



DIVISION OF HUMAN RESOURCES AND STATE PERSONNEL BOARD

Performance Audit, May 2013 Report Highlights



Dianne E. Ray, CPA
State Auditor

Department of Personnel & Administration

PURPOSE

Assess the management and oversight of the State's personnel system provided by the Department of Personnel & Administration's (the Department) Division of Human Resources (the Division) and the State Personnel Board (the Board).

BACKGROUND

- The state personnel system is the civil service system of state classified employees.
- State agencies with classified employees must adhere to the requirements guiding the state personnel system in the State's Constitution, statutes, and personnel rules.
- The Division oversees the state personnel system and agencies' compliance with statewide human resources requirements.
- The Board promulgates rules for the state personnel system and adjudicates employment disputes.

OUR RECOMMENDATIONS

The Department should:

- Improve data integrity and oversight over the performance review process for classified employees.
- Monitor and enforce agency compliance with laws and requirements guiding the human resources function.
- Improve workforce planning and management systems, training, and metrics.
- Improve tracking of Personnel Director's appeals to ensure they are handled timely.

The Board should:

- Improve its case management system and processes to ensure cases are resolved efficiently and timely.
- Establish safeguards to manage potential conflicts of interest, including written policies, annual disclosures, and training.

The Department and Board agreed with these recommendations.

AUDIT CONCERN

The Department's Division of Human Resources and the State Personnel Board need to improve their systems and processes for overseeing Colorado's state personnel system.

KEY FACTS AND FINDINGS

- The Division's system used to track state employees' performance did not have reliable data needed to monitor agencies' compliance with performance review requirements. For 12 out of 14 employees sampled, the system was inaccurate and did not reflect hard-copy files at agencies. Our review also found that between 4 percent and 8 percent of classified employees had no record of receiving a performance review in 2011 and/or 2012, as required by statute.
- The Division focuses on providing agencies human resources consulting services; it does not proactively monitor to ensure agencies comply with statutes, rules, and directives. A risk-based approach would allow the Division to monitor given its limited staff.
- Most of the State's key databases used to track workforce data continue to have unreliable data and the Division has not developed human resources metrics or trained agencies on using metrics. We also raised these concerns in our 2009 audit.
- The Division has not maintained complete or accurate electronic appeals data. We could not determine whether 201 of the 370 appeals (54 percent) from Fiscal Years 2011 and 2012 were issued by the Division within 90 days as required by statute. We identified three cases for which the Division did not issue a decision within 90-days so the agency action was automatically upheld.
- Although the Board has implemented a new case management system, the system and Board practices need improvement. For example, for 7 out of 175 cases (4 percent) in Fiscal Year 2012, key data, such as dates or records of hearings being held, were either not recorded in the system correctly or not recorded in the system at all. The Board also lacked adequate procedures for retrieving and using its case management data.
- The Board has not implemented safeguards to help prevent conflicts of interest, including a consistent process for disclosing conflicts, written conflicts of interest policies or procedures, or regular trainings or reminders on conflicts of interest. We also raised this concern in our 2009 audit.

Appendix A

Summary of Findings Related to the SMART Government Act Department of Personnel & Administration Division of Human Resources May 2013

The SMART Government Act [Section 2-7-204(4), C.R.S.] requires the State Auditor to conduct performance audits of programs or services in at least two departments each year so as to audit all departments in a 9-year cycle. These audits may include, but are not limited to, a review of:

- The integrity of the performance measures included the department's strategic plan.
- The accuracy and validity of the department's reported results.
- The overall cost and effectiveness of the audited programs or services in achieving legislative intent and the department's goals.

The Department of Personnel & Administration (the Department) and State Personnel Board (the Board) Performance Audit was selected for focused audit work related to the SMART Government Act. The scope of the SMART Government Act audit work was limited to the activities of the Department's Division of Human Resources (the Division) and focused on the Division's strategic management and oversight of the state personnel system and on consulting services to state agencies. This appendix covers five key questions, relevant to the SMART Government Act, to assess the effectiveness of the Division's performance in the areas we audited.

What is the purpose of this program/service?

According to statute (Section 24-50-101, C.R.S.), the Department is responsible for providing strategic management and oversight of the personnel system as well as consulting services to state agencies. To achieve this purpose, the Division is responsible for monitoring agencies and providing human resources consulting, data analytics, training, and employee assistance.

What are the costs to the taxpayer for this program/service?

In Fiscal Year 2012, the Division's expenditures related to monitoring, human resources consulting, data analytics, training, and employee assistance for State agencies and employees were about \$1.9 million.

How does the Department measure the performance of this program/service?

In its Fiscal Year 2014 strategic plan, the Department established the following three strategic goals related to the Division's human resources administration:

- **Goal 1: Improve Department customer service.** With respect to services provided by the Division, the Department's objective is to work with interested parties to develop processes to "maximize the opportunity for the State to hire, retain, compensate, and train

its employees, thereby increasing the efficiency of the State's overall human resource function."

- **Goal 2: Modernize Department systems that are outdated, ineffective, or on the verge of failure.** According to the Department, a number of the systems it administers that are critical to the management of state government are outdated, obsolete, and at risk of failure.
- **Goal 3: Implement the Talent Agenda initiative (House Bill 12-1321 and Amendment S).** In its previous strategic plan for Fiscal Year 2013, which the Department was required to present to the General Assembly in January 2012, the Department indicated that optimizing the State's processes used to hire, retain, and compensate employees was a key organizational goal. During Calendar Year 2012, the General Assembly passed House Bill 12-1321 and voters approved Amendment S, which are jointly referred to as the "Talent Agenda" and represent significant progress toward the Department's goals from its Fiscal Year 2013 plan. Together, these measures were intended to improve the State's ability to recruit, retain, and reward high-performing employees and include modernizing the State's workforce environment, increasing flexibility in the hiring process, and establishing a merit pay system. To implement these changes, the Department's Fiscal Year 2014 strategic plan noted that it will need to update its policies, procedures, and technical assistance and provide training to the State's human resources managers.

In addition to the goals listed above, the following Department performance measures apply to the Division's programs and services that we audited:

- Increase the percentage of customers reporting satisfaction with overall services provided by the Department to 42 percent by Fiscal Year 2014, from 38 percent in 2012. Although this was also established as a performance measure in its strategic plan for Fiscal Year 2013, the Department had not yet completed a customer satisfaction survey and established benchmarks for this measure. As a result, the Fiscal Year 2014 plan was the first to provide benchmarks and only provides the survey results for 2012.
- Increase statewide employee engagement, as measured by the biennial engagement survey, to 70 percent by Fiscal Year 2014, from 61 percent in 2012. The biennial engagement survey will be conducted again in Fiscal Year 2014 to determine if the Department has met the 70 percent performance measure.

Is the Department's approach to performance measurement for this program/service meaningful?

The SMART Government Act [Section 2-7-202(11), C.R.S.] includes several requirements to ensure that the Department's performance measures are meaningful. Specifically, performance measures are required to:

- Assess progress toward achieving the Department's goals.
- Be indexed to a baseline.
- Provide a time frame for successful performance.
- Be understandable to the general public.

We found that the performance measures for the Division services we audited met the requirements of the SMART Government Act. Each performance measure shows how the Department will assess the Division's progress in achieving its goals, is indexed to a baseline, provides a time frame for successful performance, and is understandable. However, we found that the Department's approach to measuring the Division's performance could be more complete if it had improved data and metrics related to the state's human resources activities. For example, in its Fiscal Year 2013 strategic plan, the Department included a performance measure to decrease the time it takes the State to fill open positions to 45 or fewer days. However, the Department did not report the actual time to fill positions in its Fiscal Year 2013 plan and removed this measure from the Fiscal Year 2014 plan. As we discuss in Recommendation No. 3 on workforce management, the Division currently lacks adequate data, such as data on time to fill positions, to fully develop key human resources metrics and assess its performance. By improving the quality of its data, the Division may be able to establish additional measures that track the overall performance of the State's human resources administration, including time to fill positions.

Is this program/service effective in achieving legislative intent and the Department's goals?

As discussed in Chapter 2 of this audit, we found that the Division's ability to provide strategic management and oversight of the State's personnel system and provide consulting services, as required by statute, is limited by its incomplete human resources data, outdated human resources systems, and a lack of proactive monitoring of agencies.