive Director's Office	13.5	14.0	14.0
Classification and Compensation	18.0	20.0	19.0
Selection Center	15.9	19.0	20.0
Information Systems	7.5	10.0	11.0
Technical & Consulting Services	13.3	11.5	12.5
Special Purpose	3.1 ¹⁾	1.5 ²⁾	

STATE PERSONNEL BOARD BUDGET

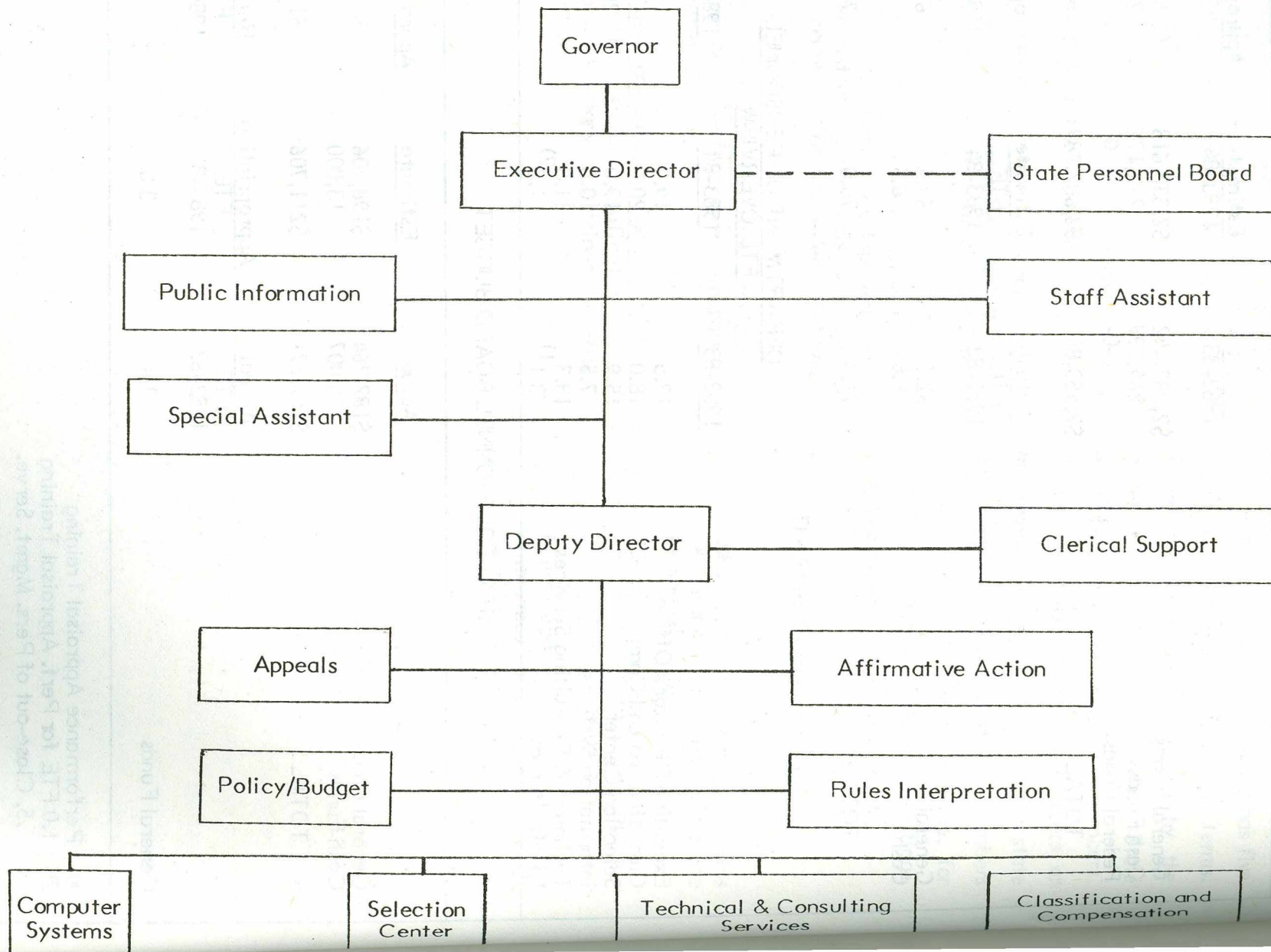
	<u>Actual</u>	<u>Estimate</u>	<u>Appropriation</u>
General Funds	\$182,264	\$198,706	\$170,002
Cash Funds	5,007	13,000	15,676
TOTAL	\$187,271	\$211,706	\$185,678

	<u>Actual</u> FTE 1982-83	<u>Appropriation</u> FTE 1983-84	<u>Request</u> FTE 1984-85
General Funds	3.4	3.0	3.0

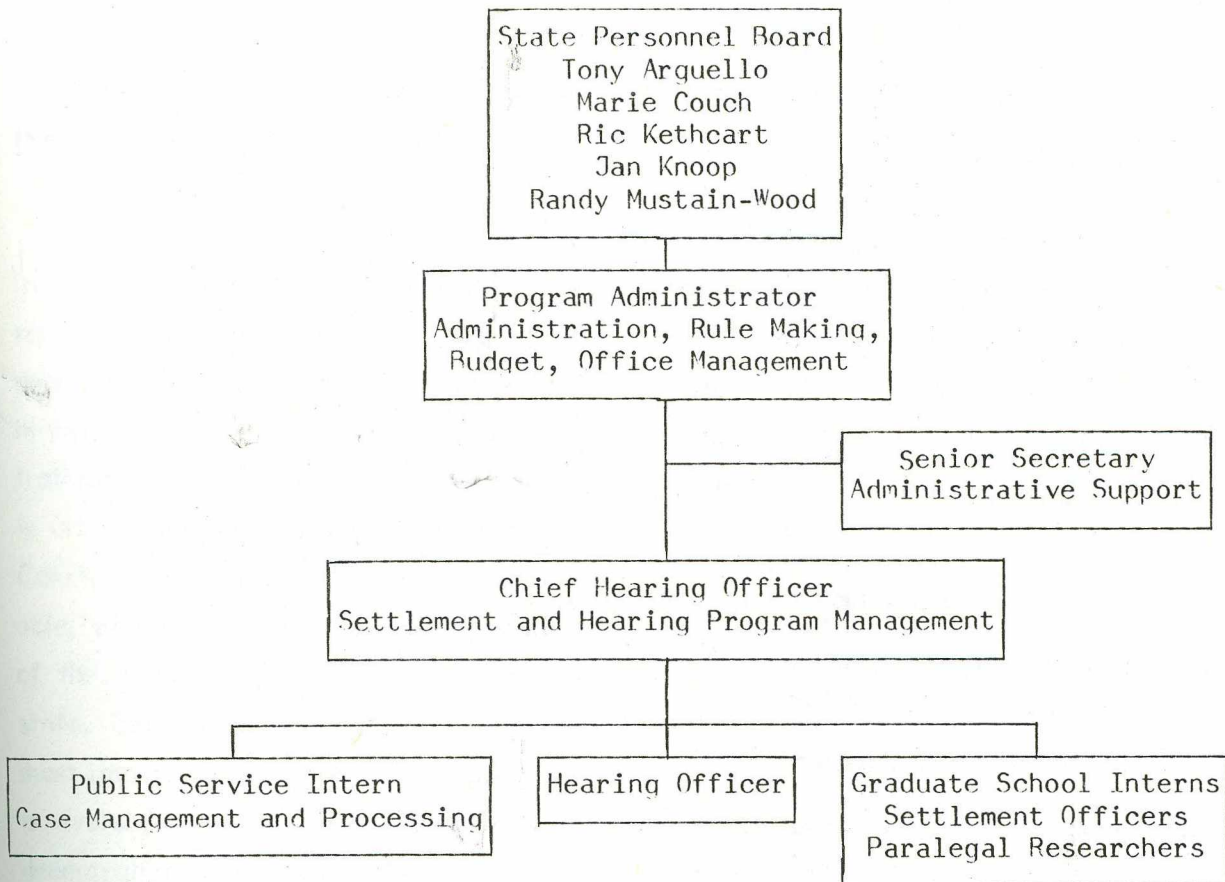
- 1) Performance Appraisal Training
- 2) 1.0 FTE for Perf. Appraisal Training
.5, Close-out of Pers. Mgmt. Serve.

Source: Budget Request Documents and JBC Appropriations Reports.
Source: 1984-85 Personnel Board.

COLORADO STATE DEPARTMENT OF PERSONNEL
ORGANIZATION CHART
FY 1984-85



COLORADO STATE PERSONNEL BOARD
ORGANIZATION CHART
FY 1984-85



OVERSIGHT OF THE STATE'S DECENTRALIZED PERSONNEL SYSTEM

OVERSIGHT IS DEPARTMENT'S MOST IMPORTANT RESPONSIBILITY

Most personnel activity occurs not in the Department of Personnel but rather in the nineteen other principal departments and in the institutions of higher education. In spite of this decentralization, the Department of Personnel is ultimately responsible under both the Constitution and statutes for the equitable, efficient, and effective operation of the personnel system throughout the state. Because of this responsibility, the most important duty the Department has is oversight of personnel operations in decentralized agencies. We reviewed this oversight function and found it weak in several respects.

HISTORY AND STRUCTURE OF DECENTRALIZATION

Decentralizing the authority to perform personnel functions from the central department to state agencies was begun in the 1970's. Now nearly all state agencies operate under a decentralized personnel system. The exceptions are the smaller state administrative agencies primarily located in the capitol complex

and many of the smaller institutions of higher education.

Agreements between the Department of Personnel and each decentralized agency spell out which functions are decentralized and which the central Department of Personnel retains. Functions retained by the central department include:

- . salary survey
- . maintenance of the classification system
- . the compensation plan
- . post auditing of decentralized agencies
- . approval of personal services contracts
- . development of written exams
- . test validation

WEAKNESSES FOUND IN DEPARTMENT'S OVERSIGHT OF DECENTRALIZED AGENCIES

In 1982, the Department implemented their current post audit process. Post audits, known also as Personnel Management Reviews, were designed to review all decentralized agencies on a

five-year cycle. Each post audit is intended to evaluate these six basic personnel functions:

- . selection/hiring
- . classification
- . training and staff development
- . performance appraisal
- . affirmative action
- . employee relations

Each audit results in a formal report to the agency director.

We believe that the Department's overall monitoring of decentralized activities can be strengthened if:

1. the State Personnel Director exercises his/her full authority
2. procedures for the post audit process are improved
3. routine monitoring of decentralized functions is increased

PROBLEM 1: THE DEPARTMENT OF PERSONNEL HAS NOT EXERCISED ITS AUTHORITY OVER THE STATE PERSONNEL SYSTEM

Many key Department of Personnel managers believe they do not have sufficient authority over the personnel system to apply sanctions when they find problems in decentralized agencies. We believe, however, that the Department of Personnel does have sufficient authority, but has not taken appropriate steps to exercise it.

The authority the Personnel Director has is explained in several statutes, rules, and agreements. State law reads that the State Personnel Director "...shall provide necessary directives and oversight for the management of the state personnel system" (C.R.S. 24-50-101(3)(c)). Appointing authorities, according to statute, are responsible and accountable for the operation and management of the state personnel system; but this must be done "in accordance with directives promulgated by the state personnel director" (C.R.S. 24-50-101(3)(d)). For example, Personnel Board rules, while allowing the Director to delegate authority to allocate and reallocate positions to classes, also provide that:

- . the Director shall approve or disapprove the action taken by appointing authorities in allocating new positions to a class (rule 2-1-5(D))
- . the Director may, at any time, request a job description of any position to ensure that it has been properly classified (rule 2-1-6(A))
- . at any time a position is determined on the basis of review and analysis to be improperly classified, the Director shall reallocate it to the appropriate class (rule 2-1-5(E))

Statute 24-50-122 gives the State Personnel Director the responsibility for establishment and maintenance of training programs for state employees.

Board rule 4-1-3, while allowing the Director to delegate authority to perform selection functions, also states that the exercise of this authority shall be subject to review by the Director.

Numerous other laws and rules give the Director responsibility for classification, training, affirmative action, selection, etc.

In addition, delegation agreements stipulate that either party can dissolve the agreement with at least 60 days notice.

In spite of significant problems in decentralized agencies (as explained in the following chapters), the Department has not exercised sanctions against decentralized agencies. It has not revoked or limited an agency's personnel autonomy in response to proven deficiencies.

Cause for Inaction

Since the Department has sufficient authority to exercise sanctions against a decentralized agency, why has it chosen not to do so? We believe it has not because there are no administrative and budgetary methods by which decentralized personnel authority can be pulled back into the Department. The following example can best illustrate the complexity of this problem.

Suppose the Personnel Department finds out through its oversight function that agency X is doing an unsatisfactory job of selecting (testing and hiring) and classifying its employees. The Department could then revoke the authority delegated to that agency to carry out those personnel functions. If it did however, the Personnel Department would have to begin performing those functions. What then happens to the personnel staff at the decentralized agency who no longer have any work to do? How does the Department take on additional responsibilities without additional resources? Should these decentralized agency staff be physically transferred to the Personnel Department or should they remain at the decentralized agency and begin reporting to the State Personnel Director instead of their department director? It is also quite possible that these employees would need additional training. How and when should it be provided?

There are many more questions and many possible solutions.

We believe the Department must resolve the question of how to enforce, limit, or revoke decentralization agreements before it can effectively oversee personnel operations in the state. We are recommending that the Department and decentralized agencies, in conjunction with the Legislature, develop a system for administratively and budgetarily revoking all or portions of a delegation agreement.

RECOMMENDATION NO. 1

The Department of Personnel should:

1. work with agencies to determine under what conditions all or part of delegation agreements will be dissolved and include this in the agreement
2. work with the Legislature to determine a method by which resources can be transferred from decentralized agencies to the Department of Personnel if an agreement is dissolved; this method should be included in the delegation agreement

DEPARTMENT'S RESPONSE:

As requested by the Department, the auditors scrutinized the decentralized personnel system very thoroughly and capably. The Department would like to point out that it performs numerous other important functions besides overseeing the decentralized agencies' personnel operations. These include maintaining the classification system, conducting the salary survey, offering supervisory and management training, developing valid exams, and providing technical assistance to all agencies.

1. The Department will develop performance standards for personnel functions, as well as a list of potential sanctions, and refer to these in the decentralization agreements.
 2. The Department will work with the Joint Budget Committee and Legislature to determine how resources and/or responsibilities could be transferred or adjusted if sanctions are implemented.
-
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**PROBLEM 2: IMPROVEMENTS NEEDED
IN THE DEPARTMENT'S POST AUDIT
OF DECENTRALIZED PERSONNEL
FUNCTIONS**

The authority to conduct certain personnel functions has been delegated by the central Department of Personnel to many state agencies. The post audit is the primary method used by the Department to ensure that state agencies are effectively performing these delegated personnel functions.

We found a number of problems with the Department of Personnel's current post audit process. Correcting these problems would strengthen the audit process and enhance the Department's ability to evaluate individual agencies and the overall state personnel system.

The following five findings and recommendations address these problems.

Post Audit Function Not Properly Staffed

The Department of Personnel's post audit function is currently the only method the State Personnel Director is using to ensure that decentralized agencies are complying with applicable laws, rules, and procedures. As of July 1984, the post audit function was moved from the Division of Technical and Consulting

Services to the Executive Director's office. We believe this will give the function increased attention. However, additional changes are needed to improve the emphasis on and usefulness of the Post Audit process.

The post audit function is assigned only one full time staff member. Audit teams are assembled on a temporary basis with staff specialists from other areas in the Department (e.g., selection, classification, etc.). As a result, staff involved in post audit work report that they often viewed it as a second priority and they felt they did not have sufficient time to complete the necessary reviews. We believe these problems would be resolved by assigning additional full-time staff to the post audit function.

The current post audit process has produced only five audits per year. Based on the Department's estimates, the time spent on post audits the past two years averaged approximately 1,300 hours per year which is equivalent to less than one FTE. Objectives in the Department's budget requests called for completing eight audits per year. The Department has not, however, met those objectives.

We believe that two or three full-time FTE should be able to conduct a minimum of ten audits per year. This would allow the Department to meet its

annual objectives as well as the objective to audit each decentralized agency at least every five years. Some agencies may need to be audited more frequently than five-year intervals. The frequency should be contingent upon how well the agency fared in previous audits.

We did not do employee workload analysis in the Department so we cannot conclusively say that positions could be transferred from other areas to the post

audit function. We recommend the Department do such an analysis.

With full-time audit staff assigned to the Director's office, we believe the post audit process would be improved in the following ways:

- the number of audits completed each year would increase
- auditing would not be a second priority for audit staff

RECOMMENDATION NO. 2

The Department of Personnel should ensure that the post audit function is adequately staffed to review each decentralized agency every five years, or sooner if necessary.

DEPARTMENT'S RESPONSE:

Agree. Additional positions have been requested in the past two years. Staff will be hired and frequency of audits established once appropriation is made.

Standards And Sample Sizes Used in Post Audits Are Inadequate

The Department has attempted to develop system averages based on a variety of sources and to use them as benchmarks when conducting audits. We have identified a number of problems with these standards. For example:

- the "system averages" developed each year by which audited agencies are measured are not always representative of the system as a whole
- the Department's computer systems do not routinely produce information that can be used to monitor agency activity. In fact, when we requested data used in the post audit process from these systems, special programs had to be written to provide the data
- we identified two instances in which the Department had set standards by which agency personnel activity was measured but had not informed agencies of those standards

As a result of the above problems, the Department is unable to:

- analyze system averages over time to determine if they are changing or if trends are emerging
- hold agencies accountable for not meeting standards

We also found that the post audit process does not use valid statistical samples. As a result, the Department cannot generalize about an agency's personnel operation or about the state personnel system as a whole. Samples are drawn during post audits for the classification, selection, and performance appraisal portions of the review. Using performance appraisal as an example, the following exhibit illustrates the difference between the sample size that was selected and what should have been selected to obtain a statistically valid sample with a 90% confidence level.

Comparison of Sample Size Used in Post Audits With Valid Sample Size			
<u>Agency</u>	<u>Total # FTE 82-83</u>	<u>Sample Pulled</u>	<u>Valid Sample¹</u>
Highways	4,140	20	79
Administration	637	20	72
Regulatory Agencies	420	25	69
Health	693	25	73
Corrections	1,200	20	76
Natural Resources	1,196	19	76
¹ Valid at 90% \pm 4% confidence level			
Source: Department of Personnel, Personnel Management Review Reports.			

We recognize that the increase in sample size will involve an increase in workload. We have not quantified the

cost of the increase as it will vary depending on the function being reviewed.

RECOMMENDATION NO. 3

The Department of Personnel should identify what information is needed to develop system averages for personnel activities. This data should then be:

1. routinely produced by the Department's information systems
2. used to develop standards by which agency activity can be measured and for which they can be held accountable
3. made available to all agencies that will be judged by these standards
4. analyzed over time to determine if the averages are changing and if trends are emerging

DEPARTMENT'S RESPONSE:

Agree. Computer applications to accomplish these objectives will be given a higher priority than in the past. Having CU and CSU's classified employee information on line with PDS should improve our data base significantly.

RECOMMENDATION NO. 4

The Department of Personnel should ensure that the post audit process uses randomly selected, statistically valid samples so that inferences can be made to whole agency personnel operations and the personnel system as a whole.

DEPARTMENT'S RESPONSE:

Agree generally. The Department will use a randomly selected, statistically valid sample of the areas it audits. We may look more intensely at known problem areas, but will only generalize about those areas that have been audited with a randomly selected, statistically valid process. In some small departments, we may audit all the positions.

Delegation Agreement Outdated And Incomplete

A delegation agreement is, in a sense, a performance contract between the Department of Personnel and a decentralized agency. We have already discussed the need to develop a viable method for instituting sanctions if the agency does not perform satisfactorily. In addition to that need, the agreements themselves must be written to be more complete and more enforceable. At present the agreements:

- only clearly delegate two activities (selection and classification); missing are affirmative action, performance evaluation, and training/staff development; these activities are actually delegated but are not covered in agreements

- do not specify performance standards by which the agency will be evaluated
- do not specify the type and frequency of evaluations
- do not specify the action to be taken for unsatisfactory performance
- are not updated on a periodic or as-needed basis

Without their inclusion, it would be difficult for the Department to hold a decentralized agency accountable for its actions.

We are recommending that the Department renegotiate delegation agreements to clarify responsibilities and expectations.

RECOMMENDATION NO. 5

The Department of Personnel should renegotiate delegation agreements with each agency. The new agreements should specify:

1. all personnel functions which are decentralized
2. monitoring and post auditing that will be conducted by the Department of Personnel
3. the responsibilities of each party
4. what will happen if agencies fail to adequately perform personnel functions

DEPARTMENT'S RESPONSE:

Agree in concept. We don't believe all functions must be spelled out in the decentralization agreements because of the length that would require. We will refer to procedures and standards bulletins in the agreements. The success of the post audit function depends on the ability to implement sanctions if necessary - which necessitates transferring resources to the Department of Personnel if sanctions are used.

**Department Does Not Consistently
Report Total Number Of Agencies
Subject To Review**

We also found that the Department of Personnel has not identified the total number of agencies subject to post audit. The current post audit process was designed to review all decentralized agencies in a five-year period. Within the Department, however, there is no agreement on the total number of decentralized agencies. For example, the Selection Center provided a list which showed 22 agencies with decentralized authority for exams yet the list from the Technical and Consulting Services Division

showed 24 agencies with exam authority. Two lists of decentralization agreements prepared in February 1984 - one by the Selection Center and one by the Division of Accounts and Control - listed 39 separate agreements. They did not list the same 39 agreements, however. In addition, the Department has not made a decision on whether to include the 24 agencies in their post audit process that are only partially decentralized. These partially decentralized agencies perform some personnel functions but do not have their own personnel office. Department of Personnel staff serve as the personnel officer for these agencies.

RECOMMENDATION NO. 6

The Department of Personnel should identify the total number of agencies subject to post audit review and ensure they are audited on a regular cycle.

DEPARTMENT'S RESPONSE:

Agree. Different agencies have different functions decentralized. The Department will draw up a master list of decentralized agencies and a schedule to ensure that all are audited regularly.

PROBLEM 3: ROUTINE MONITORING OF DECENTRALIZED PERSONNEL FUNCTIONS IS INADEQUATE

In addition to post audits, we believe the Department should improve its routine monitoring of personnel functions. State statutes, Personnel Board rules, and the Department's procedures bulletins require the Department to monitor classification, affirmative action, selection, and performance appraisal in decentralized agencies. We found the Department of Personnel to be deficient in monitoring each of these functions.

Inadequate Monitoring Of Classification

Personnel Board rules, while allowing the Director to delegate authority to allocate (assign) and reallocate (reassign) positions to classes, also provide that:

- the Director shall approve or disapprove the action taken by appointing authorities in allocating new positions to a class (Rule 2-1-5(D))
- the Director may, at any time, request a job description of any position to ensure that it has been properly classified, i.e., allocated to the appropriate class (Rule 2-1-6(A))
- at any time a position is determined on the basis of review and analysis to be improperly classified, it shall be reallocated to the appropriate class (Rule 2-1-5(E))

In interviews with key staff of the Department of Personnel's Classification and Compensation Division, we learned that the Department of Personnel does no on-going monitoring of the classification function. The only central review of agency classification actions occurs during the post audit cycle, and these and other reviews have found serious problems. Refer to page 37 for further discussion and recommendations on the state classification system.

Inadequate Monitoring Of Affirmative Action

The Department of Personnel is not in compliance with applicable statutes, Board rules, and an Executive Order regarding its role in equal employment opportunity and affirmative action. The Department is required to take "an active leadership role" in affirmative action and is to report regularly to both the General Assembly and the Personnel Board regarding progress in meeting affirmative action goals. In addition, the Department's own affirmative action plan for the state personnel system, issued in 1978, refers to the Director's "...overall responsibility for ensuring that the statewide affirmative action program is implemented at all levels within the system."

We found the following problems in the State's affirmative action program:

- the Department of Personnel does not know if, on a agency-by-agency or statewide basis, affirmative action goals are being met or progress is being made; in fact, the goals themselves are often based on out-of-date information
- the Department of Personnel has not complied with requirements to report regularly to the Personnel Board and the General Assembly
- the Department of Personnel can offer no assurance that all tests given to job applicants are valid, as required by federal regulation; valid tests measure an applicant's ability to do the work and do not discriminate because of an applicant's sex, race, or ethnic background; according to "Federal Uniform Guidelines on Employee Selection Procedures (1978)", users of exams have the choice of providing evidence of validity or eliminating the adverse impact (discrimination); the State of Colorado is doing neither
- the Department of Personnel does not know how many "3+3" referrals have resulted in placements or if agencies are using "3+3" referrals appropriately; (appointing authorities are allowed, by Board rule, to request up to three additional eligible minority, ethnic group, or female applicants for a job opening if they have evidence that

those groups are underutilized in the job class for which the opening exists)

The primary reason for these problems is that the Department of Personnel's data systems have not supported affirmative action with necessary data and analyses. For example, the Department's Management Information System in the Selection Center had discontinued producing reports which tabulate the number of applicants according to ethnicity and sex (called recruitment representativeness) and the adverse impact of exams (if any) on ethnic and racial minorities and women. The Department's Personnel Data System has not provided analysis of utilization* of state employees by sex and ethnicity, based on 1980 census data. The necessary computer program has never been written by PDS staff. In fact, 75% of personnel administrators who responded to a State Auditor's Office survey in June 1984 reported that they did not get adequate information from the Department of Personnel to monitor the effectiveness of their affirmative action programs.

* Utilization is defined as a statistical comparison of the ethnic and gender composition at various levels of employment in an agency in relationship to the ethnic/gender composition in the relevant labor force.

RECOMMENDATION NO. 7

The Department of Personnel should comply with statutes, board rules and an executive order regarding affirmative action and equal employment opportunity by:

1. regularly providing information needed to analyze the state work force by race, ethnicity and gender
2. requiring agencies to justify the use of "3+3" referrals based on current utilization data and to report the results of those referrals
3. submitting reports required by statute and board rule on progress made toward meeting affirmative action goals
4. reinstituting analysis of applicants for state jobs in order to target recruitment efforts
5. reinstituting analysis of tests to determine if they are discriminating against racial and ethnic minorities and women

DEPARTMENT'S RESPONSE:

Agree. The Department's new computerized Applicant Data System is operating now and will provide data on applicants and new employees. To be really useful, however, all agencies must use the system. In addition, Personnel Data System programs for conducting utilization analysis and for monitoring affirmative action progress will be in place by June 30, 1985.

Inadequate Monitoring Of The Selection Function

The Department of Personnel issued a procedures bulletin, effective February 1982, which outlined procedures for ongoing review of the selection process.* These reviews covered four areas:

- review of exam materials submitted by agencies for content validity assurance and announcement procedures
- turnaround time (closing date of job announcement to establishment of eligible list) and workload analysis
- summary of recruitment representativeness (sex and ethnicity of the applicant pool)
- adverse impact analysis (to determine if the selection process is discriminatory)

The Department of Personnel discontinued these regular reviews of the selection process after December 1982. This happened, according to Selection Center staff, because of turnover of key employees and because a new computer system was being developed. The system was supposed to collect the same information developed through the reviews. This computer system was scheduled to be operational on October 15, 1984. The

Personnel Department continues to collect the data, but it is not used for regular evaluation of the State's selection process. The reasons given by the Selection Center staff, which may have had some merit, do not outweigh the negative effect of not doing the review.

As a result of discontinuing the reviews, however:

- agencies have received no feedback on the quality of the exams they developed
- the Department can offer no assurance that tests are valid (i.e., test only job related attributes and do not discriminate against any group of job applicants)
- exams submitted by agencies the past year, since the Department did not review them, have not been included in the exam bank; the exam bank is a resource available to all agencies to assist them in developing a similar exam or to use in lieu of developing their own exam; as a result, agencies may be duplicating efforts in developing similar exams
- the composition of the applicant pool is not being analyzed; this information is needed by the Department and other agencies to determine if recruitment efforts have been successful and if future efforts should be targeted to a particular group

* Selection is the term used to describe the process of screening, testing and hiring state employees.

Exam Turnaround Times Vary Significantly

The turnaround time for some exams appears to be excessive. Turnaround time is the time from the closing

The following exhibit shows that the Department of Personnel has shorter turnaround time for most exam types than do other decentralized agencies. The exhibit also provokes the following questions:

TURNAROUND TIME BY SELECTION METHOD		
July 1, 1983 through February 1984		
	Department of Personnel Mean Number of Days ¹	All Other Agencies Mean Number of Days ¹
Written Exam	19.8	30.4
Oral Exam	24.6	31.2
Performance Exam	8.2	19.2
Training and Experience	22.5	14.5
Qualifying List	3.0	36.2
Written and Oral Exam	36.6	63.1
Oral and Training and Experience	30.0	53.4
Performance, Training and Experience	9.0	6.4
Unclassified	4.7	8.4
Source: Department of Personnel, Selection Center Management Information System, through special computer program requested by auditors.		
¹ Calendar days, excluding any time delays due to appeals.		

date on a job announcement to the establishment of a list of eligible candidates. The following exhibit shows the turnaround time for various types of exams.

- why the great disparity between the Department and other decentralized agencies for some types of exams? For example:

Qualifying List Exams

Dept. of Personnel - 3 days
Decentralized agencies - 36 days

- why does it take the Department and decentralized agencies as long as it does to process some types of examinations? For example:

- Oral exams
- Written and oral exams
- Oral, training and experience exams

We encourage the Department to more closely monitor all phases of the examination process so it can provide answers to these questions.

We reviewed state statutes and Personnel Board rules to determine if they have any affect on exam turnaround time. We found nothing in law or Board

rules which would explain excessive turnaround time.

The timely filling of vacant positions is a concern expressed by managers and senior level professionals in a 1983 Personnel Department survey. Out of the 336 survey respondents, 164 (49%) said vacant positions are not filled as quickly as possible. Thirty-five percent said positions are filled as quickly as possible and 16 percent were undecided.

We believe the Department should reinstate reviews of the selection process in decentralized agencies.

RECOMMENDATION NO. 8

The Department of Personnel should reinstitute the reviews required by their procedures bulletin SC-2 ("Procedures for Off-Site Audit of Selection Process"). These are:

1. review of exam materials for content validity assurance and announcement procedures
2. turnaround time and workload analysis
3. summary of recruitment representativeness
4. adverse impact analysis

DEPARTMENT'S RESPONSE:

1. On July 1, 1984 this off-site review process was reinstituted. 28 agencies are scheduled for review during the 84-85 fiscal year. Each decentralized agency will receive a report annually on all its examinations submitted to the Selection Center in the previous year.

- 2.-4. Information on the above items is currently collected. Reports are generated from this data on an ad hoc basis upon request of the agencies. Because agencies reported that they did not use these reports for any routine analysis or corrective actions, the department discontinued regular reporting and, instead, produced ad hoc reports upon request.

The new Automated Applicant Data System will automatically generate all of the information required per SC-2 for those agencies on the system. Additionally, the system will provide a summary report by sex/ethnic category of the number of applicants who failed each hurdle in the exam plan and the number who reached eligible status. Numerous other reports can be generated from information in the Applicant Data System on an ad hoc basis. Agencies not participating in ADS will still be responsible for providing information per Procedures Bulletin SC-2.

Inadequate Monitoring Of Performance

Appraisal

State statutes and Personnel Board rules require annual evaluation of each employee's performance and withholding of merit pay increases for supervisors who fail to complete evaluations of their employees. The State Personnel Director is to establish a system to implement these requirements.

The Department of Personnel did develop a statewide performance appraisal system but the mechanism for ensuring compliance with the annual evaluations is inadequate.

No system exists to annually provide the Personnel Director information regarding the actual implementation of performance evaluations.

The post audit process does include review for compliance with annual performance evaluations, but those reviews are conducted only on a five-year cycle. The amount of noncompliance found through these post audits appears to be significant and justifies the development of an adequate monitoring system. For example, the post audits conducted by the Department the past two years found that most agencies did not fully comply with requirements for annual evaluations of all employees. The

average rate of noncompliance was 16 percent; the highest rate being 48 percent.

In addition, the existing system for applying sanctions to supervisors who do not evaluate their employees is inadequate. Statutes and Board rules call for withholding merit pay increases, yet most supervisors in the state system are at step 6 or step 7 of the compensation plan and would be unaffected by such action. Based on an estimate by the Department of Personnel, from a sample of 250 state supervisors, 77% of the State's supervisors would not be affected by withholding merit pay increases.

We believe a requirement that appointing authorities administer disciplinary action against supervisors who fail to annually evaluate their employees would be a more workable sanction. According to Personnel Board rules, disciplinary actions may be administered against an employee for:

- failure to comply with standards of efficient service or competence
- willful misconduct which includes willful violation of these rules
- willful failure to perform duties assigned

Penalties associated with disciplinary actions include adversely affecting the

current pay, current status, or tenure of the employee. For example, penalties include suspension, demotion, dismissal, adjustment of pay to a lower step in the assigned pay grade for a specified period, or a fine equal to the pay of the employee for up to 5 working days.

We believe the Department of Personnel can improve its monitoring of compliance with performance appraisal requirements if the Personnel Data System were revised to supply the necessary data and if more effective sanctions were developed.

RECOMMENDATION NO. 9

The Department of Personnel should:

1. make provisions for the Personnel Data System to gather and report information on agency implementation of performance evaluations
2. use the above information to monitor compliance with requirements for annual performance evaluations
3. make recommendations to the Legislature and the Personnel Board to revise the current statute (C.R.S. 24-50-118(3)) and Board rule 10-1-3(E) to require appointing authorities to administer disciplinary action against supervisors who fail to annually evaluate their employees

DEPARTMENT'S RESPONSE:

- 1.-2. Agree. Other priorities have come before these recommendations. Personnel Data System will provide performance evaluation reports by July 1, 1985.
 3. The Department at one time suggested to the Personnel Board that it pass a rule fining supervisors who don't complete performance evaluations. The Board rejected this. One option used by the City and County of Denver is to hold checks of supervisors who haven't completed performance evaluations. In order to apply to all supervisors, including exempt supervisors, such sanctions would require legislative action. We do not agree that disciplinary action should be required since such actions have due process considerations. Instead, disciplinary actions in these cases should be permitted and encouraged.
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STATE CLASSIFICATION SYSTEM

INTRODUCTION

The State Personnel Director has the responsibility to establish and maintain a classification system " in order to preserve the integrity of the merit system of employment and to ensure that employees in the state personnel system are graded and compensated according to standards of efficient service...", (C.R.S. 24-50-104(2)(a)).

The state classification system requires that the pay grade and salary rate for each class accurately and clearly reflect the relative level of difficulties and differences in duties and responsibilities of each job class.

The state's classification system includes approximately 1,400 job classes. Each classified state job is allocated (assigned) to the class that best describes the duties and responsibilities of that job and the pay rate.

In order to maintain the classification system, the Department of Personnel must perform two basic functions. They must:

- periodically review each job class to make sure the class description is accurate and that it reflects any changes in the nature of the work that have occurred over time
- ensure that each position in the state classified system is assigned to the correct job class

Four Problems With State Classification System

Our review of the State's classification system revealed four significant problems. They are:

- studies done by the Department of Personnel and the State Auditor's Office indicate there may be many misclassified positions in the state system
- the Department's post audit process is not adequately monitoring the correctness of positions classified by decentralized agencies
- the Department is not adequately maintaining the classification system through occupational studies
- the "save pay" provisions in Personnel Board Rules may adversely affect the implementation of occupational studies

These problems are discussed in more detail in the following pages.

Misclassification May Be Widespread

It appears that a significant number of positions in the state personnel system may be incorrectly classified.

Several studies done by the Department of Personnel and a study done by the State Auditor's Office show that:

- in 174 positions selected from seven state agencies 18 percent were incorrectly classified; this study* included actual desk audits of 55 positions that were previously reviewed by the Department's post audit process; because this study was limited in scope and sample size, however, the results cannot be used to generalize to the whole state
- in 209 positions selected from the Department of Highways 35% were incorrectly classified; this study included actual desk audits of clerical, staff assistants, and secretarial positions; it cannot be used to generalize to the Department of Highways or the State since it was a non random sample and dealt only with classes believed to be problematic
- in 200 classification actions selected from eight state agencies there was an average error

rate in classification documents of 51%; more than half of the classification documents reviewed did not contain all the elements necessary to justify the current classification

- a 72% error rate in classification documents was found at the Department of Institutions; the classification documents did not contain all the elements necessary to justify the current classification

We are recommending that the Department conduct special classification reviews of each decentralized state agency. These studies should include desk audits on a randomly selected, statistically valid sample of each agency's positions. The studies would produce an accurate assessment of the extent of misclassification in the state system. Those departments with the highest percentage of misclassified positions could be designated for complete reclassification. These special classification studies should be separate from the ongoing post audit process. The post audit process should be used by the Department of Personnel to maintain the accuracy of the classification system. Whereas the special study would be a one

* A desk audit is an on site comparison of work actually performed by a person occupying a position to the duties and responsibilities described in classification documents.

time effort to identify and correct current misclassifications in the system.

Why Correct Classification Is Important

Because employee classification has such an enormous impact on employee's salaries, morale, and state expenditures, it is essential that positions be classified as accurately as possible. The following comments, appearing in the state classification manual, emphasize the impact of incorrect classification:

Classifiers and supervisors are reminded that with the current four to six grade differentials between levels in a class series the act of making an over-classification results in a significant cost. Example: Creating a position at the Administrative Officer IV level that should have been filled or created in the class of Administrative Officer III results in a minimum and very conservative over-cost of \$57,600 over a ten year period (using current rates).

- If one were to assume that five percent of the positions in a given agency were over-classified, the resulting over-cost would be significant

- Even if one were to correct the situation by reallocating a position to the proper level, the over-cost would remain because of the save pay provision in the state personnel rules. (This is discussed in more detail on page 50.)

Causes For Inaccurate Classifications

We identified two reasons why decentralized agencies may be incorrectly classifying positions. One is that staff in decentralized agencies may not be adequately trained to conduct classification reviews. The second is that the Department's post audit process is not adequately monitoring the accuracy of classifications in decentralized agencies. (This problem is discussed in the following section.)

RECOMMENDATION NO. 10

The Department of Personnel should:

1. perform desk audits of a randomly selected, statistically valid sample of each decentralized agency's positions to determine the extent of incorrectly classified positions
2. determine what percentage of error is acceptable
3. identify agencies with unacceptable error rates and systematically reclassify positions until an acceptable error rate is attained

DEPARTMENT'S RESPONSE:

Agree. The Department agrees that it would be desirable to desk audit classifications systemwide. We cannot undertake such a massive project - with a statistically valid sample - with our current resources. We will be following up post audits to see that problems are remedied. Where we find classification problems, we will work with the agency to train employees, to supervise classification actions for as long as necessary, and/or to classify positions ourselves until the agency has an adequately trained classifier. As resources permit, the department will try to expand its audits of classification actions throughout the system.

Problems With Post Audit Monitoring Of Classification Activities

The allocation of positions to classes within the state personnel system is not being adequately monitored.

Colorado law gives the State Personnel Director the responsibility to assign each position to the appropriate class, (C.R.S. 24-50-104(3)(b)). State Personnel Board Rule 2-1-5(c) allows the Director to delegate the assignment of positions to appointing authorities in decentralized agencies subject to review by the director. This review is normally done through the Department's post audit process. Our review of the Department's post audit monitoring of classifications revealed two weaknesses. One, the sample size used during the post audit process is too small. Two, the post audit process does not review the accuracy of position classification, only the completeness of classification documents.

Sample Size Too Small

The post audit process currently used by the Department to review decentralized agency classification actions requires that a sample be selected and evaluated. We found that the average size of the samples selected was too small to allow generalizing to the whole. In order to make inferences about the accuracy of all of the classi-

fication actions, a statistically valid sample size is essential. The average sample size selected by the Department during the post audit process was twenty-five. This was not a statistically valid sample for the activity under review.

Post Audit Process Does Not Review Correctness Of Classifications

The Department's purpose for conducting post audit reviews of classification actions is "to ensure the quality of individual position allocations/reallocations performed by agency classification staff." According to the Department:

...quality is indicated by the appropriate allocation/reallocation of positions to existing state classes, (and) that allocations/reallocations (are) supported by accurate and updated job descriptions (PC-8 forms) and justified in audit reports (CP-1 forms).

The current post audit process measures only the completeness of classification documents not the quality or accuracy of individual position allocations.

In order to ensure that positions are being correctly classified at decentralized agencies, the post audit staff must conduct desk audits. This is because it is possible that classification documents could be thorough and complete, and yet not correctly reflect the work that is actually being done.

The post audit procedures bulletin checklist instructs the post audit staff to review classification documents and "conduct desk audits where necessary." We found no instances where desk audits were done in spite of document error rates as high as 72% (average error rate was 51%). The Department contends it did not have adequate resources to be able to conduct desk audits. We agree that inadequate resources have been committed to the post audit function. (Suggested solutions appear on page 21.)

Conclusion

Without randomly selected statistically valid samples the Departments post

audit staff cannot generalize to the whole agency being reviewed or to the state as a whole.

Without the benefit of desk audits the Department's audit staff cannot conclude as to the accuracy of position allocation at decentralized agencies. Merely reviewing classification documents is inadequate. We compared the results of classification document review with the results of a desk audit review of the same positions. Our comparisons revealed a significant disparity between the two methods. The two methods differed 38% of the time. Therefore it is not prudent to substitute document reviews for desk audits and expect to get the same results.

RECOMMENDATION NO. 11

The Department of Personnel should ensure that post audits of classification include the following:

1. a statistically valid randomly selected sample
2. desk audits of the sample positions, so that the accuracy of classification can be assessed

DEPARTMENT'S RESPONSE:

Agree generally. See response to numbers 4 and 10.

JOB CLASSIFICATION SYSTEM NOT MAINTAINED

Statutes require the personnel director to create, revise, and maintain a classification system for state employees. A classification system, according to statute, groups classes of positions that are related to "occupational levels of work which can be clearly distinguished and logically related to a compensation plan."

The law also requires the State Personnel Director to "...revise the classification plan whenever conditions indicate that change is necessary." At the same time that the Department revises the classification plan, it also assigns the class an appropriate salary range.

The Personnel Department is not adequately revising and updating its system for classifying jobs in state government. As a consequence, many state employees may not be receiving equal pay for equal work as required by state statutes and the Constitution. There are two major reasons for this deficiency:

- the Department does not conduct occupational studies frequently enough; an occupational study reviews a particular job classification for duties, responsibilities, education and experience requisites, and salary ranges and compares the classification with other similar job classifications

- when occupational studies change job classifications in a way that requires increases to employee salaries, the changes have not been implemented because the Legislature has not approved the funding

More Occupational Studies Needed

The Department states it will review and compare job classifications on a five-year cycle. This coincides with policy recommendations from the federal Office of Personnel Management. The Colorado Department of Personnel and the federal personnel office consider five years an appropriate span because:

- duties and responsibilities of people within job classes change over time
- job classification can shift when agencies reorganize, work assignments change, or laws are revised
- new technologies emerge, which require revisions to duties and expertise for particular jobs

Our review of a sample of job classification descriptions enables us to project that about 60 percent or 854 out of the 1,423 job classes in the state classification system have not been reviewed in over five years. These 854 classes contain approximately 13,000 positions, which is about 49 percent of all classified positions in the state system.

Even more alarming is the number of classes that have not been reviewed in over nine years. Our sample revealed that 32 percent, or 455 out of the 1,423 classes in the state system, have not been reviewed in over nine years. These 455 classes contain about 5,590 positions. (21% of all classified positions in state system). From FY 1977-78 through FY 1983-84, the Department has completed an average of ten occupational studies per year.

Why So Few Occupational Studies Are Done

There are two reasons for such a low number of occupational studies. One, the Department does not use a systematic selection process for determining which job classifications to study each year. Currently classes selected for occupational study are limited to those which have:

- received many employee complaints or appeals as being inaccurate or unjust
- experienced recent technological or organizational changes
- received recommendations from the Personnel Board that a study is needed

The Department's system does not ensure all classes are reviewed periodically.

A second reason is that Department staff qualified to conduct the studies frequently are reassigned to other duties. For example, in 1983-84, several classification specialists who normally do occupational studies were reassigned to conduct desk audits for a special Department of Highways classification review. This limited the amount of time that could be spent on occupational studies.

Occupational studies are essential to maintain and update the state's job classification system. To comply with state law, and to help ensure that employees receive equal pay for equal work, the Department needs to increase the number of occupational studies done each year. To help accomplish this, we are suggesting the following options:

- hire additional full-time staff as classification specialists
- shift staff from other sections in the Personnel Department to work on occupational studies
- delegate some occupational studies to decentralized agencies (for classes indigenous to that agency) and provide appropriate training and supervision as needed

RECOMMENDATION NO. 12

The Department of Personnel should ensure that each class within the state personnel system is reviewed at least every five years by choosing one or more of the options recommended on page 44.

DEPARTMENT'S RESPONSE:

Agree. We must balance this against our need to fulfill our other duties. To do our job properly, we need additional Personnel Management Review positions as requested in our budget, so that we do not continually pull people from the classification staff to perform other functions.

OCCUPATIONAL STUDIES NOT BEING IMPLEMENTED

If an occupational study reveals that job duties have changes due to reorganization, new legislation, emerging technologies, revised job duties, or other reasons, classification and salary ranges may also need revision. These revisions may have a fiscal impact.

Changes to the classification system which have a fiscal impact must be approved by the Governor. In the past, the Governor has refused to implement any recommendations from occupational studies which have not been funded by the Legislature. Information on the fiscal impact of occupational studies is required by law to be submitted to the

general assembly no later than March 15 of each year. This information is required in order for the fiscal impact of any such occupational study to be included in the annual general appropriation bill.

Prior to 1981 all occupational studies were funded and implemented. Since 1981 few occupational studies have been implemented.

The fiscal impact of these studies not implemented is about \$1.8 million per year.

The following exhibit shows the classes not revised as recommended by these occupational studies, the number of agencies and positions affected and the annual fiscal impact.

OCCUPATIONAL STUDIES NOT IMPLEMENTED
AND FISCAL IMPACT OF EACH (AS OF 9/1/84)

Year	Class Titles	# of Agencies Affected	# of Positions Affected	Estimated Annual Cost
1981	Library Assistant	15	257	\$242,465
1981	Social Worker	8	88	222,979
1981	Nurse	20	56	120,374
1982	Public Safety	17	81	268,951
1982	Therapy Assistant	12	41	48,252
1983	Book Store Worker	9	35	42,221
1983	Store Keeper & Supply Clerk	21	328	71,935
1983	Water Commissioner	1	133	40,392
1983	Energy Conservation and Facilities Planning	2	3	16,183
1984	Publication Specialist	5	13	48,801
1984	Microbiologist	3	27	255,614
1984	Sanitarian	2	26	167,545
1984	Food Service	14	50	87,421
1984	Custodial and Housekeeping	9	93	1,791
1984	Researcher	3	N/A	147,150
Totals		141	1,231	1,782,074

These recommended changes were not implemented by the Governor because the General Assembly did not appropriate the funds to pay for salary increases caused by classification changes. If recommended changes in occupational studies are not funded through the appropriations process and if agencies cannot absorb salary increases within their regular appropriations, the Governor typically refuses to authorize implementation of the study.

Effects Of Not Implementing Occupational Studies

When revisions to the system, as indicated by occupational studies, are not made the classification system loses its equity. One fundamental reason for having a classification system is to ensure equal pay for equal work. Failure to implement changes recommended by occupational studies appears to be inconsistent with state statutes and Article 13, Section 13(8) of the Constitution. The Colorado Constitution requires that:

Persons in the personnel system of the state... shall be graded and compensated according to standards of efficient service which shall be the same for all persons having like duties.

C.R.S. 24-50-104(3)(d) states:

The pay grade, salary rate, or salary range for each occupational level of classes shall be such as to reflect accurately and clearly the relative level of difficulties and the differences in duties and responsibilities of each class and shall be at the current level of compensation of comparable employments in other places of public and private employment in appropriate competitive labor markets.

Other state statutes, however, require the Governor's approval before occupational studies can be implemented. As stated previously, the Governor has historically refused to implement studies which have a fiscal impact and are not funded by the Legislature. Thus, adequate funding by the Legislature is the key to ensuring the implementation of occupation studies.

The following example illustrates how occupational studies can affect the classification system.

A park ranger class may have historically been related to the

maintenance worker class series because rangers were involved in activities that helped maintain state parks (e.g. buildings, trails, grounds maintenance, etc.) An occupational study reveals that the duties of the park ranger have become more law enforcement oriented and less maintenance oriented. The study would then recommend that the park ranger class now be related to other law enforcement classes. This revision may require that the grade and salary of park rangers be increased in order to ensure that persons having like duties are graded and compensated the same. If this revision was not made park rangers would have duties and responsibilities similar to those of other law enforcement personnel but would be paid as if they were doing maintenance work.

The state classification system needs periodic revision to ensure that classifications accurately reflect the duties, responsibilities, educational, and experience requirements of state employees and these classes are matched to appropriate pay rates. Our analysis of the occupational study process indicates that adequate reviews and avenues of appeals exist to ensure that the results of occupational studies are accurate. (Appendix page A-1 is a flowchart describing the occupation study process.)

RECOMMENDATION NO. 13

The Legislature should ensure that the state classification system is revised and maintained in accord with the State Constitution and statutes by providing the necessary funding to implement changes recommended by occupational studies.

DEPARTMENT'S RESPONSE:

Agree. This is a critically needed recommendation.

Problems With "Save Pay" And Classification System

Possibly one reason that the Legislature has not approved funding for salary increases resulting from upgraded classifications is because there have been no savings from the downgrading of job classifications. There can be no savings from such reductions in job classes because personnel rules guarantee that an individual's salary will remain the same, even if his job classification is lower. This is accomplished by moving the employee to a higher step within the new, lower pay grade.

In our opinion, this "save pay" provision has a similar impact on the classification system as the non-funding of recommended occupational study salary increases. It also produces inequities.

In reviewing the "save pay" provisions, we also noted a discrepancy between state statutes pertaining to "save pay" and Personnel Board Rule 3-7-2(c). The rule reads as follows:

Classification Actions. When a position is reallocated to a lower paying class as a result of a classification audit of the individual position, an occupational study, or a classification study of all positions in the Personnel System, the compensation rate of the incumbent will be the rate which is closest to but not in excess of his current salary, including

payment at a rate not more than 2 steps above the grade for his new class. (Effective December 1, 1979) (emphasis added)

Colorado revised statute 24-50-107 reads as follows:

Demotion by classification action. Under certain conditions and for specified periods, the compensation rate of an employee may be sustained by the state personnel director in the event of his position being placed in a lower pay grade due to a classification study of his position, an occupational study of all positions in a class, or a general classification study of the state personnel system, but in no case shall such pay be sustained at more than ten percent above the rate provided in the new classification. (emphasis added)

The significant difference is that the Board rule makes "save pay" mandatory whereas the Legislature intended that it occur "under certain conditions" and be at the discretion of the State Personnel Director. The cause for the difference may be due to the Personnel Board's interpretation of vague terms in the statute. The statute does not declare who is to establish the "certain condition" and "specified period." The Board has apparently assumed that "certain conditions" means always. We believe the statute should be clarified to give direction to the Personnel Board and the State Personnel Director.

Conclusion

The "save pay" provision causes unnecessary expenditure of state dollars and may produce results which are inconsistent with the intent of state laws and the State Constitution.

The Department of Personnel could not provide us with data on how much the "save pay" provision has cost the State over the years. The potential savings from recommended reductions in pay from occupational studies in 1983 were \$150,000.

RECOMMENDATION NO. 14

The Legislature should consider revising C.R.S. 24-50-107 to clarify under what conditions and for what period of time "save pay" should be awarded.

DEPARTMENT'S RESPONSE:

Agree. The Department will work with the Legislature and the Board to resolve this issue.

BOARD'S RESPONSE:

Partially agree. Any such statutory revision is at the Legislature's discretion. The Board does not find the statute to be a problem in its current form. The clarification suggested can be implemented by Board rule.

RECOMMENDATION NO. 15

The State Personnel Board should revise Rule 3-7-2(c) so that it is consistent with C.R.S. 24-50-107 (if amended by the Legislature).

BOARD'S RESPONSE:

Agree. The Board will ask the 1984 Rules Revision Task Force to look at this rule and make a recommendation to the Board. The Board does not feel that the rule is in conflict with the statute, but will consider changing the language of the rule to emphasize and define the discretionary language of the statute.

TRAINING FOR STATE EMPLOYEES

INTRODUCTION

Senate Bill 308, passed in 1981, gave the State Personnel Director the responsibility for:

- . establishing and maintaining training programs for employees in the state personnel system
- . identifying training needs for current and anticipated classes
- . identifying and recommending to the Governor and the General Assembly the most economical and effective means of meeting those needs
- . regularly assessing the effectiveness of such training as may be conducted
- . approving the expenditure of state funds for training prior to their expenditure

The Department of Personnel responded to this by creating a statewide training coordinator and delegating training responsibilities to other state agencies. A training administration manual and two procedures bulletins were issued requiring agencies to report on training expenditures and activities which the Department would approve and coordinate. Agencies were also expected to identify and report on training needs and to evaluate the effectiveness of

training given. The Department has arranged some centralized training in the form of the Management Certification Program. This program gives state managers the opportunity to earn credits toward a master's degree and improve their skills in human resource management, fiscal management, program management, external relations, communications, group dynamics, and problem analysis/decision making. As this report was being written the Department was beginning to offer supervisors training in supervisory fundamentals, interpersonal problem solving, and employee development.

DEPARTMENT OF PERSONNEL NOT IN COMPLIANCE WITH STATUTES REGARDING TRAINING

We found that the Department of Personnel is not fully complying with State law regarding its responsibility to train state employees. We surveyed personnel administrations in fifty Colorado state agencies and found the following:

- . 46% responded that their agency does not regularly assess training needs of employees

- 50% responded that their agency does not regularly assess the effectiveness of its training
- 52% responded that the Department of Personnel does not approve their expenditure of state dollars for training

the Department's post audits of decentralized agencies found similar problems:

- the 1982-83 Personnel Management Review year end report indicated that four out of five (80%) agencies reviewed lacked comprehensive needs assessments; the same percentage also failed to evaluate effectiveness of training

A survey conducted by the Personnel Department in October 1983 gathered responses from 336 managers and senior level professionals throughout the state. Some of their responses were:

- 43% believed that training was not reasonably available to those who need it
- 38% believed that adequate efforts are not made to identify training needs

We also found that the State Personnel Department does not require that personnel staff in decentralized agencies receive formal training or certification in the delegated functions. The Department has delegated classification and examination functions, as well as other personnel activities to decentralized

agencies. It has not, however, taken steps to ensure that the personnel staff at these agencies are adequately trained. The Personnel Department will, upon request, furnish training. There are, however, no requirements that personnel staff receive standardized training. Our survey of personnel administrators shows 75% agree that "the training of decentralized personnel staff should be standardized."

Causes For Non-Compliance

We identified some reasons why the Department has failed to fulfill its statutory responsibilities for training.

One reason is that several state agencies have failed to comply with Personnel Department requests to submit training plans and reports.

- for FY 1983-84, 18 out of 50 agencies (36%) failed to submit training plans to the Personnel Department; these plans are to include estimates of expenditures for training and evidence of need assessment as well as other information
- for FY 1982-83, 26 out of 50 agencies (52%) failed to submit training reports to the Personnel Department; training reports are to include actual expenditures for training

Another reason is that the State Personnel Director does not have control

over the expenditure of State training dollars. Even though Senate Bill 308 gave the Personnel Director the responsibility to approve the expenditure of State funds for training, the Act did not establish a system for doing so. State dollars for training, which are usually not identified in a separate budget line item, are appropriated directly to the agency, not the Department of Personnel. Therefore, the State Personnel Director does not have real control over the expenditure of state dollars for training. Because approximately 60% of all training is conducted by part-time trainers, it is difficult to separate training dollars from personnel service appropriations (e.g., a manager may spend five percent of his/her time training and 95 percent managing).

Changes In Training Procedures

In June 1984 the Department notified state agencies that it was dropping the requirement that agencies prepare annual training plans and budgets. The reasons given by the State Training Administrator were:

- many agencies have difficulties anticipating their training needs and thus in developing annual training plans
- many agencies lack an identifiable training budget
- many agencies lack specific staff assigned to training

- in some agencies, although staff have been formally assigned to the training function, they either do not have the expertise or time to properly conduct training needs assessments or evaluate training effectiveness
- the State Training Administrator has had difficulty adequately reviewing training plans and budgets from all departments and agencies in 4-6 weeks in order to give agencies timely approval

The Department plans to formally delegate training responsibilities to decentralized agencies. In the interim, they have given agencies the authority to approve their own expenditures for training with the exception of new training courses requiring expenditures of \$5,000 or more and the hiring of new or shifting of current staff to the training function.

The Department is still requiring that state agencies report training expenditures on an annual or episodic basis.

Conclusion

The Department of Personnel is not in compliance with state laws concerning the training of state employees. We identified reasons why the Department does not have adequate control over the training of state employees. The most significant is that the State Personnel Director does not have control over appropriations and thus expenditures for

training. The Director also has little recourse when agencies fail to submit training budgets and reports. The power of persuasion is the only recourse available.

Alternative Approach To Training State Employees

There appears to be no compelling reason why state agencies should get approval from the State Personnel Director for training which is indigenous to that agency (e.g., training of social workers at the Department of Social Services). It is only important that the director of that department and ultimately the Legislature receive information on training expenditures of this sort. On the other hand, the State Personnel Director should be concerned about needs assessment, expenditures and evaluation of training for functions affecting the whole state (e.g., management, supervision, personnel functions).

Our review of training in other states revealed that most have a mixture of centralized and decentralized training. State agencies provide training for functions that are specific to that agency and the State Personnel Department (or Training Center) provides training which benefits the state as a whole.

We are recommending this two-track approach to training. State agen-

cies should provide training for functions specific to that agency. The State Personnel Department should provide centralized training in areas that impact all state agencies (e.g., management, supervision, personnel function). The last statewide needs assessment done by the Department of Personnel in 1978 identified training in supervision and management as the highest priority. The Supervisory Certificate program being developed by the Department will provide training in several areas including "How to Manage in the State Personnel System." This will include a review of personnel rules and regulations. This training may save the state money. State Hearing Officers and representatives from the Civil Rights Division estimate that the state spends about \$150,000 annually processing employee grievances and appeals and making payments to employees because of avoidable supervisory errors.

Increased supervisory and management training by the Department would probably result in the need for additional funding. The Department is currently developing cost estimates for training supervisors in the State Personnel System.

The Personnel Department should also ensure that the personnel staff at decentralized agencies are adequately trained and certified in personnel func-

tions (e.g., classification, examination, etc.). We are recommending that requirements for this training and certification be included in decentralization agreements.

Training Law Could Be Clarified

State law does not separate responsibilities for different kinds of training. The State Personnel Director is currently responsible for all training which involves the expenditure of state dollars. This should be clarified through revision to the laws, personnel rules and regulations, or administrative procedure. We believe it is appropriate for the Personnel Director to clarify the law by describing what kind of training can be delegated to state agencies and what kind must be provided centrally by the Personnel Department.

We believe that C.R.S. 24-50-122 can be adequately clarified through Board rules or administrative procedure. It is also important that the law or personnel rule assign responsibility for training needs assessment, training evaluation, and expenditures reporting to the appropriate party.

We are also recommending that training responsibilities be clearly assigned in decentralization agreements. These agreements should require each party to the agreement to do needs assessment, evaluate training and report on expenditures. State agencies conducting training specific to that agency should report to their Department heads and the Legislature in summary form. We see no need for them to report to the State Personnel Director.

RECOMMENDATION NO. 16

The Personnel Director should develop administrative procedures formally authorizing delegation of training to other state agencies and clarify what kind of training should be provided by the State Department of Personnel and what kind should be provided by other state agencies.

DEPARTMENT'S RESPONSE:

Agree.

RECOMMENDATION NO. 17

The Department of Personnel should formally delegate training authority to other state agencies through decentralization agreements. These agreements should include the following:

1. the kinds of training to be provided by the agency and the type provided by the State Department of Personnel
2. requirements that decentralized agencies conduct training need assessments, evaluate the effectiveness of training and report training expenditures (for training specific to that agency) to the Legislature (not the Department of Personnel)

DEPARTMENT'S RESPONSE:

Agree. In process now.

RECOMMENDATION NO. 18

The Department of Personnel should ensure that all agencies with decentralized training agreements are adequately trained in needs assessment and evaluation techniques.

DEPARTMENT'S RESPONSE:

Agree. Also in process.

RECOMMENDATION NO. 19

The Department of Personnel should:

1. conduct needs assessments, provide training, and evaluate the effectiveness of training for all state employees who manage or supervise other state employees (including exempt managers and supervisor of classified employees)
2. provide standardized training and certification to all employees who perform personnel functions in all state agencies. The requirement for training and certification should be included in delegation agreements

DEPARTMENT'S RESPONSE:

Agree. Part 2 can be done with existing resources. Part 1 will require very substantial new resources (an estimated \$750,000) and should be carefully evaluated for cost effectiveness. The Department does offer management and supervisory training. The latter needs to be expanded and will be contained in future budget requests. Some departments provide their own training.

THE PERSONNEL BOARD AND THE APPEALS PROCESS

INTRODUCTION

The Personnel Board meets twice a month to conduct appeals hearings and to adopt, amend, or repeal Personnel rules. These duties impact policies, procedures, and issues affecting 27,000 employees in state government. Poorly conceived rules and an unresponsive, slow appeals process can cost the state in terms of low employee morale and inefficiency and confusion in hiring, firing, and evaluating state employees.

In 1982-83, the Board received 316 requests from employees for appeals involving such matters as disciplinary actions, grievances about working conditions, job classifications, examinations, and discrimination. Of these requests, 84 (27 percent) reached hearing. The remaining 232 requests were settled, withdrawn, denied, or continued as backlog cases. (Denials result when a petition for a hearing is not filed in a timely way, the employee requesting a hearing has probationary status, or the Board lacks jurisdiction over a particular appeal.)

The Board also conducts rules hearings and approves requests for resi-

dency waivers for applicants for state jobs.

Studies And Legislation About Board Duties

Since 1970, there have been more than a dozen studies of the personnel system conducted by legislative committees, staff agencies of the General Assembly, public interest organizations, and the executive branch. Many of these reports addressed the structural relationship between the Personnel Department, the Personnel Board and deficiencies to the appeals process.

These reports contained recommendations, many of which have been implemented either by legislation or administrative practice. Most notably, House Bill 1084, enacted in May 1984, set forth major revisions to the appeals process. This legislation implemented many of the recommendations from the past decade's reports. Among other things, this legislation:

- assigned the Board its own hearing officers
- prescribed time limits to the appeals process

- added penalties for employees who initiated appeals that were determined by hearing officers as malicious, groundless, or filed in bad faith
- shifted appeals about classification matters from the Board to the Personnel Department

To evaluate some of those issues cited in earlier studies and not addressed by recent legislation, we focused on Personnel Board activity. Our review indicated the following weaknesses:

- the Board needs autonomy from the Department in preparing its own budget and communicating to the Legislature both the Board's budget requests and performance measures
- recent legislation about the appeals process needs clarification regarding penalties and jurisdiction if the Board does not process appeals within the time limit
- rules and regulations still need revision to improve their clarity, consistency, and organization
- the Board needs to correct some procedural weaknesses in its appeals process
- the Board needs to increase its data collection efforts to improve monitoring of Board and staff performance

The following pages discuss each of these areas in detail and propose some solutions to the problems that the audit identified.

BOARD AND DEPARTMENT LACK AUTONOMY REGARDING THE BUDGET

The Personnel Department and the Personnel Board state that each operates autonomously from the other. Each recognizes the importance of maintaining its separate, distinct identity. This autonomy was emphasized, too, in a 1980 court case, in which a judge stated "the Board and the Personnel Department are distinct entities with separate powers and responsibilities." We believe, however, that this autonomy becomes questionable with regard to the Board's budget. The Board does not exclusively have responsibility for preparing its budget, justifying its request throughout the appropriations process, and controlling or accounting for its expenditures. The Department participates in all these activities.

Why The Department Prepares The Board Budget

The Department's involvement in the Personnel Board's budgeting process originates from the shift of the Board to the Personnel Department under the Reorganization Act of 1968. As a Type I transfer, the Board was to continue exercising its prescribed statutory powers, duties, and functions. As the principal department in the transfer, the

Personnel Department was charged with administering the Board.

According to various interpretations by the Department of Law, the principal department in a Type I transfer is responsible for the budgeting function. The Personnel Department and the Personnel Board have adhered to this interpretation.

In addition, Board staff indicated that because of the small staff size and limited expertise on budget matters, they had accepted the assistance from the Personnel Department.

Current Arrangement Is Unsatisfactory

Two incidents this past year indicate why this arrangement is unsatisfactory.

First, in 1983-84, the Personnel Department withdrew \$20,000 from the Board's hearing officer line item, to meet the Governor's two percent agency cut. This \$20,000 would have been less than one percent of the Personnel Department's budget but was nearly 10 percent of the Board's budget. As a result, the Board was unable to conduct hearings for three months.

Second, in Spring 1984, neither the Personnel Board nor the Personnel De-

partment communicated to the Office of State Planning and Budgeting or the Joint Budget Committee the additional workload that resulted from recent passage of House Bill 1084. The Board estimated that the new time limits for the appeals process would require hiring additional, part-time hearing officers to meet the new deadlines. These estimates were not included in the fiscal note to the Office of State Planning and Budgeting. The Board assumed that it would receive a supplemental appropriation to accommodate the additional workload. Analysts from Office of State Planning and Budgeting and Joint Budget Committee were not aware of this assumption. This lack of communication represented a breakdown in following the appropriations process. Such an error could have been avoided if the Board was totally responsible for all details and actions related to its own budget.

The Board Needs Control Of Its Budget

The Personnel Board needs to control its own budget for the following reasons:

- the Board needs control over those resources appropriated for Board use in order to plan and administer the duties and functions set forth by statute and the Constitution
- the Board staff needs to communicate directly with analysts in the appropriations process who

review, question, and analyze budget requests; this would help ensure that Board funding requests follow the appropriations process

- the autonomy between the Board and the Department needs to be ensured, to avoid even the appearance of conflict of interest regarding hearing officers and the Personnel Department; the hearing officers are hired and supervised by the Personnel Board; hearing officers hear some appeals cases in which the Personnel Department is the respondent; these appeals cases include examination appeals and whistleblower appeals; in such cases, it is crucial to maintain the autonomy of the Board to avoid charges of conflict of interest

Action Needed For The Board To Control Its Budget

One approach to ensuring the Board's control of its budget would be to shift the Board from the Personnel Department. However, the Board could not function separately, without affiliation to an agency, since the Constitution has restricted the number of departments in the executive branch to 20. (If the Board were to operate autonomously, this would increase the number of departments to 21.)

We believe that for purposes of organizational structure, the Board should remain with the Department of Personnel. The best way to correct the problem of autonomy of the Board would be to assign the Board full responsibility and control over its own budget.

As a first step, the responsibilities should be set forth in a written agreement to be signed by appropriate parties at both the Personnel Department and the Personnel Board. Such a document would clarify the Board's new responsibilities, which we believe should include all aspects of budget preparation and follow-up.

We note that the accounting functions related to the Board work should continue to be carried out by the Personnel Department.

We also note that the written agreement would not be legally binding. Either party could terminate the agreement without penalty. Therefore, as a second step, if problems develop we believe that Board should propose legislation that would clarify its new responsibilities regarding the budget.

RECOMMENDATION NO. 20

The Board should assume full responsibility for preparing its own budget, justifying its request throughout the appropriations process, and explaining its expenditures to the Legislature.

DEPARTMENT'S RESPONSE:

The Department strongly disagrees with the contention that the Board does not have responsibility for its own budget. The Board represents itself at all budget hearings and makes its own budget decisions. The Department provides accounting services for the Board and assists with other activities when requested to do so. Recommendation #20 is unnecessary because it is already the practice. Therefore we do not see any need for recommendations 21 and 22.

BOARD'S RESPONSE:

Agree. The Board agrees and takes full responsibility for preparing and justifying the budget. However, the Board is still dependent upon the Department to provide accounting assistance and guidance through the various phases of the budget process, since the Board does not have a budget officer skilled specifically in the budget process. The only way this recommendation can be fully implemented is to create a new Board staff position for a budget officer.

RECOMMENDATION NO. 21

The Board should develop a written agreement describing its responsibility for the budget function. This agreement should be signed by appropriate parties at the Personnel Department and the Personnel Board.

DEPARTMENT'S RESPONSE:

Same as response to Recommendation No. 20.

BOARD'S RESPONSE:

Agree. The Board will begin preparing a memorandum of understanding with the Department concerning the Board's responsibility over budget functions and any assistance which may be requested from the Department during the budget process.

RECOMMENDATION NO. 22

If Recommendation No.'s 20 and 21 do not solve the problem, the Board should propose legislation next session which states that the Personnel Board, not the Department is responsible for developing the Board's budget.

DEPARTMENT'S RESPONSE:

Same as response to Recommendation No. 20.

BOARD'S RESPONSE:

Agree. The Board will develop a written memorandum of understanding with the Department. If this is unsuccessful in achieving budget autonomy for the Board, the Board will then propose legislation to achieve this goal.

LEGISLATIVE INTENT IS UNCLEAR

The General Assembly enacted legislation in Spring 1984 that called for changes and additions to the appeals process conducted by the Personnel Board. Among the provisions in the new legislation was the addition of a 90-day time limit for processing appeals. This means each appeal case is to be heard within 45 days of the day an employee petitions the Board, and each case must be completed within 45 days of the hearing, with parties notified and case file closed.

Absent from the legislation, however, are statements about what would happen if the Board is responsible for delaying an appeal case beyond the 90 day limit. Would the Board lose jurisdiction of those appeals that exceed the prescribed time limits? It should be noted that prior to enactment of this legislation, statutes required the Board to make public its decision within 30

days after the conclusion of a hearing. In more than half the 1983-84 cases recorded in the log maintained by Board staff this 30-day time limit was exceeded. No penalties resulted from the Board's failure to comply with statute.

Interpretation By The Department Of Law

In an informal opinion from the Attorney General to the Personnel Board, attorneys noted the vagueness of the new law:

...(the legislation) does not specify the consequences of failing to meet the deadlines... There is no easy answer. A case can be made that the Board never loses jurisdiction. One other possibility is that the Board loses jurisdiction if it fails to issue its decision within the (time) limit. Another possibility is...the appeals would go to appeals court. Given the uncertainty of applicable legal principles, I can only suggest that the Board adhere closely to prescribed time limits.

RECOMMENDATION NO. 23

The Board should propose Legislation to clarify:

1. what penalties, if any, result from the Board's failure to process an appeal within the prescribed time limit
2. whether the Board loses jurisdiction over appeals that are not processed within the time limit

DEPARTMENT'S RESPONSE:

Agree.

BOARD'S RESPONSE:

Agree. The Board will request that additional language be added to the statutes governing the appeals process to clarify the Board's jurisdiction upon passage of the time limits.

PERSONNEL RULES AND REGULATIONS STILL NEED REVISION

There are more than 800 Personnel rules and regulations contained in a volume 120 pages long. Various legislative reports as well as state employees have complained of the difficulty in interpreting and using the rules and regulations. Unclear or confusing rules may contribute to the number of appeals filed with the Board. Likewise, such rules may hinder early resolution or settlement of an appeal prior to formal hearing. Both the Board and the Legislature have expressed strong interest in accomplishing early resolution of cases whenever possible, instead of taking cases through formal hearings.

The Board agreed with recommendations in the 1980 State Auditor's report and the 1981 Dines Committee report on "Revitalizing the State Personnel System" that the rules be reviewed for clarity, conciseness, consistency, and clear organization. In addition, the Board cited rules revision as a program objective in its 1983-84 budget request.

Task Force Submitted Recommendations To The Board

In 1981, the Department of Personnel formed a task force to review the rules. The task force, co-chaired by the

Personnel Board's administrator, comprised 21 members, most of whom were state employees. The members met each week for eight months. In 1982 they produced a report with specific recommendations for simplifying, revising, combining, or dropping rules. We have estimated that the salary costs to the State for state employees while working on the task force was at least \$55,000.

The Personnel Director submitted the report to the Personnel Board in 1982. To date, the Board has not acted on the report's recommendations. The Board members explained their hesitancy to approve the entire report without reviewing, in detail, each of the rule changes. In the 1984-85 budget request, the Board reported that it had postponed any consideration of the report "due to a lack of staff time and Board meeting time to thoroughly review the report."

Board members also have emphasized that they were not involved in the decision to use a task force to develop recommendations for rules revisions. Likewise, there was no agreement among the task force, the Personnel Department and the Personnel Board as to how or when the Board would proceed on reviewing and acting on the report.

At the writing of this report, the Department formed another task force to suggest revising the Personnel rules

and regulations. The Board, the Task Force, and the Department had not communicated formally on the need, purpose, work schedule, and product of the task force or the Board review.

The State Auditor's Office has strong concerns that the failure, and the waste of state resources of the 1981 task force for rules revision may be repeated in 1984-85.

RECOMMENDATION NO. 24

The Personnel Department, and the Personnel Board should communicate in a formal fashion and document what they agree on regarding the purpose, methodology, time schedule, and product of the 1984 Task Force on Rules Revision.

DEPARTMENT'S RESPONSE:

Agree. The 1984 task force is utilizing as much of the 1981 revision as possible and is making regularly scheduled presentations to the Board. We anticipate that the Board rules and Department procedures resulting from this effort will be scheduled for Administrative Procedures Act hearings in the early summer.

BOARD'S RESPONSE:

Agree. The Department made a presentation to the Board on September 4, 1984, concerning the 1984 Task Force on Rules Revision and discussed its goals with the Board at that time. Although it has not been documented to date, the Board believes that agreement has been reached concerning the purpose, methodology, time schedule, and product of the task force. The Board has begun reviewing the recommendations of the task force, starting with affirmative action and discrimination rules which were reviewed on October 2, 1984. The Board has scheduled a review of 2 rules chapters per meeting for the next 5 meetings which will complete its informal review of the task force recommendations. At that time (February 1985), the Board will submit these recommendations for notice of public rules hearing and will conduct rules hearings in April 1985. If the rules are adopted, they will become effective June 1, 1985.

RECOMMENDATION NO. 25

The Department and Personnel Board should ensure that the 1984 Task Force on Rules Revision integrates as much as possible the work of the 1981 task force into the 1984 revisions.

DEPARTMENT'S RESPONSE:

Same as response to Recommendation No. 24.

BOARD'S RESPONSE:

Agree. The Board strongly recommended that the rules task force use the 1981 report as the basis for their recommendations, and that the 1981 report be updated to encompass legislative changes made since that report was issued.

OPERATIONAL WEAKNESSES IN APPEALS PROCESS

The audit review indicated several areas of weakness related to the appeals process:

- . employees may not be well-informed about using the appeals process
- . there are long delays in the process at the points when:
 - . parties receive copies of the hearing officer's decision after the hearing is completed
 - . employees are notified that their request for a hearing has been denied
- . use of court reporters is less cost efficient than other alternatives

Employees May Not Understand Appeals Process

Some 40 percent of the appeals to the Personnel Board in 1982-83 were

denied requests for hearings. In many of the cases procedural steps had not been completed at the job or requests for appeal had been filed too late. The Citizens Advocate Office, which accepts complaints about state government, received 54 requests in 1982-83 from state employees for help with personnel problems. In 48 of these complaints the employee did not appear to know how to use the appeals process.

These two facts suggest that employees may not understand how to use the appeals process for resolving personnel problems. The 1978 Employees Handbook, the most recent edition available to state employees, mentions the appeals process. However the discussion does not explain, in detail, how to use the process. The Personnel Rules and Regulations do contain explanations of the process. Employees may not realize that the appeals process is included in the rules and regulations.

RECOMMENDATION NO. 26

The Personnel Department should include in a new edition of the Employee Handbook a description of the appeals process and how to use it. The handbook should be distributed by July 1985.

DEPARTMENT'S RESPONSE:

Agree. The new employee handbook is scheduled to be published by May 1, 1985.

Law Sets Time Limit For Process

House Bill 1084 requires that the decision of the hearing officer be issued within 90 days of the receipt of employee's appeals request. It also states that:

- the hearing shall be conducted within 45 days of the day the Board receives the employee's appeal
- the decision of the hearing officer shall be issued within 45 days after the hearing has been conducted

- average time for processing an appeal was 279 days
- average time between receipt of an employee's appeal and the hearing was 165 days
- average time between the hearing date and the issuance of the hearing officer decision was 114 days

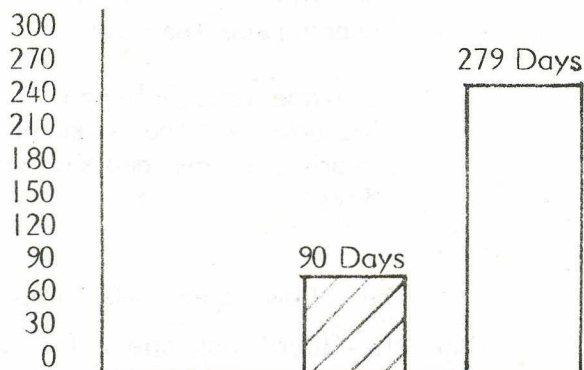
The following exhibits compare the time the Board has spent for appeals processing in 1982-83 and the limits to which it must adhere in 1984-85 because of the new legislation.

Violation Of Time Limits Possible

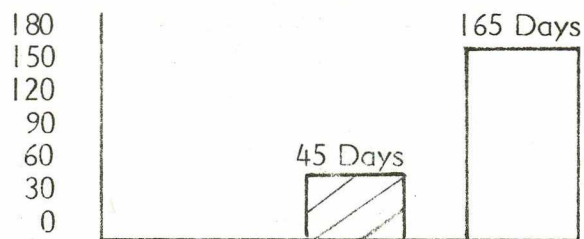
Our review of all the appeals case files in 1982-83 found that:

COMPARISON OF ACTUAL TIME SPENT ON APPEALS PROCESS WITH REQUIREMENTS OF NEW LAW

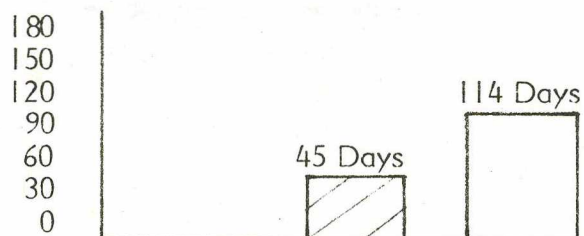
TOTAL DAYS TO COMPLETE AN APPEALS CASE



DAYS FROM FILING AN APPEAL TO HEARING



DAYS FROM HEARING TO ISSUANCE OF DECISION FROM HEARING OFFICER



Time limits required
by new law



Actual time to complete
process steps in the past

SOURCE: Data from reviewing 1982-83 appeals case files.

We believe that the Board will be able to comply with the first statutory deadline that a hearing be set within 45 days of receiving the appeal request. The delays at this step of the process can be avoided by denying requests for continuances. The new legislation addresses this in that only one continuation for the hearing date will be granted.

To comply with the second 45-day limit regarding the issuance of the hearing officer's decision, the turnaround time for both typists and hearing officers must improve. Data were not available from Fiscal Year 82-83 that would show turnaround times for both tasks in this process step. However, we did review data that Board staff collected on some 30 cases in 1983-84. These data came from a log that the Board maintained on some, not all, of the appeals cases. The log identified time lapsed:

- from the date of the hearing until the hearing officer submitted the decision draft for typing; average time was about 42 days
- from the date the decision draft went to typing until the typing was completed; average time was about 35 days

Auditors discovered a letter to the Citizen's Advocate Office in which a woman was awaiting written notice from the Board of the decision rendered at an appeals hearing. The woman had been

successful in her appeal at the hearing held in March. The letter, written in June (three months after the hearing) was pleading for a formal decision. Board staff responded to the woman that in July the decision would be in the mail. The decision finally was mailed in September.

Possible Solutions

We did not conduct a productivity analysis of either typists or hearing officers, but we discovered some probable causes for delays in typing.

The turnaround time for typing was slow, according to Board staff, because the secretary who typed the decision had other duties that had a higher priority. The delays due to typing could be corrected if the Board did one or more of the following:

- elevated the priority for typing appeals-related work
- shifted existing staff resources to ensure that typing was completed in a timely way
- hired a word processor operator, perhaps on a temporary or part time basis to complete the appeals work

Because our review did not include a productivity analysis of the typing workload and staff, we cannot recommend which of these options is prefer-

able. Whichever the Board chooses, it should also establish deadlines for both hearing officers and the typists to complete their appeals work. These deadlines should be monitored closely and used in the performance evaluations of both the officers and the typist.

Notification Of Denial Excessively Delayed

Our review also identified another step in the appeals process that required excessive time to complete. We found that Board staff takes an average of 93 days to notify an employee that the re-

quest for hearing has been denied. A hearing request can be denied if: 1) the employee's request is not filed with the Board within a certain time limit; 2) the employee is probationary in the Personnel system; and 3) the Board does not have jurisdiction in the issue cited in the appeals request.

Board staff can usually determine denial with little, if any, background work. Typing and mailing a form letter likewise requires little time to complete. We believe that Board staff should accomplish this step within 10 calendar days from receipt of the hearing request.

RECOMMENDATION NO. 27

The Personnel Board should:

1. set deadlines for hearing officers and typists to complete their appeals work
2. shift existing staff resources or work priorities in such a way to ensure that the appeal typing is accomplished in a timely manner
3. conduct an analysis of typing workload and, if the results so indicate, consider hiring a word processor operator to type appeals letter, decisions, and other Board work
4. collect data that indicates time lapsed in writing decisions and typing them
5. use the data from point "5" as part of the personnel performance evaluations for hearing officers, word processor operators, and their supervisors
6. require that notification to employees about denied hearings be completed within 10 calendar days from receipt or request for hearing

BOARD'S RESPONSE:

Agree. The Board agrees with the recommendation and will implement all six recommendations to the extent practicable.

Recommendation No. 1 is to set deadlines for completion of work. This has been done.

Recommendation No. 2 is to shift existing staff resources or priorities. This cannot be accomplished for two reasons: first, there are no staff resources available which can be shifted to the typing workload; and second, the priorities cannot always be shifted because other work carrying a higher priority usually has a time deadline which must be met prior to the deadline for typing of decisions. Whenever possible, the Board does give a high priority to the issuance of decisions, but this step must also be managed along with the high priorities for the processing of appeals and setting of hearings.

Recommendation No. 3 is to consider hiring a word processing operator. The Board has hired a part-time temporary word processing operator which has eased the typing backlog considerably. Also, the Board has requested funding for a word processing operator in its FY 1985-86 budget request. Hopefully, the Legislature will favorably consider this request so that the statutory deadlines can be met.

Recommendation No. 4 is to collect data concerning the issuance of decisions. Data are currently being collected which will indicate productivity of hearing officers and typists.

Recommendation No. 5 is to use the data collected above as a part of performance evaluations. This is currently being done.

Recommendation No. 6 is to notify employees of denials of appeals within 10 days. The Board has set a goal of initial processing (and determination of denial) to be done in one day, with notice of denial to be mailed within 3 days after receipt of appeal.

Use Of Court Reporters

The Personnel Board always has used tape machines to record formal appeals hearings. When a party needs a transcript of the proceeding, he or she pays for the tapes to be transcribed. The process of transcribing the tapes, which often are difficult to understand, has required many weeks or even months. To correct this weakness and excessive time delay, the Board decided to replace the tape recorders with court reporters.

We analyzed alternatives to the use of court reporters and found that spe-

cially designed recording machines, along with transcription typing services, would be more cost efficient. Board staff estimated that use of court reporters for the first year would cost about \$24,500 and about \$11,700 for each subsequent year. We discovered that the cost of recording equipment was \$2,200 per machine. Lifetime of each machine is about six years. In comparing costs of court reporters and recording equipment, our estimates show savings of \$63,600 over six years from using the machines. The following exhibit shows the cost estimates.

COMPARISON OF COSTS
RECORDING EQUIPMENT AND COURT REPORTERS

Court Reporters

- Cost is \$150/day in daily appearance fee
- Assume 163 days of hearing (this assumption is based on actual backlog of cases for hearing as well as projections of new cases to be filed for 1984-85)
- Assume 78 days of hearing per year after 1984-85

$$\begin{array}{rcl} \$150/\text{day} \times 163 \text{ days} & = & \$24,450 \\ \$150/\text{day} \times 78 \text{ days} \times 5 \text{ years} & = & \$58,500 \\ & & \underline{\$82,950} \end{array}$$

Recording Equipment

- Cost of each machine is \$2,200
- Assume 3 machines^a needed for hearings in 1984-85
- Maintenance and repair contract is \$850/year per machine
- Lifetime for each machine is six years

$$\$2,200/\text{machine} \times 3 \text{ machines} = \$6,600 \text{ (for first year)}$$

$$\$850/\text{machine each year} \times 3 \text{ machines} \times 5 \text{ years} = \$12,750 \text{ (for upkeep for lifetime of equipment)}$$

$$\$6,600 + \$12,750 = \$19,350$$

$$\$82,950 \text{ Court Reporters}/6 \text{ years}$$

$$\underline{-19,350} \text{ Recording Equipment}/6 \text{ years}$$

$$\$63,600 \text{ Savings}^b \text{ over six years}$$

^a The Board would need 3 machines for 1984-85 to complete the backlog of cases from 1983-84 as well as the new cases. It possible that two machines could handle hearings for future years, if caseload continues at the projected level.

^b In current dollars.

BOARD NEEDS MORE DATA ABOUT ITS PERFORMANCE

The Board staff has collected and analyzed some data for reporting to the Board and the Legislature on Board's appeals caseload. In some instances, these caseload statistics reflect analysis of all appeals cases to the Board. In other cases, Board staff have collected or analyzed data about only a small, non-random sample of cases.

We identified two instances in which the Board's data collection and analysis were inaccurate or incomplete. In one case, the Board selected a small, non-random sample of cases in 1982-83 to estimate length of processing time. Their analysis indicated an average length of processing time was 5.5 months. As part of the audit, we reviewed all cases during that same time. Our review showed average length of time was 9.5 months. (For a summary of this case file review, see Appendix page B-1.)

In another instance, the Board started to maintain a log that showed length of time for: 1) hearing officers to submit their draft opinions for typing; and 2) typist to type the opinions. The log was not maintained for all appeal cases and there were cases logged with only partial information included. This

information is important because it allows Board staff to identify excessive time lapses in the process and correct the weaknesses.

Data Collection To Help Monitor Performance

The Board staff said that beginning July, 1984 they would collect data on more variables than in past years. In addition, they will begin to collect data about the length of the appeals process from all cases, rather than from a small, non-random sample, which has been the practice. They will begin to collect, on an ongoing basis the following information for each case:

- case number
- agency involved in appeal
- type of appeal (discipline, classification, etc.)
- date Board receives request for hearing
- date for settlement conference, pre-hearing conference, formal hearing
- dates for Day 45 and Day 90, as set forth by statute
- resolution of case by hearing officer (upholding or reversing appointing authority)
- whether decision by hearing officer was appealed to the Board

This will provide useful information for the Board staff, not only for monitoring its performance in complying with statute, but for use in preparing various performance updates to the Board and the Legislature, budget requests, and in estimating and planning for future resource needs and workload levels.

We suggest some additional information be collected, as well. We note that the Board already has a staff position whose description includes collecting, maintaining, and summarizing appeals caseload data. In addition, the Board has word processors with the capability of storing and summarizing these data. Collecting these additional data would not require additional resources or staff. For a list of additional indicators we are recommending see Appendix, page C-1.

To ensure that data entered in the computer from each case file are accurate and reliable, the staff should establish standards for the contents of each case file. The additional data collection we are recommending does not require additional forms or paperwork for a case file. The data can be obtained from file documentation that already exists.

With these additional data collection, we also believe it will be possible for the Personnel Department to use appeals data results to target and plan training for state employees. If the Board collects data on rules cited in the appeal, results could indicate weaknesses in either management's or employee's understanding of the rules.

We believe that the Board and the Department should communicate about the data needed for the Department to use in planning future training.

RECOMMENDATION NO. 28

The Board should begin collecting additional data, which are listed in appendix, page C-1.

BOARD'S RESPONSE:

Agree. The Board has established a comprehensive case log to monitor and collect data on each appeal filed. The Board will begin the further collection of data as recommended, subject to the availability of staff. It should be noted that the Board does have a word processor which will aid in the storage and collection of data; however, all data will still need to be manually processed for proper analysis. At the present time, the staff position intended for data collection and summary is being heavily utilized for word processing, due to the lack of a full-time word processor position.

RECOMMENDATION NO. 29

The Personnel Board should develop a list of documentation needed for each case file, to ensure that data can be collected from each file in a comprehensive, uniform manner.

BOARD'S RESPONSE:

Agree. The Board is in the process of refining a data-collection instrument to be utilized in each appeal case file. However, it is doubtful whether this instrument can accomplish its intended purpose, due to the staffing problems noted above.

RECOMMENDATION NO. 30

The Department of Personnel should communicate with Board staff about appeals data needed to help identify training needs for state employees.

DEPARTMENT'S RESPONSE:

Agree.

BOARD'S RESPONSE:

Agree. The Department has requested information on "supervisory errors" discovered during the appeals process. These data have been collected and returned to the Department for their use in developing training courses. As a result of this interchange, both the Board and the Department have been able to streamline their data-collection instruments.

RECOMMENDATION NO. 31

The Personnel Department should plan future training programs, as needed, to correct weaknesses identified from appeals data.

DEPARTMENT'S RESPONSE:

Agree.

PERSONNEL DATA SYSTEM

INTRODUCTION

State statute requires the Personnel Department to maintain an employment record for each employee, a personnel data inventory, proper certification of payroll, and a standard format for records and reports used in the state personnel system.

The Personnel Department developed the Personnel Data System (PDS) in response to these responsibilities. PDS was originally funded in 1981 as part of the Central Management Information System. Since 1981, the Legislature has appropriated about 1.7 million dollars to the Department for a personnel data system.

PDS Not Meeting User Needs

We distributed a questionnaire to personnel administrators in fifty Colorado state agencies to assess their opinion of PDS. The responses were as follows:

- . 61% said PDS was not providing the information it was designed to provide
- . 73% need additional information PDS is not providing

- . 61% do not have confidence in the accuracy of PDS
- . 78% maintain manual records that duplicate data in PDS
- . 58% said they do get timely information from PDS

Concerns also expressed in the survey by some of the respondents are:

- . agencies are not thoroughly trained to do the input to PDS
- . agencies are not aware of changes in PDS
- . Personnel Update Form (PUF, the input form serving PDS) is not easy to use

(Additional user survey responses can be found in Appendix D-1.)

We could find no evidence that a thorough user needs assessment was ever done prior to the implementation of the PDS.

Agencies have not been surveyed since 1981 to find out what services they need from PDS nor how well the system has been working. A PDS Policy Committee and a PDS Users Committee meet irregularly at the request of the PDS manger or committee members.

PDS staff estimate that they receive 30-40 telephone calls daily from agency personnel asking for help with the system. Currently, there is no formal refresher training or training for new agency staff using the system. The calls, however, are not logged in order to identify agencies with particular problems or the types of problems encountered most often. Problems are resolved by telephone or a PDS staff person is sent to the agency.

PDS To Be Linked To Payroll

The Governor issued an executive order in March 1984 in an effort to strengthen PDS by declaring its use mandatory for all state agencies, including all institutions of higher education. Higher education had not fully participated in PDS. The executive order also reinforces the linking of PDS to the new Colorado Personnel/Payroll System currently being implemented by the state controller. The accuracy of personnel records will then be even more critical because state employees' paychecks will be based on information from the PDS.

The Memorandum of Understanding between the Joint Budget Committee and higher education also called for all governing boards to report their classified personnel data to the Department of Personnel, effective July 1, 1984.

Department Is Taking Action

The Personnel Department is aware of problems with PDS and in July 1984 hired a consulting firm to do an analysis of the PDS.

Some of the consultant's findings are:

- ad hoc requests consume most of the computer system manager's time which illustrates that PDS is not currently programmed to meet users' needs
- program maintenance needs to be improved through effective communication of system revisions to users

As a result of the consultant's report, the Personnel Department has developed a plan to address and implement the findings. A copy of the plan can be found in the Appendix, page E-1.

Conclusion

Serious flaws in PDS have hampered the Department's ability to provide personnel information to state agencies and departments. PDS staff lack fundamental information on what users need. Users also have not been adequately informed of changes in the system.

A sense of urgency is further created by plans to link PDS to the new Colorado Personnel/Payroll System

(CPPS). PDS must be able to provide accurate and timely information to its users or the errors could create financial havoc within the state payroll system.

We are recommending that the Department take an active role in as-

sessing the needs of PDS users and revising PDS so it provides needed information to users. This information should be provided on a timely basis. PDS users should be trained and kept informed of changes in PDS through a formal communication process.

RECOMMENDATION NO. 32

The Department of Personnel should:

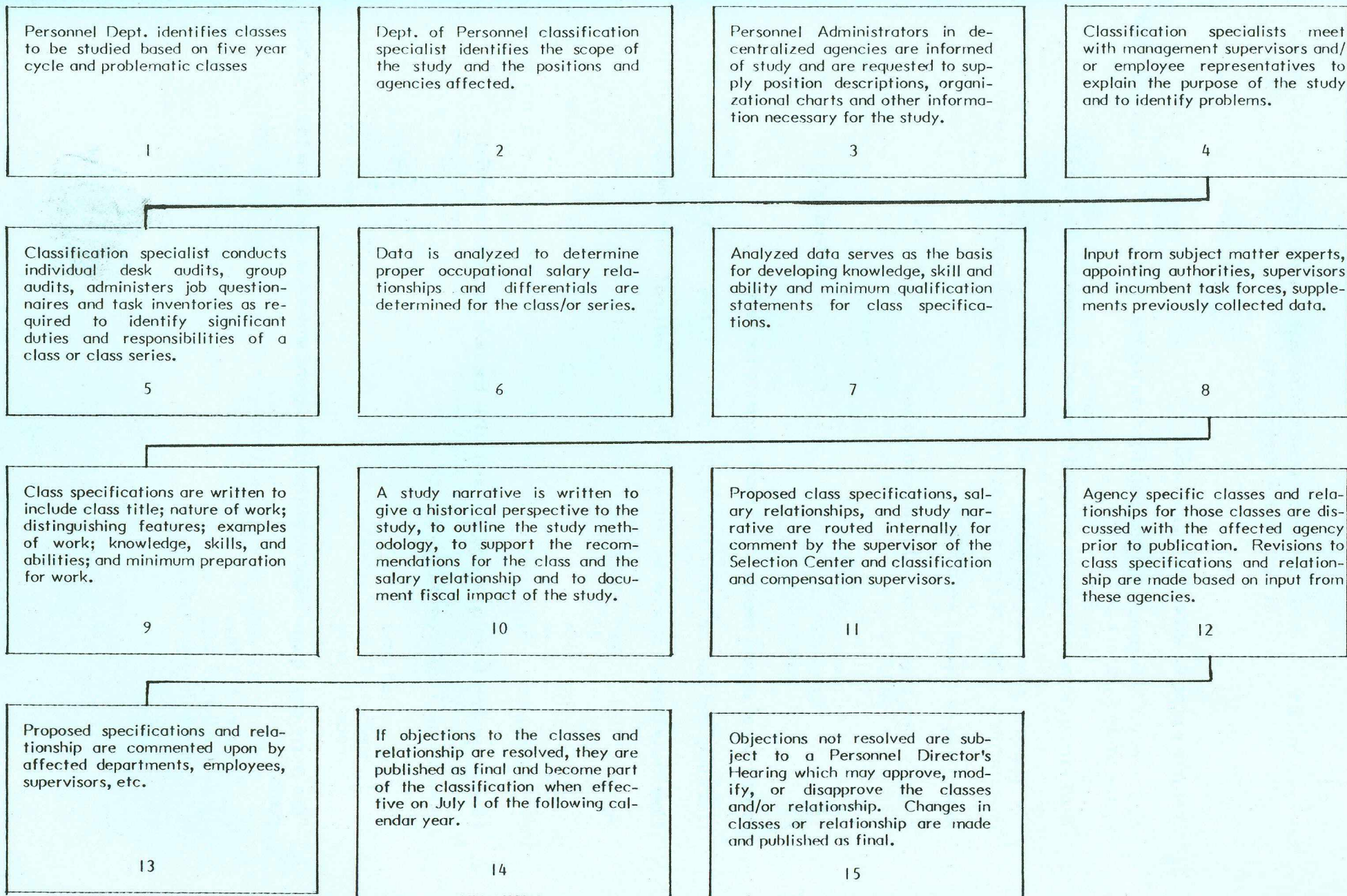
1. conduct a user needs assessment of the Personnel Data System to determine present and future needs to be served by PDS and develop an implementation plan no later than June 30, 1985 to satisfy those needs
2. set up a program to train new employees and refresher courses for employees using PDS; these courses should be regularly scheduled to ensure an up-to-date, trained staff using PDS at the agencies
3. create a system for keeping PDS users up-to-date on changes to the system; explanations of the changes could be published in existing Department publications (a PDS Users Column), or in a separate publication for PDS users

DEPARTMENT'S RESPONSE:

Agree generally. PDS users are kept up-to-date on system changes via the Advisor, a monthly publication. We will reformat PDS implementation to make it more noticeable. There is frequent on-the-job training provided to PDS users. The Department will assess the need for more formal training.

APPENDIX

FLOW CHART OF OCCUPATIONAL STUDY PROCESS	A-I
SUMMARY OF AUDIT REVIEW OF PERSONNEL APPEAL CASES 1982-83	B-I
RECOMMENDATIONS FOR ADDITIONAL DATA COLLECTION BY PERSONNEL BOARD	C-I
PDS USERS SUGGESTIONS AND NEEDS	D-I
PDS PLAN FOR IMPLEMENTING RECOMMENDATIONS OF CONSULTANT ...	E-I
RESPONSES FROM PERSONNEL DEPARTMENT	F-I
RESPONSES FROM PERSONNEL BOARD	G-I



Summary of Audit Review
of Personnel Appeal Cases 1982-83

1. How many appeals were filed in 1982-83?

We reviewed 273 appeals for hearings filed during the twelve month period examined by the State Auditor's Office.

2. What kind of information was gathered from each appeal for this report?

The appeals were categorized by type of appeal, length of process, resolution of case, number of back pay awards, and whether or not attorneys were present.

3. What types of appeals were filed?

Appeals were filed in the following categories:

Discipline	Examination
Classification	Layoff
Grievance	Occupational Studies
Discrimination	Other

4. What type of appeal received the most requests for hearings?

Discipline and discrimination followed by grievance, then examination.

5. How many appeals received a hearing? Denied? Settled? Withdrawn?

Appeals Filed	263
Hearings	39
Denied	104
Settled	64
Withdrawn	56

6. How many days from an appeal request until the hearing was conducted?

39 Hearings: Time from filing to hearing

mean 165 days
median 178 days
mode 176 days

7. How many days elapsed between the hearing and a decision was given to the participants?

mean 114 days
median 99 days
mode 76-100 days

8. What was the total time for an appeal from filing the petition until the case was closed?

Appeal filing - case closed

mean 279 days
median 266 days
mode 251-275 days

9. Were the decisions of the hearing officers appealed to the Board?

Three appealed cases were accepted by the Board. Decision time from Board hearing to notification of decision:

case 1 - 2 days
case 2 - 55 days
case 3 - 141 days

10. How long did the appeal cases to the Board take from time of filing until the final Board decision was announced?

The three cases: case 1 - 243 days
case 2 - 616 days
case 3 - 699 days

11. How were the hearings resolved?

Hearings Conducted - 39
Hearing officer upheld the appointing authority - 25 cases
Hearing officer reversed the appointing authority - 10 cases
Hearing officer modified the appointing authority - 1 case
The Board upheld the appointing authority - 2 cases
The resolution was not stated - 1 case

12. How many days elapsed from time of the filing to settlement for those appeals that settled without a hearing?

There were 64 appeals that settled without a hearing. The time from filing to settlement:

mean 174 days
median 152 days
mode 101-175 days

13. What types of cases received hearings or settled most often?

64 of the 103 cases that settled or received hearings were discipline appeals.

14. How many cases were denied hearings?

104 appeals were denied hearings.

15. How long did it take to notify the complainant that the appeal was denied?

The time from filing to notification of denial:

mean 93 days
median 48 days
mode 42-43 days

16. What type of appeals were denied?

Of the 104 appeal cases denied, discrimination, with 41 cases, was the largest category followed by 21 grievance cases and 19 discipline cases.

17. Were attorneys present in all cases?

Attorneys represented one or both participants in 55 of the 103 cases in which hearings were conducted or settled prior to a formal hearing.

18. How often was back pay awarded in successfully appealed cases?

Back pay or some cash settlement was agreed upon in 14 of the 263 appeal cases filed.

19. Which agencies had the most appeals? What was the percent of appeals per full time equivalent employee per agency?

Statistics from both the audit review and the Board indicate that of the total appeals filed:

- 29% were from Higher Education
- 20% were from Department of Institutions
- 12% were from Department of Highways
- 8% were from Personnel

The audit review calculated appeals per number of full time equivalent employees per agency.

Higher Education, Department of Institutions and Department of Highways accounted for more than half the appeals filed with the Board. But these also represented agencies with large numbers of employees. The percentage of appeals per FTE was 1.6%, Higher Education; .7%, Highways; and 1.4%, Institutions. The remaining 17 agencies had similar percentages.

RECOMMENDATIONS FOR ADDITIONAL DATA COLLECTION BY PERSONNEL BOARD

The following are data we recommend the Board staff collect for all appeals cases that come before the Board.

1. Time spent conducting hearing conferences. Staff now assume three hours each per settlement and pre-trial conference and 12 hours per formal hearing. These are estimates only and not based on actual time spent in the past.
2. Dates hearing officers submit draft decision for typing and dates word processing completes typing.

These data were collected for a sample of cases in 1983-84. We recommend collecting data on all cases. This is important since these two activities constitute the step in the appeals process mandated by law to be completed within 45 days.

3. Cases in which hearing officers have awarded attorney fees because an appeal was frivolous.

This is information requested on an annual basis by the Joint Budget Committee.

4. The rule or rules that were the basis of the appeal.

This could signal confusing or vague rules, which the Board would want to clarify. This also could signal weaknesses in management's or employee's understanding of the rules. This would be useful information for the training section at the Personnel Department to use when evaluating training needs for state employees.

5. Length of the process when an appeals case is appealed from the hearing officer to the Personnel Board. Include the following:
 - a. number of days from appeal of hearing officer decision until Board hearing is conducted
 - b. number of days from appeal request until the Board certifies transcript
 - c. numbering of days from the appeal request until the Board receives the transcript
 - d. number of days from the certification of record until Board issues a decision

This could enable staff to monitor timely processing of appeal cases that are appealed from hearing officer to the board.

6. Resolution of Appeal by the Board, identifying whether the Board reversed or upheld the hearing officer and the appointing authority.

This information could offer useful feedback to hearing officers, in particular, as to how well they were carrying out the policy intent of the Board in their decisions.

PDS USER SUGGESTIONS AND NEEDS

1. Need computerized affirmative action information on:
 - . system statistics
 - . labor market availability
 - . recruitment resources
2. Personnel information needed
 - . seniority for layoff purposes
 - . accrual of leave, including leave without pay
 - . funding source for each position
3. Reports needed 'end of month'
 - . total count of full time permanent filled and vacant and FTE count
 - . total count of part time permanent filled vacant and FTE count
 - . total temporary filled positions and FTE count
 - . total count of filled positions and FTE count of all positions
 - . total count of vacant positions and FTE count of all positions
 - . total positions created each month
 - . total positions abolished each month
 - . master cards giving history of employee
 - . anniversary dates for all employees in step 7 and reminders of necessary certification of probationary and trial service employees
 - . breakdown by work unit, class, race and sex

MEMORANDUM
FOR THE RECORD

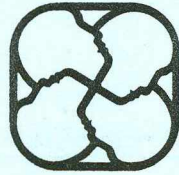
PDS PLAN FOR IMPLEMENTING RECOMMENDATIONS OF CONSULTANT

1. Get logging system under control
2. Complete maintenance - prioritize needs
3. Set priorities for ad hoc requests
4. Identify 20 reports that need to be provided regularly. Prioritize and program into system so they are readily available (not ad hoc)
5. All requests funneled through Deputy Director for the next 3 months, at least
6. Keep requestors informed of status of request - send them final solution
7. User groups recommend policies to Personnel Director and Deputy Director
8. User training
9. User "help" programs
10. Develop complete 5 year overall plan move towards information center system evaluate "what if" capability
11. Restructure data entry staff to ensure full productivity - plan due in 2 weeks
12. Train analyst/programmers in areas in which they lack proficiency - career development plan due in 2 weeks
13. Get each request completely through system before starting next one. Set deadlines for each person to complete his or her step
14. Maintain complete documentation on system changes
15. Train someone to do ad hoc reports - by December 1, 1984. Computer systems manager should not be doing these system evaluate "what if" capability

MEMORANDUM

Colorado Department of Personnel

RECEIVED



October 19, 1984

OCT 19 1984

COLORED COPY
GENERAL DELIVERY

TO: Bob Scott, State Auditor

FROM: Gail S. Schoettler, Executive Director *Gail S. Schoettler*

SUBJECT: DEPARTMENT OF PERSONNEL AUDIT

Attached are the Department's responses to your recommendations. We appreciate the energy and thought your staff put into the audit. They addressed our concerns in a thorough and professional manner, thereby providing us with very helpful recommendations for improving our department.

GSS:mn

STATE AUDITOR'S REPORT
OCTOBER 4, 1984

RECOMMENDATION NO. 1

The Department of Personnel should:

1. work with agencies to determine under what conditions all or part of delegation agreements will be dissolved and include this in the agreement.
2. work with the Legislature to determine a method by which resources can be transferred from decentralized agencies to the Department of Personnel if an agreement is dissolved. This method should be included in the delegation agreement.

DEPARTMENT'S RESPONSE

As requested by the Department, the auditors scrutinized the decentralized personnel system very thoroughly and capably. The Department would like to point out that it performs numerous other important functions besides overseeing the decentralized agencies' personnel operations. These include maintaining the classification system, conducting the salary survey, offering supervisory and management training, developing valid exams, and providing technical assistance to all agencies.

1. The Department will develop performance standards for personnel functions, as well as a list of potential sanctions, and refer to these in the decentralization agreements.
2. The Department will work with the JBC and Legislature to determine how resources and/or responsibilities could be transferred or adjusted if sanctions are implemented.

RECOMMENDATION NO. 2

The Department of Personnel should ensure that the post audit function is adequately staffed to review each decentralized agency every five years, or sooner if necessary.

DEPARTMENT'S RESPONSE:

Agree. Additional positions have been requested in the past two years. Staff will be hired and frequency of audits established once appropriation is made.

RECOMMENDATION NO. 3

The Department of Personnel should identify what information is needed to develop system averages for personnel activities. This data should then be:

1. routinely produced by the Department's information systems
2. used to develop standards by which agency activity can be measured and for which they can be held accountable
3. made available to all agencies that will be judged by these standards
4. analyzed over time to determine if the averages are changing and if trends are emerging

DEPARTMENT'S RESPONSE:

Agree. Computer applications to accomplish these objectives will be given a higher priority than in the past. Having CU and CSU's classified employee information on line with PDS should improve our data base significantly.

RECOMMENDATION NO. 4

The Department of Personnel should ensure that the post audit process uses randomly selected, statistically valid samples so that inferences can be made to whole agency personnel operations and the personnel system as a whole.

DEPARTMENT'S RESPONSE:

Agree generally. The Department will use a randomly selected, statistically valid sample of the areas it audits. We may look more intensely at known problem areas, but will only generalize about those areas that have been audited with a randomly selected, statistically valid process. In some small departments, we may audit all the positions.

RECOMMENDATION NO. 5

The Department of Personnel should renegotiate delegation agreements with each agency. The new agreements should specify:

1. all personnel functions which are decentralized
2. monitoring and post auditing that will be conducted by the Department of Personnel
3. the responsibilities of each party
4. what will happen if agencies fail to adequately perform personnel functions

DEPARTMENT'S RESPONSE:

Agree in concept. We don't believe all functions must be spelled out in the decentralization agreements because of the length that would require. We will refer to procedures and standards bulletins in the agreements. The success of the post-audit function depends on the ability to implement sanctions if necessary - which necessitates transferring resources to the Department of Personnel if sanctions are used.

RECOMMENDATION NO. 6

The Department of Personnel should identify the total number of agencies subject to post audit review and ensure they are audited on a regular cycle.

DEPARTMENT'S RESPONSE:

Agree. Different agencies have different functions decentralized. The Department will draw up a master list of decentralized agencies and a schedule to ensure that all are audited regularly.

RECOMMENDATION NO. 7

The Department of Personnel should comply with statutes, board rules and an executive order regarding affirmative action and equal employment opportunity by:

1. regularly providing information needed to analyze the state work force by race, ethnicity and gender
2. requiring agencies to justify the use of "3+3" referrals based on current utilization data and to report the results of those referrals
3. submitting reports required by statute and board rule on progress made toward meeting affirmative action goals
4. reinstating analysis of applicants for state jobs in order to target recruitment efforts
5. reinstituting analysis of tests to determine if they are discriminating against racial and ethnic minorities and women.

DEPARTMENT'S RESPONSE:

Agree. The Department's new computerized Applicant Data System is operating now, and will provide data on applicants and new employees. To be really useful, however, all agencies must use the system. In addition, PDS programs for conducting utilization analysis and for monitoring affirmative action progress will be in place by June 30, 1985.

RECOMMENDATION NO. 8

The Department of Personnel should reinstitute the reviews required by their Procedures Bulletin SC-2 ("Procedures for Off-Site Audit of Selection Process"). These are:

1. review of exam materials for content validity assurance and announcement procedures
2. turnaround time and workload analysis
3. summary of recruitment representativeness
4. adverse impact analysis

DEPARTMENT'S RESPONSE:

1. On July 1, 1984 this off-site review process was reinstituted. 28 agencies are scheduled for review during the 84-85 fiscal year. Each decentralized agency will receive a report annually on all its examinations submitted to the Selection Center in the previous year.
- 2.-4. Information on the above items is currently collected. Reports are generated from this data on an ad hoc basis upon request of the agencies. Because agencies reported that they did not use these reports for any routine analysis or corrective actions, the department discontinued regular reporting and, instead, produced ad hoc reports upon request.

The new Automated Applicant Data System will automatically generate all of the information required per SC-2 for those agencies on the system. Additionally, the system will provide a summary report by sex/ethnic category of the number of applicants who failed each hurdle in the exam plan and the number who reached eligible status. Numerous other reports can be generated from information in the Applicant Data System on an ad hoc basis. Agencies not participating in ADS will still be responsible for providing information per Procedures Bulletin SC-2.

RECOMMENDATION NO. 9

The Department of Personnel should:

1. make provisions for the Personnel Data System to gather and report information on agency implementation of performance evaluations
2. use the above information to monitor compliance with requirements for annual performance evaluations
3. make recommendations to the Legislature and the Personnel Board to revise the current statute (C.R.S. 24-50-118(3)) and Board rule 10-1-3(E) to require appointing authorities to administer disciplinary action against supervisors who fail to annually evaluate their employees

DEPARTMENT'S RESPONSE:

- 1.-2. Agree. Other priorities have come before these recommendations. PDS will provide performance evaluation reports by July 1, 1985.
3. The Department at one time suggested to the Personnel Board that it pass a rule fining supervisors who don't complete performance evaluations. The Board rejected this. One option used by the City and County of Denver is to hold checks of supervisors who haven't completed performance evaluations. In order to apply to all supervisors, including exempt supervisors, such sanctions would require legislative action. We do not agree that disciplinary action should be required since such actions have due process considerations. Instead, disciplinary actions in these cases should be permitted and encouraged.

RECOMMENDATION NO. 10

The Department of Personnel should:

1. perform desk audits of a randomly selected, statistically valid sample of each decentralized agency's positions to determine the extent of incorrectly classified positions
2. determine what percentage of error is acceptable
3. identify agencies with unacceptable error rates and systematically reclassify positions until an acceptable error rate is attained

DEPARTMENT'S RESPONSE:

Agree. The Department will desk audit a sample of the classified positions selected for audits. If granted, our request for 2 permanent post-audit positions will enable us to do this effectively. In addition, the Department, is working with the State Auditor's Office to secure auditing training for our PMR supervisor. Part 3 of the recommendation will usually require some reallocation of resources or adjustment of the decentralization agreement.

RECOMMENDATION NO. 11

The Department of Personnel should ensure that post audits of classification include the following:

1. a statistically valid randomly selected sample
2. desk audits of the sample positions, so that the accuracy of classification can be assessed

DEPARTMENT'S RESPONSE:

Agree generally. See response to numbers 4 and 10.

RECOMMENDATION NO. 12

The Department of Personnel should ensure that each class within the state personnel system is reviewed at least every five years by choosing one or more of the options recommended on page 42.

DEPARTMENT'S RESPONSE:

Agree. We must balance this against our need to fulfill our other duties. To do our job properly, we need additional PMR positions as requested in our budget so that we do not continually pull people from the classification staff to perform other functions.

RECOMMENDATION NO. 13

The Legislature should ensure that the state classification system is revised and maintained in accord with the State Constitution and statutes by providing the necessary funding to implement changes recommended by occupational studies.

DEPARTMENT'S RESPONSE:

Agree. This is a critically needed recommendation.

RECOMMENDATION NO. 14

The Legislature should consider revising C.R.S. 24-50-107 to clarify under what conditions and for what period of time "save pay" should be awarded.

DEPARTMENT'S RESPONSE:

Agree. The Department will work with the Legislature and the Board to resolve this issue.

RECOMMENDATION NO. 16

The Personnel Director should develop procedures formally authorizing delegation of training to other state agencies and clarify what kind of training should be provided by the State Department of Personnel and what kind should be provided by other state agencies.

DEPARTMENT'S RESPONSE:

Agree.

RECOMMENDATION NO. 17

The Department of Personnel should formally delegate training authority to other state agencies through decentralization agreements. These agreements should include the following:

1. the kinds of training to be provided by the agency and the type provided by the State Department of Personnel
2. requirements that decentralized agencies conduct training need assessments, evaluate the effectiveness of training and report training expenditures (for training specific to that agency) to the Legislature (not the Department of Personnel)

DEPARTMENT'S RESPONSE:

Agree. In process now.

RECOMMENDATION NO. 18

The Department of Personnel should ensure that all agencies with decentralized training agreements are adequately trained in need assessment and evaluation techniques.

DEPARTMENT'S RESPONSE:

Agree. Also in process.

RECOMMENDATION NO. 19

The Department of Personnel should:

1. conduct needs assessments, provide training, and evaluate the effectiveness of training for all state employees who manage or supervise other state employees (including exempt manager and supervisor of classified employees)
2. provide standardized training and certification to all employees who perform personnel functions in all state agencies. The requirements for training and certification should be included in delegation agreements

DEPARTMENT'S RESPONSE:

Agree. Part 6 can be done with existing resources. Part 1 will require very substantial new resources (an estimated \$750,000) and should be carefully evaluated for cost effectiveness. The Department does offer management and supervisory training. The latter needs to be expanded and will be contained in future budget requests. Some departments provide their own training.

RECOMMENDATION NO. 20

The Board should assume full responsibility for preparing its own budget, justifying its request throughout the appropriations process, and accounting for its expenditures to the Legislature.

RECOMMENDATION NO. 21

The Board should develop a written agreement describing its responsibility for the budget function. This agreement should be signed by appropriate parties at the Personnel Department and the Personnel Board.

RECOMMENDATION NO. 22

If Recommendation No.'s 20 and 21 do not solve the problem, the Board should propose legislation next session which states that the Personnel Board, not the Department, is responsible for developing the Board's budget.

DEPARTMENT'S RESPONSE: Numbers 20 through 22

The Department strongly disagrees with the contention that the Board does not have responsibility for its own budget. The Board represents itself at all budget hearings and makes its own budget decisions. The Department provides accounting services for the Board and assists with other activities when requested to do so. Recommendation #20 is unnecessary because it is already the practice. Therefore we do not see any need for recommendations 21 and 22.

RECOMMENDATION NO. 23

The Board should propose Legislation to clarify:

1. what penalties, if any, result from the Board's failure to process an appeal within the prescribed time limit.
2. whether the Department loses jurisdiction over appeals that are not processed within the time limit.

DEPARTMENT'S RESPONSE:

Agree.

RECOMMENDATION NO. 24

The Personnel Department, and the Personnel Board should communicate in a formal fashion and document what they agree on regarding the purpose, methodology, time schedule, and product of the 1984 task force on rules revision.

RECOMMENDATION NO. 25

The Department and Personnel Board should ensure that the 1984 task force on rules revision integrates as much as possible the work of the 1981 task force into the 1984 revisions.

DEPARTMENT'S RESPONSE: Numbers 24 and 25

Agree. The 1984 task force is utilizing as much of the 1981 revision as possible and is making regularly scheduled presentations to the Board. We anticipate that the Board rules and Department procedures resulting from this effort will be scheduled for APA hearings in the early summer.

RECOMMENDATION NO. 26

The Personnel Department should include in a new edition of the employee handbook, a description of the appeals process and how to use it. The Handbook should be distributed by July 1985.

DEPARTMENT'S RESPONSE:

Agree. The new employee handbook is scheduled to be published by May 1, 1985.

RECOMMENDATION NO. 30

The Department of Personnel should communicate with Board staff about appeals data needed to help identify training needs for state employees.

DEPARTMENT'S RESPONSE:

Agree.

RECOMMENDATION NO. 31

The Personnel Department should plan future training programs, as needed, to correct weaknesses identified from appeals data.

DEPARTMENT'S RESPONSE:

Agree.

RECOMMENDATION NO. 32

The Department of Personnel should:

1. conduct a user needs assessment of the Personnel Data Sytsem to determine present and future needs to be served by PDS and develop an implementation plan no later than June 30, 1985 to satisfy those needs.
2. set up a program to train new employees and refresher courses for employees using PDS. These courses should be regularly scheduled to ensure an up-to-date, trained staff using PDS at the agencies.
3. create a system for keeping PDS users up-to-date on changes to the system. Explanations of the changes could be published in existing Department publications (a PDS Users Column), or in a separate publication for PDS users.

DEPARTMENT'S RESPONSE:

Agree generally. PDS users are kept up-to-date on system changes via the Advisor, a monthly publication. We will reformat PDS implementation to make it more noticeable. There is frequent on-the-job training provided to PDS users. The Department will assess the need for more formal training.

STATE OF COLORADO

STATE PERSONNEL BOARD

M. Eileen Persichetti, Administrator
617 State Services Building
1525 Sherman Street
Denver, Colorado 80203-1773
Phone: (303) 866-3244

October 22, 1984



Richard D. Lamm
Governor

Tony Arguello
Chairman

Jan Knoop
Vice Chairman

Marie Couch

Francis F. Kethcart

Randall C. Mustain-Wood

Robert J. Scott, CPA
State Auditor
1365 Logan, Suite 300
Denver, Colorado 80203

Dear Mr. Scott:

The State Personnel Board has reviewed the Performance Audit report on the State Personnel Board and the Department of Personnel. The Board's responses to the audit recommendations are as follows:

<u>Recommendation</u> <u>No.</u>	<u>Summary</u>	<u>Agency Response</u>
14	The Legislature should consider revising CRS 24-50-107 to clarify under what conditions and for what period of time "save pay" should be awarded.	Partially Agree

Comment: Any such statutory revision is at the legislature's discretion. The Board does not find the statute to be a problem in its current form. The clarification suggested can be implemented by Board rule.

15	Revise Personnel Board rule so that it is consistent with statute.	Agree
----	--	-------

Comment: The Board will ask the 1984 Rule Revision Task Force to look at this rule and make a recommendation to the Board. The Board does not feel that the rule is in conflict with the statute, but will consider changing the language of the rule to emphasize and define the discretionary language of the statute.

20	Assume full responsibility for preparing its own budget and seeing it through the appropriation process.	Agree
----	--	-------

Comment: The Board agrees and takes full responsibility for preparing and justifying the budget. However, the Board is still dependent upon the Department to provide accounting assistance and guidance through the various phases of the budget process, since the Board does not have a budget officer skilled specifically in the budget process. The only way this recommendation can be fully implemented is to create a new Board staff position for a budget officer.

Robert J. Scott
October 22, 1984
Page 2

- 21 Enter into written agreement with Personnel Agree
 Department describing Board's budgetary responsibilities.

Comment: The Board will begin preparing a memorandum of understanding with the Department concerning the Board's responsibility over budget functions and any assistance which may be requested from the Department during the budget process.

- 22 If recommendation nos. 20 and 21 don't solve the Agree
 problem, propose legislation which states that the
 Personnel Board, not the Department, is responsible
 for developing the Board's budget.

Comment: The Board will develop a written memorandum of understanding with the Department. If this is unsuccessful in achieving budget autonomy for the Board, the Board will then propose legislation to achieve this goal.

- 23 Propose legislation to clarify what would happen Agree
 if the Board failed to process an appeal within
 the prescribed time limit.

Comment: The Board will request that additional language be added to the statutes governing the appeals process to clarify the Board's jurisdiction upon passage of the time limits.

- 24 Communicate and document what they agree on Agree
 regarding the purpose, methodology, time schedule,
 and product of the 1984 Task Force on Rule(s)
 Revision.

Comment: The Department made a presentation to the Board on September 4, 1984, concerning the 1984 Rules Revision Task Force and discussed its goals with the Board at that time. Although it has not been documented to date, the Board believes that agreement has been reached concerning the purpose, methodology, time schedule, and product of the task force. The Board has begun reviewing the recommendations of the task force, starting with affirmative action and discrimination rules which were reviewed on October 2, 1984. The Board has scheduled a review of 2 rules chapters per meeting for the next 5 meetings which will complete its informal review of the task force recommendations. At that time (February, 1985), the Board will submit these recommendations for notice of public rules hearing and will conduct rules hearings in April, 1985. If the rules are adopted, they will become effective June 1, 1985.

- 25 Ensure that 1984 rules revision task force inte- Agree
 grates as much as possible the work done by the
 1981 task force into the 1984 revisions.

Comment: The Board strongly recommended that the rules task force use the 1981 report as the basis for their recommendations, and that the 1981 report be updated to encompass legislative changes made since that report was issued.

- 27 Implement six recommendations to ensure appeal Agree
 time limits are met and employees are notified on
 a timely basis of hearing request demands.

Comment: The Board agrees with the recommendation and will implement all six recommendations to the extent practicable.

Recommendation A is to set deadlines for completion of work. This has been done.

Recommendation B is to shift existing staff resources or priorities. This cannot be accomplished for two reasons: first, there are no staff resources available which can be shifted to the typing workload; and second, the priorities cannot always be shifted because other work carrying a higher priority usually has a time deadline which must be met prior to the deadline for typing of decisions. Whenever possible, the Board does give a high priority to the issuance of decisions, but this step must also be managed along with the high priorities for the processing of appeals and setting of hearings.

Recommendation C is to consider hiring a word processing operator. The Board has hired a part-time temporary word processing operator which has eased the typing backlog considerably. Also, the Board has requested funding for a word processing operator in its FY 1985-86 budget request. Hopefully, the legislature will favorably consider this request so that the statutory deadlines can be met.

Recommendation D is to collect data concerning the issuance of decisions. Data is currently being collected which will indicate productivity of hearing officers and typists.

Recommendation E is to use the data collected above as a part of performance evaluations. This is currently being done.

Recommendation F is to notify employees of denials of appeals within 10 days. The Board has set a goal of initial processing (and determination of denial) to be done in one day, with notice of denial to be mailed within 3 days after receipt of appeal.

- 28 Begin collecting additional data listed in Appendix, page C-1. Agree

Comment: The Board has established a comprehensive case log to monitor and collect data on each appeal filed. The Board will begin the further collection of data as recommended, subject to the availability of staff. It should be noted that the Board does not have a computer, but does have a word processor which will aid in the storage and collection of data; however, all data will still need to be manually processed for proper analysis. At the present time, the staff position intended for data collection and summary is being heavily utilized for word processing, due to the lack of a full-time word processor position. Note: Recommendation No. 3 in Appendix C-1 erroneously characterizes the relevance of the party who requests a continuance, since a request alone would never impact the outcome of an appeal. The relevance of this data is in determining whether there are any patterns with respect to which side is more likely to perceive the 45-day time limit as too stringent.

- 29 Develop a list of documentation needed for each appeal case file. Agree

Comment: The Board is in the process of refining a data-collection instrument to be utilized in each appeal case file. However, it is doubtful whether this instrument can accomplish its intended purpose, due to the staffing problems noted above.

- 30 The Department of Personnel should communicate with Board staff about appeals data needed to help identify training needs for state employees. Agree

Comment: The Department has requested information on "supervisory errors" discovered during the appeals process. This data has been collected and returned to the Department for their use in developing training courses. As a result of this interchange, both the Board and the Department have been able to streamline their data-collection instruments.

Robert J. Scott
October 22, 1984
Page 5

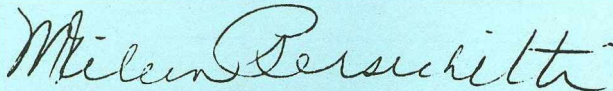
Additional Comments:

I have attached an amended organization chart for the State Personnel Board which you may want to substitute for the chart on page 16 of the report. This chart differs by showing the proper reporting relationship of the Public Service Intern position, and the addition of graduate interns who are assisting the Board at no financial cost to the state.

As the State Personnel Board and its staff are autonomous from the Department of Personnel, we would appreciate a thank you to the Board's staff on page 6 of your report (at your discretion, of course!).

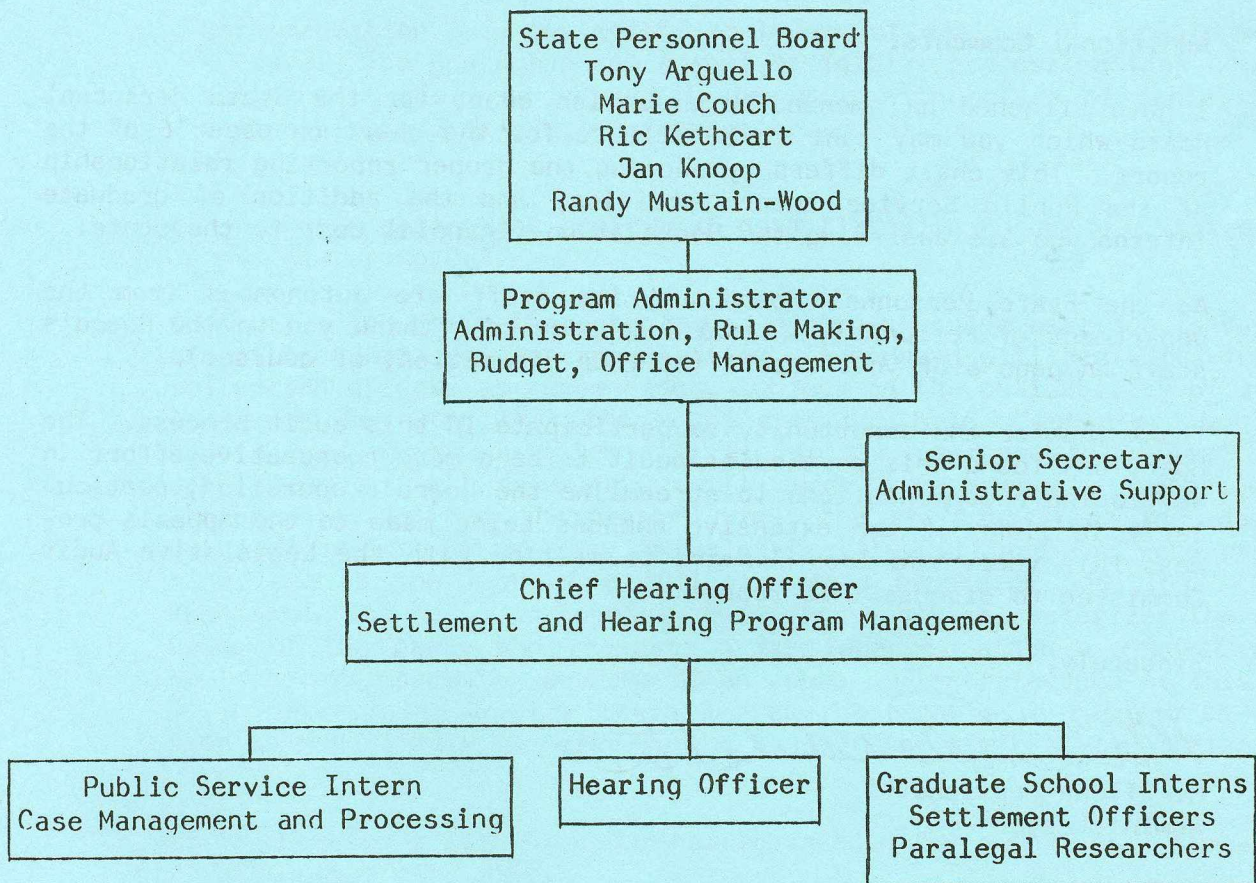
Thank you for the opportunity to participate in this audit process. The Board has found this particular audit to be a more cooperative effort in developing recommendations to streamline the Board's operation, particularly in light of the extensive changes being made to the appeals process this year. We look forward to meeting with the Legislative Audit Committee to discuss this report.

Sincerely,

A handwritten signature in cursive script, reading "M. Eileen Persichetti".

M. Eileen Persichetti
Administrator

COLORADO STATE PERSONNEL BOARD
FY 1984-85 ORGANIZATION CHART



STATE OF COLORADO
DEPARTMENT OF PERSONNEL
PERFORMANCE AUDIT
REPORT OF THE STATE AUDITOR
OCTOBER 1984

Copies of this report have been distributed to:

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Joint Budget Committee (3)
Honorable Richard D. Lamm, Governor
Department of Personnel (10)
Personnel Board (7)
Office of State Planning and Budgeting (2)
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