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REPORT OF THE STATE AUDITOR

**DEPARTMENT OF PERSONNEL
PERFORMANCE AUDIT**

MARCH 1993

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March 9, 1993

Members of the Legislative Audit Committee:

This report contains the results of the performance audit of the Department of Personnel. This performance audit was conducted pursuant to Section 24-50-103.5, C.R.S., which authorizes the State Auditor to conduct a performance audit of the Department of Personnel.

This report presents our findings, conclusions, and recommendations and the responses of the Department of Personnel.

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**STATE OF COLORADO
OFFICE OF STATE AUDITOR**

**TIMOTHY M. O'BRIEN
State Auditor**

REPORT SUMMARY

**DEPARTMENT OF PERSONNEL
PERFORMANCE AUDIT
MARCH 1993**

Authority, Purpose, and Scope

This audit of the Department of Personnel was conducted under authority of Section 24-50-103.5, C.R.S., which authorizes the State Auditor's Office to conduct a performance audit of the Department of Personnel every four years. This audit was conducted according to generally accepted government auditing standards. We conducted a survey of agency executive directors and personnel administrators statewide, conducted a survey of Colorado legislators, interviewed Department staff, contacted other states, reviewed Department reports and other documents, and analyzed data. Our audit work was performed from September 1992 through January 1993.

The overall purpose of this audit was to review the Department of Personnel's and Board's operations as they relate to statutory concerns. The statute lists several issues to be considered in the audit of the Department of Personnel and Personnel Board. Those issues include:

- The effectiveness of the Department and Board in filling job vacancies.
- The effectiveness of Department staffing levels.
- The effectiveness of the Department and Board as perceived by executive directors and the General Assembly.
- The extent to which changes are needed in the enabling laws.
- The extent to which the authority of the Department and Board has been restricted by the appropriation.
- The extent to which the Department and Board have operated in the public interest and economy.

To address these issues, we evaluated:

- Constitutional provisions which establish the personnel system.
- The Department's structure and placement in the State's organization.

For further information on this report, contact the Auditor's Office at (303) 866-2051.

- The Department's new selection system, New Directions in Selection.
- The perceptions of department executive directors and personnel administrators, and General Assembly members.
- The Department's progress in implementing audit recommendations from the 1989 audit report.

Our findings and recommendations, and the responses of the Department of Personnel, are summarized on the following pages.

Summary of Findings and Recommendations

Overall Efficiency and Effectiveness of the Personnel System

As part of the audit of the Department, we looked at opportunities for improving the overall efficiency and effectiveness of the State's personnel system. These opportunities include changes to the constitution, further decentralization of responsibility to the agencies, and changes to the organizational structure.

Changes to the Constitution

We reviewed Colorado's constitutional provisions on the state personnel system to determine how they affect the management of state agencies and institutions of higher education. We found that the constitution contains some provisions that are too specific and inflexible, and therefore may act as obstacles to efficient and effective management of state government. Three provisions specifically identified are the inclusion of division directors in the merit system, the rule of three selection method, and the six-month limit on temporary appointments. Our review of literature on the topic and other states' constitutions suggests a state constitution should establish a broad framework or set of principles for governance and should not be overly specific. The General Assembly should enact statutes to specify how policy is to be implemented. The three provisions identified as obstacles were originally included in the constitution to protect state employees from political patronage. However, we believe it is possible to maintain employee protections and establish an efficient and effective personnel system.

We recommend that the Governor and General Assembly appoint a commission to study the limitations of the current constitutional provisions on the state personnel system. This commission should develop recommendations for changing the constitution.

Department of Personnel Response:

Partially agree. The Department agrees that current constitutional provisions create issues that can only be resolved by constitutional amendment. Specifically, the rule of three and limits on temporary appointments and privatization restrict the system's ability to be flexible and responsive to changing human resource management needs. The personnel system must be innovative while protecting basic merit principles. It should be noted that this issue has been studied extensively in the past, and that past efforts may provide a foundation for future consideration.

Further Decentralization of Responsibility

We believe that the Department can increase the efficiency and effectiveness of the personnel function by further decentralizing certain personnel activities. Both centralized and decentralized agencies identified activities which could be decentralized with existing staff absorbing the workload. Most of the opportunities for further decentralization were in selection; some opportunities exist in classification. Part of the Department's mission is to "promote efficient and cost-effective systems for human resource management." Decentralization of activities should result in the need for fewer FTE at the Department. The Department, in its role as overseer of the system, should initiate decentralization efforts to ensure the most efficient provision of personnel services in all agencies. To accomplish this, **we recommend that the Department assess all activities for further decentralization to agencies. The Department should prepare staffing changes in its Fiscal Year 1995 budget request.**

Department of Personnel Response:

Partially agree. The Department will conduct an assessment and, if analysis warrants, will pursue further decentralization. The assessment will include recommendations on staffing changes. In order for the Department to meet the commitments in Response Nos. 2, 4, 5, 8, appropriate staffing changes can be addressed in the Fiscal Year 1997 budget request.

Changes to the Organizational Structure

Part of the State Auditor's statutory responsibility is to identify opportunities for consolidating and eliminating functions. This statutory authority, as well as observations made during the Department audit, led us to evaluate and consider other organizational structures for the Department. We looked at each Department division for potential savings based on the following changes: merging the Departments of Personnel and Administration which would result in savings from consolidated functions, further decentralization to the agencies, and possible contracting of some functions. Our calculations identified a potential savings of \$886,000 to \$979,000. We believe this estimate is reasonable based on the scenarios reviewed. However,

there are additional opportunities for savings which we were not able to quantify because of a lack of information. **We recommend that the Department conduct a detailed workload analysis so that savings can be identified in those areas and that the Department evaluate several functions to determine the feasibility of contracting with the private sector for the services. Further, we recommend that the Department work with the Department of Administration to develop a plan for merging the two departments.**

Department of Personnel Response:

Partially agree. The Department will explore the feasibility of contracting several functions and examine role changes following complete implementation of new directions. Contingent on funding, the Department will seek an independent workload analysis. To date, information from the Governor's office indicates that the constitution may preclude this Department from merging with any other executive department.

New Directions in Selection

One of the Department's primary responsibilities is overseeing the system for selecting candidates for state employment. As part of this responsibility, the Department developed a new selection process to improve the previous system. The new system allows applicants to apply for several different positions with one application at any time. Further, the Department developed a computer-coded application to capture applicant education and experience. In reviewing New Directions in Selection, we found that some of the objectives of the new system have been met. However, we identified several areas for further review and revision by the Department. Specifically, we see no indication that the system objectives related to staff resource efficiency and an increase in the quality of applicants have been accomplished. Agencies are concerned that the system's coding prohibits applicants with a great deal of experience from accurately portraying it. We question the usefulness and appropriateness of using general abilities tests. We found that the Department lacks a tracking system to monitor the number and type of user problems. Also, the Department did not fully follow a system development methodology in modifying the computer system. **We recommend that the Department reevaluate the New Directions in Selection system and modify the selection system to address the problems identified.**

Department of Personnel Response:

Agree. The Department will evaluate the selection system and make necessary modifications following completion of the first full year of system operation. Development of a comprehensive, formal plan for evaluation began in July 1992.

Results of Survey Questionnaire

We asked executive directors and personnel administrators to evaluate the Department and Board on five topics: personnel rules and procedures, New Directions in Selection, the grievance and appeal processes, the division of responsibilities between the Department and state agencies, and the effectiveness of the state personnel system in meeting its statutory objectives. Personnel administrators also addressed four additional topics: the examination process, technical support, training offered to human resources staff, and the affirmative action program. Members of the General Assembly received a brief questionnaire about the overall effectiveness of the state personnel system.

We received responses from 79 percent of the executive directors and 87 percent of the personnel administrators. With these high response rates, we concluded that the survey results represent the views of the entire group. Twenty-nine of the one hundred legislators responded to the survey. This lower response rate did not allow us to draw conclusions about the opinions of the General Assembly as a whole.

The responses from the executive directors and personnel administrators show that they have the following opinions: the state personnel system meets its statutory requirements; personnel rules and procedures negatively affect selecting and dismissing employees; New Directions in Selection and the Department's technical support of computer services need improvement; the Department provides satisfactory examination and training services; and the Department's grievance and appeal process is effective and timely. The questionnaire respondents evaluated the New Directions in Selection system and Department examination support separately. Examinations are one portion of a selection system. However, responses showed the agencies were satisfied with the Department's examination services, but noted improvements were needed in the overall selection system. The General Assembly members who responded to the questionnaire indicated that they believe the Department is effective in administering the state personnel system. Also, they indicated that the Board is effective in administrative rulemaking. **We have no recommendations in this area. However, we make recommendations addressing some of these areas in other chapters.**

Department of Personnel Response:

In response to the surveys of personnel administrators, executive directors and legislators that was conducted as part of the performance audit, the Department will be using the results in discussion with various user task forces, e.g., the ADS Resolution Team and Job Evaluation Issues Group.

Follow-Up on Recommendations From 1989 Performance Audit

In March 1989 the State Auditor's Office issued a performance and financial audit report on the Department of Personnel and the Personnel Board. The report contained 29 audit recommendations addressing six areas of the Department's and Board's operations. The scope

of this audit did not include reviewing the seven recommendations on the Department's accounting practices since those recommendations were covered in the financial audit following the release of the 1989 performance audit. We found the Department has fully implemented sixteen recommendations, partially implemented four, and not implemented two.

While our review indicated the Department has implemented most of the recommendations, we identified some areas that need additional attention. The 1989 State Auditor Office audit of the Department recommended that the Department estimate the cost of the new classification system and develop procedures for ensuring classification uniformity statewide. Our review found that the Department had not implemented these recommendations. **We recommend that the Department develop policies and procedures for estimating and monitoring project costs. Further, the Department should design and implement a methodology to ensure state agencies correctly and uniformly classify their positions.**

Department of Personnel Response:

Partially agree. The Department will develop policies and procedures to estimate costs prior to project development, monitor costs during project development, and report estimate-to-actual comparisons to Department management.

The Department will design and implement a methodology to ensure correct and uniform position classification statewide.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Party Addressed	Agency Response	Implementation Date
1	20	Appoint a commission to study the limitations of the current constitutional provisions on the state personnel system.	Personnel	Partially Agree	
2	24	Further decentralize operations by assessing current activities.	Personnel	Partially Agree	10/95
3	32	Work with the Department of Administration to develop a plan for merging the two departments.	Personnel Administration	See Response In Report Text	
4	33	Evaluate functions to determine the feasibility of contracting with the private sector for services.	Personnel	Agree	10/94
5	33	Arrange for an independent, comprehensive workload analysis and recommend changes in FTE consistent with the findings.	Personnel	Partially Agree	3/95
6	40	Evaluate the current and future operations of New Directions in Selection.	Personnel	Agree	12/94
7	41	Assess agency concerns regarding information coding and information available from ADS.	Personnel	Agree	12/94
8	42	Evaluate the changes in the redistribution of duties resulting from New Directions and recommend changes in staffing.	Personnel	Agree	12/94

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Party Addressed	Agency Response	Implementation Date
9	47	Evaluate whether general abilities tests should be used in the selection process.	Personnel	Agree	3/95
10	49	Improve tracking of ADS user problems.	Personnel	Implemented	2/25/93
11	52	Use project management methodology for continuing implementation of ADS and all future system developments, develop system testing and change management policies, and pilot test new programs in the future.	Personnel	Partially Agree	12/93
12	71	Improve controls over project development by developing policies and procedures for estimating and monitoring project costs.	Personnel	Partially Agree	12/93
13	73	Design and implement a methodology to ensure correct and uniform position classification statewide.	Personnel	Agree	7/94

DEPARTMENT OF PERSONNEL

Background and Description

Organization of the State Personnel System

The major components of Colorado's state personnel system include the Department of Personnel, State Personnel Board, and personnel offices in state agencies and institutions of higher education. The personnel system and its rules and regulations govern approximately 27,000 classified state employees. The system does not include employees in positions exempted by the state constitution. There are approximately 7,000 nonclassified positions in the State, excluding higher education.

The Department of Personnel is primarily responsible for administering the personnel system, maintaining the State's classification system, and keeping employee records. The Department currently employs 90 full-time equivalent employees. As the organization chart on page 11 shows, the Department is composed of the Executive Director's Office and five divisions. The following describes the primary responsibilities of each area.

- **Executive Director's Office** is responsible for overall department leadership, executive policy and decisionmaking, affirmative action, employee communications, and public affairs.
- **Technical and Consulting Services** reviews the personnel activities of state agencies; operates the employee appeal process; supports the personnel activities of agencies without decentralized authority, interprets personnel rules; conducts employee training classes; and maintains the state performance appraisal system.
- **Classification and Compensation** maintains the job classification system, conducts the annual salary and benefits survey; develops leave policies, and reviews and approves personal services contracts.

- **Finance and Benefits** is responsible for department budgeting and accounting. It also administers the employee benefits programs, employee assistance program, and deferred compensation plan.
- **Computer Services Division** develops and maintains the Applicant Data System and statewide personnel data base; supports the Department's local area network; and reports statewide performance appraisal information.
- **Selection Center** administers the selection examination process; conducts selection training for state agency staff; and researches, develops, and validates selection exams.

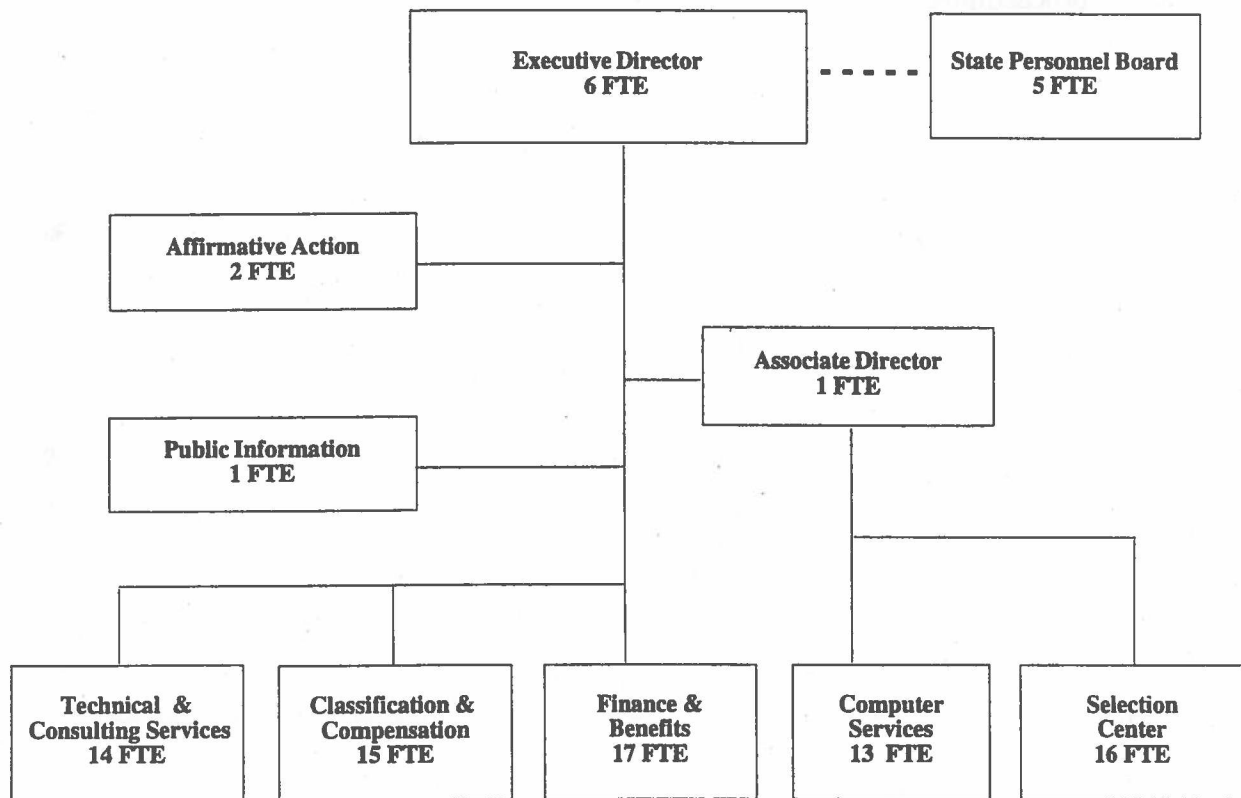
The State Personnel Board consists of five members. The Governor appoints three of its members and classified employees elect two. The Board has a small staff which includes a director, two administrative law judges, and two legal assistants. The Board's functions are to:

- Adopt, amend, and repeal rules needed to implement laws relating to the personnel system.
- Hear and resolve appeals concerning disciplinary actions, grievances, and layoffs.
- Consider requests for waiving the residency requirement for employment in the state personnel system.

Colorado's personnel system is primarily decentralized.

Colorado has a decentralized personnel system. The state personnel director delegates authority to agencies and institutions for performing certain personnel functions. Qualifying agencies and institutions may perform their own selection and classification functions. Some decentralized agencies and institutions perform both of these activities and others perform only one. To qualify for decentralized authority, the agency or institution must ask for this authority and must have a personnel administrator who has been trained and certified by the Department of Personnel. The Department administers the selection and classification functions for agencies and institutions that do not have decentralized authority. The state personnel system has 25 agencies and institutions with, and 18 without, decentralized authority. Appendix A contains a complete list of decentralized agencies and non-decentralized agencies.

Colorado Department of Personnel Functional Organization Chart



Funding for the Department and Board

Some Department programs are cash-funded.

For Fiscal Year 1992 the Department and Board were appropriated \$5.6 million. General funds provided approximately 70 percent of these funds. The remaining 30 percent came from various sources of cash funds. A surcharge on medical insurance premiums provides cash funds for the employee benefits program. The deferred compensation program is funded through a quarterly asset fee charged to plan participants. Course registration fees fund the various training programs offered to state employees. Finally, the Board charges appellants a fee for transcripts of its appeal proceedings.



OVERALL EFFICIENCY AND EFFECTIVENESS OF THE PERSONNEL SYSTEM

Chapter 1

Background

As part of the audit of the Department of Personnel, we looked at opportunities for improving the overall efficiency and effectiveness of the State's personnel system. These opportunities for improvement include:

- Changes to the Colorado constitution which would increase the flexibility of the personnel system without sacrificing employee rights and protections.
- Further decentralization of responsibility to the agencies resulting in a more efficient use of current resources.
- Changes to organizational structure. This would involve merging the Department of Personnel and the Department of Administration, and result in savings from consolidated functions.

History and Purpose of the Constitutional Provisions

Civil service systems exist to protect the public from the negative effects of political patronage systems. In a political patronage system, an elected official has the ability to appoint individuals to government jobs to serve at the elected official's pleasure. Civil service systems, also known as merit systems, place a check on the power of elected officials by requiring that appointments to government jobs be based on merit and fitness. Civil service systems also protect employees from changes in political offices.

The history of Colorado's constitutional provisions on the state personnel system suggests the public intended to prevent a political patronage system. Colorado

first enacted legislation providing for a civil service system in 1907. The civil service system became a constitutional mandate in 1918. This original constitutional mandate included a provision to require that appointments and promotions be based on merit and fitness as determined by competitive tests of competence. Two constitutional amendments passed in 1970 replaced the civil service system with the existing personnel system. The new constitutional provisions retained the requirement that appointments and promotions be based on merit and fitness. Included in the amendments were provisions to:

- Make division directors rather than department heads the appointing authorities for most positions in state government.
- Keep division directors in the personnel system.
- Require that appointments to state positions be made from among the three persons ranking highest on the eligible list. This selection rule is commonly known as the "rule of three."
- Place a six-month limit on temporary appointments.

Colorado's constitutional provisions on the state personnel system are too specific and inflexible.

We reviewed Colorado's constitutional provisions on the state personnel system to determine how they affect the management of state agencies and institutions of higher

education. We found that some constitutional provisions on the state personnel system are too specific and inflexible, and therefore may act as obstacles to efficient and effective management of state government.

Some Constitutional Provisions on Personnel Are Too Detailed

Colorado has chosen a constitutional format that includes specific, detailed instructions for implementing the state personnel system. Changes to the system must emanate directly from the voters through the amendment process. This format requires voters to be well enough informed about the state personnel system to make responsible decisions concerning its policies and procedures.

Other states have removed the detail about their personnel systems from their constitutions.

The trend has been for states to remove the detail about their personnel systems from the constitution. Colorado went against this trend when it passed the 1970 amendments. It is one of only

two states to establish the details of the state personnel system in the constitution.

The constitutions in 17 states discuss the personnel system in broad terms. In these states statutes and rules provide the detail.

Executive directors and other representatives of state agencies and institutions we surveyed believe that the detailed constitutional provisions are a hindrance to effective management. In their opinions, the constitution should set policy for the state personnel system and statutes should prescribe implementation. The constitution should establish the basis for employee protection with statutes describing how those protections will be implemented. In addition, state employees are protected by extensive case law that did not exist when the constitution first created the civil service system.

The Model State Constitution

The constitution should establish a broad framework for the personnel system.

Our review of literature on the topic and other states' constitutions suggests a state constitution should establish a broad framework or set of principles for governance. The General Assembly should

enact statutes to specify how policy is to be implemented. In this approach, the citizens' elected representatives play an active role in adapting the constitutional framework to the changing needs and desires of the citizens. The National Municipal League (now known as the National Civic League) developed a model state constitution which reflects this philosophy. The Model State Constitution includes only one paragraph on civil service:

Merit System. The legislature shall provide for the establishment and administration of a system of personnel administration in the civil service of the state and its civil divisions. Appointments and promotions shall be based on merit and fitness, demonstrated by examination or other evidence of competence.

The National Municipal League explained that, because the merit system had gained such wide acceptance, it was no longer necessary to spell out the specifics in the constitution. Placing even major details in the constitution results in rigidity and undue restriction on the Legislature.

Attorneys in the Colorado Department of Law agree with the Model State Constitution but would include some additional provisions. They would add a provision to require that appointments and promotions be made without regard to "race, creed, or color, or political affiliation." This language is in the current constitution. In addition, the constitution needs a provision to list positions in state government that are exempt from the personnel system.

The model constitution and the suggestions from the Colorado Department of Law are a good starting point for determining what should be in the constitution. There may be other provisions not mentioned here which should appropriately be included in the constitution. For example, the current constitution addresses standards for compensating employees. The primary concern is ensuring that the constitutional provisions for the personnel system are as simple as possible. The constitution should provide the framework for the personnel system without prescribing how the system is to be administered.

Some Constitutional Provisions Are Obstacles to Effective and Efficient Management

It is possible to maintain employee protections and establish an efficient and effective personnel system.

From discussions with executive directors and managers of state agencies and institutions as well as a review of personnel literature, we identified three provisions now

included in the constitution which may hinder effective and efficient management. These provisions were intended to protect the public and state employees from the negative effects of a political patronage system. While they may do that, they also may hinder accountability, limit effective selection, and create inefficiencies. We believe that it is possible to maintain employee protections and establish an efficient and effective personnel system.

Provision on Division Directors' Status Hinders Accountability

The constitution prescribes who will be included in, or excluded from, the personnel system and assigns appointing authority. First, the constitution excludes department executive directors from the personnel system. This allows the governor to appoint the leaders of the State's 20 main departments. Second, the constitution requires that department division directors be included in the classified personnel system. One provision of the constitution makes executive directors the appointing authorities over division directors only. Also, this provision assigns appointing authority for all other department employees to the division directors. These provisions were designed to ensure that the majority of state employees are appointed by someone who is also in the classified system. It effectively limits the executive director's control over agency personnel.

Executive directors and managers of state agencies believe accountability in state government would improve if division directors were exempt from the state classified system. Turnover happens so slowly at the division director level that the Governor's term could expire before a management team is in place that can accomplish the Governor's mandated agenda. As members of the Governor's cabinet, executive directors are held accountable for carrying out the Governor's agenda. If executive directors had flexibility to appoint division directors and deputies, they could better assure that changes mandated by voters would occur. According to one study, other states allow their department directors more flexibility in appointing key management staff. At least 24 other states exempt deputy directors and division directors from the state personnel system. All but one of these states specify the exemptions in statutes.

Colorado recently established the Senior Executive Service to award key managers for performance.

Being exempt from the classified personnel system does not prevent hiring based on merit and fitness. The literature suggests state personnel systems could use various means to

improve accountability. Establishing performance measures and measuring results would ensure accountability. In recognition of this principle, Colorado has recently established a Senior Executive Service (SES) program to award key managers with increased pay for specific performance. The SES program will require the manager to sign a contract that specifies performance goals for the coming year. The manager's tenure in that position depends on whether he or she accomplishes the contract performance goals. This program, however, does not apply to all division directors.

The Rule of Three Prevents Effective Selection

The rule of three is intended to ensure that appointments to state employment are made on the basis of merit and fitness. It should also allow appointing authorities some flexibility in selecting among qualified applicants. Effectiveness of the rule of three depends on whether selection exams can accurately measure all attributes that are important for a position. However, four appointing authorities whom we interviewed reported that, in their experience, exams do not measure all important attributes. As a result, the rule does not allow them sufficient flexibility to select the most qualified individuals. They cited examples of hiring decisions they had to make believing that the people who scored in the top three were not as qualified as someone who scored lower on the exam.

Colorado's rule of three is more restrictive than selection rules in other states. When Colorado adopted the rule of three in 1970, the trend among other states was to move away from such restrictive selection standards. Only Colorado and Louisiana, which also has a rule of three, place their selection rules in their

constitutions. Selection rules in other states are established by statute or rules. Personnel literature suggests that the rule of three should be replaced with a less restrictive selection rule because selection exams are not so precise to always screen the three most qualified candidates. Selection exams cannot measure all relevant attributes or demonstrate that the top three scorers are motivated and otherwise qualified for a position.

Banding provides needed flexibility in selection.

Banding is one of several alternatives to the rule of three used by other states. Colorado state government has had some experience with banding. The state operates a separate personnel system, known as the merit system, for employees of county social services agencies. Because the merit system is not bound by the state constitution, it was able to drop the rule of three in favor of banding. Banding assumes no selection exam is so valid that it will always screen to the top three candidates. The merit system rules allow the appointing authority to select from individuals who scored in the 90 to 100 range (where 100 is the highest possible score) or from the individuals with the top ten scores, whichever group is larger. Referring more candidates allows the appointing authority more flexibility to look for important attributes that testing cannot identify. It also provides some assurance that public interest is served because all referred candidates have passed the test of merit and fitness.

The Limit on Temporary Appointments Creates Inefficiency

The six-month limit on temporary appointments was intended to prevent appointing authorities from bypassing the personnel system by filling what are essentially permanent positions with temporary employees. Because temporary employees do not have classified status, appointing authorities are not required to go through the competitive testing process to hire them. Arguments for limiting temporary appointments say this practice interferes with hiring and promoting classified employees, fails to assure the public that the most qualified people hold state jobs, and excludes people hired under these conditions from the protection of the state personnel system.

The six-month limit on temporary appointments provision leads to inefficiencies in grant management. Many state agencies and institutions receive substantial funds from federal and private grants. Grant projects often last longer than six months. Although the agencies and institutions receiving the grants consider the funds and projects to be temporary, they may not appoint temporaries to staff the projects for longer than six months. If a grant project lasts longer than six months, the agency or institution must either place a series of temporaries in the

position for the project's duration or hire one individual with classified status for each position. If the agency or institution chooses to place a series of temporaries in the position, it must recruit and train for the position every six months. If it chooses to hire a classified employee for the position, the employee finishes the project with bumping rights. Both options are inefficient and disruptive.

Among the proposed solutions to this problem is the suggestion that the State exempt from the classified system positions funded by federal or private grants. Another suggestion is to extend the limit on temporary appointments to 12 months. One suggestion from an institution of higher education is to limit temporary appointments to nine months and allow the institution's human resources director to approve one extension. Generally, the interviews and literature review show this provision should be removed from the constitution. Any changes to the provision for temporary appointments should be made in statute.

The Governor and General Assembly Should Propose Constitutional Amendments

Since 1970 Colorado voters have defeated two attempts to amend the constitutional provisions on the state personnel system. These amendments would have changed two of the specific provisions discussed in this chapter. Amendment 4 in 1976 would have made division directors exempt from the state classified system. Amendment 1 in 1986 would have given appointing authority to department directors and extended the limit on temporary appointments from six months to one year. Presumably, Colorado voters chose to uphold the constitutional protections against a political patronage system. However, we believe the arguments for removing some of these details from the constitution and replacing them with statutes are compelling. Because these constitutional provisions affect the efficiency and effectiveness of the personnel system statewide, the executive branch of state government and the General Assembly would be the appropriate parties to lead the discussion to establish possible solutions.

Recommendation No. 1:

The Governor and the General Assembly should appoint a commission to study the limitations of the current constitutional provisions on the state personnel system and to recommend changes.

Department of Personnel Response:

Partially agree. The Department agrees that current constitutional provisions create issues that can only be resolved by constitutional amendment. Specifically, the rule of three and limits on temporary appointments and privatization restrict the system's ability to be flexible and responsive to changing human resource management needs. The personnel system must be innovative while protecting basic merit principles. It should be noted that this issue has been studied extensively in the past, and that past efforts may provide a foundation for future consideration.

Colorado's Personnel Function Is Primarily Decentralized

Decentralized agencies provide personnel services to 97 percent of classified employees.

The Colorado Department of Personnel began decentralizing functions to other agencies in the late 1970s. Prior to decentralization, the Department of Personnel provided all human resource services to the agencies, including all examination development and administration, applicant screening, and position allocation. Currently, 25 agencies are decentralized, which means the agencies perform selection and classification activities instead of the Department of Personnel. The decentralized agencies provide personnel services for 97 percent of the total classified employees. The Department still performs selection and classification activities for 18 centralized agencies or 3 percent of classified employees. See Appendix A for a listing of decentralized and centralized agencies.

The Department of Personnel establishes a delegation agreement with each decentralized agency outlining the division of responsibility between the Department and the agency. The Department monitors decentralized agency operations through periodic reviews called personnel management reviews (PMR).

The State spends about \$9.6 million annually for the personnel function.

Statewide, excluding higher education, Colorado spends \$9.6 million with 255 FTE for the personnel function. The Department

of Personnel's staff represents 39 percent (\$3.7 million) of this cost and 35 percent (90 FTE) of the FTE. The remaining \$5.9 million and 166 FTE are divided among the centralized and decentralized agencies.

The Department Could Increase Efficiency With Further Decentralization

We believe that the Department of Personnel can increase the efficiency and effectiveness of the personnel function by further decentralizing certain personnel activities. Both centralized and decentralized agencies identified activities which could be decentralized with existing staff performing the functions. Most of the opportunities for further decentralization appear to be in selection activities. However, there are also some opportunities for further decentralization in classification activities for centralized agencies.

Selection Provides Most Opportunities for Further Decentralization

Most personnel administrators believe selection is too centralized.

Fifty percent of the centralized personnel administrators and seventy-two percent of the decentralized personnel administrators believe

selection is currently too centralized. The agencies identified activities which could be decentralized without the addition of agency staff. Further, agencies explained that decentralization of these activities would streamline the process and save time for the Department and the agencies. The following describes the primary activities identified for further decentralization:

- Centralized agencies would like to input more personnel actions to the Employee Personnel System (EMPL). Currently, the centralized agencies' personnel staff fill out forms with the appropriate information. The agencies then forward the forms to the Department of Personnel to be input to the system.
- Centralized agencies would like to be able to view information on the Applicant Data System (ADS) and to pull eligibility lists from the system. Currently, the centralized agencies must ask the Department to pull lists for them. One agency personnel administrator explained that

her agency frequently requests lists. This is time-consuming for the Department. Also, the requesting agency must wait for the Department to generate the list.

- Decentralized agencies would like to have more control over examination design. Particularly, decentralized agencies would like the authority to define the types of screening procedures to be used. One agency personnel administrator explained that the agency personnel staff know the agency position requirements. This personnel administrator believes he is in a better position to choose the appropriate selection tools than the Department.

In Fiscal Year 1992 Colorado spent approximately \$1.4 million with 42 FTE on selection activities (excluding higher education). The Department of Personnel's staff represents 38 percent of this FTE (16) and costs (\$530,000). Decentralization of the activities described above should lead to savings at the Department. We were not able to identify the exact number of FTE reductions or dollar savings.

Classification Also Provides Some Opportunity for Further Decentralization

Most personnel administrators believe the current distribution of classification activities is appropriate.

The majority of centralized and decentralized personnel administrators believe the current distribution of classification activities between the agencies and

Department is appropriate. However, about one-third of the personnel administrators believe classification is too centralized. The centralized personnel administrators identified agency authority over reallocations as one opportunity for further decentralization of classification. One personnel administrator explained that the Department of Personnel is currently conducting the agency's reallocations. Typically, an allocation takes several months to complete. The personnel administrator believes her agency can conduct the reallocations in a more timely manner. The personnel administrator noted that this would require additional training. However, since the agency is small and has few reclassifications, additional staff would probably not be necessary.

In Fiscal Year 1992 Colorado spent approximately \$1.3 million with 33 FTE on classification activities (excluding higher education). Of this amount, the Department of Personnel's staff represented 45 percent (15) of the FTE and 49 percent (\$643,000) of the cost. Since we did not conduct a workload analysis, we do not know how many Department FTE are involved in reallocation activities for

centralized agencies. However, there appear to be opportunities for savings if those activities could be absorbed by some centralized agencies. We do not know how many centralized agencies would be able to absorb these activities without an impact on FTE.

Activities Meet Criteria for Decentralization

Decentralization furthers the Department's role as support to the agencies.

When the Department began decentralizing functions to other agencies in the late 1970s, two of the major

purposes for decentralization were to improve the timeliness of personnel actions and to give management needed flexibility. This need for efficiency and flexibility was balanced with concerns for employee protection and cost of decentralization. These factors are still important in identifying activities for decentralization. In fact, the activities identified by agency personnel administrators for further decentralization meet these criteria. The personnel administrators identified activities that could be absorbed by agency staff while improving the timeliness of the activities. Since these activities have been successfully delegated to other agencies, there should not be a concern about employee protection.

Another original purpose of decentralization dealt with the Department of Personnel's role in the personnel system. With decentralization the Department's role was to change from providing human resources services to providing planning and support for the agencies. The agency personnel staff serve as the direct service providers. Decentralization of the activities identified by the agencies would move more of the activities considered provision of human resources services to the agencies. This would in turn strengthen the Department's role as support for the agencies.

Agencies Currently Initiate Decentralization

Part of the Department's mission is to "promote efficient and cost-effective systems for human resource management." The Department began decentralization in the late 1970s as one mechanism to achieve this goal. Decentralization of the types of activities we noted should decrease the number of FTE needed at the Department and result in greater efficiency. However, the Department does not have a process for identifying opportunities for further decentralization. The agencies we contacted were in various stages of decentralizing activities. In all instances the agencies initiated further

decentralization. It is important for the agencies to be involved in this process. However, the Department, in its role as overseer of the system, should initiate decentralization efforts to ensure the most efficient provision of personnel services in all agencies.

The Department needs a process to take full advantage of decentralization opportunities.

As noted in Chapter 2, New Directions in Selection and, to some degree, Classification are changing the distribution of responsibility between the Department of Personnel and the

personnel functions in the agencies. With these changes come opportunities for increasing the efficiency and effectiveness of the personnel function. Some of the activities for further decentralization identified by the agencies are a result of the New Directions initiatives. To take full advantage of these changes, the Department should initiate a process to identify opportunities for further decentralization.

Recommendation No. 2:

The Department of Personnel should further decentralize its operations by assessing all activities including, but not limited to, selection and classification. Subsequent staffing changes should be included in the Department's Fiscal Year 1995 budget request. (This should be accomplished in conjunction with Recommendation No. 5.)

Department of Personnel Response:

Partially agree. The Department will do an assessment and, if the analysis warrants, will further decentralize. The Department will complete the study and provide the results to the Governor and Legislature. In conjunction with Recommendation No. 5, the study will include recommendations on staffing changes. Due to implementation of New Directions in Selection and Classification/Compensation and in conjunction with Recommendation Nos. 2, 4, 5, 8, it is not appropriate to address budgeted resources until after all departmental commitments are met and all aspects of the analysis is complete. Therefore, the Department should address any appropriate staffing changes in the budget request for Fiscal Year 1997. Considerations in deciding whether or how much to decentralize include cost, willingness on the part of the agencies, and likelihood of quality performance. The Department's experience to date suggests that complete decentralization may be difficult given these criteria. Comments with regard to decentralization

of three major activities - selection, classification and technical services - follow:

Selection: Agencies too small to have full-time personnel staff available for selection activities would experience a hardship if they were forced to decentralize for tasks for which they have no trained staff. In other agencies, recent attempts to decentralize further have been resisted. Additionally, Department staff perform quality review, training and consultative functions that necessitate retaining some exam responsibilities so that staff members maintain their expertise in the field. Automation of processes has accommodated the increase in workload without an increase in staffing.

Classification: Currently, agencies are being decentralized when they are interested and are capable of taking on the function. For example, the Department of Military Affairs classification functions will be fully decentralized by March 15, 1993. On the other hand, some agencies have refused to accept decentralization.

Technical Services Unit: The unit will be included in the review to be done on the other programs mentioned above. The unit does provide services to some small agencies where it may be impractical to decentralize. Also, the unit provides consultation services to the agencies serviced which would be lost if decentralized.

Reorganization of the Personnel Function Could Provide Savings

Part of the State Auditor's statutory responsibility, as found in C.R.S. 2-7-103, is to identify (a) unnecessary duplication, (b) possible consolidation, or (c) instances in which either transferring or eliminating altogether powers, duties, and functions among departments would increase efficiency. This statutory authority, as well as, observations made during the Department of Personnel performance audit led us to evaluate and consider other organizational structures for the Department. Further, a premise of our review was the proposal to merge the Departments of Personnel and Administration because of their similar purposes as well as the model of personnel organizations in other states and the private sector. Other activities included:

- Identifying some areas in which FTE decreases might be appropriate.
- Recognizing that New Directions placed greater responsibility with the decentralized agencies. Also, New Directions was designed to decrease costly, time-intensive manual processes. Both of these factors should lead to fewer FTE in some of the Department's functions.
- Identifying areas for further decentralization and the need for the Department to develop a process to maximize the benefits of decentralization. (See discussion on page 20.)
- Conducting audit work and found continuing problems with the computer services division. Our follow-up on prior recommendations and New Directions in Selection audit work (Chapter 2) show that similar problems continue to occur in the computer services area.
- Recognizing that the Departments of Personnel and Administration share responsibility over the State's payroll system.

**Savings could be realized
by consolidating functions.**

As part of our review, we looked at each Department division for potential savings. Our calculations identified a potential savings of \$886,000 to \$979,000. There are other areas in

which we were not able to quantify savings because of a lack of information. We recommend a detailed workload analysis so savings can be identified in those areas.

Executive Director's Office

The Department's Executive Director's Office currently has 11 FTE with a salary cost of \$596,000. If the Department of Personnel merged with the Department of Administration (DOA), some savings of FTE could occur due to consolidating functions. The following areas provide potential reductions because these functions already exist in the Department of Administration. This is assuming that some functions could be absorbed by already existing staff in DOA. The budget/accounting function could be decreased by 1-2 FTE; the legislative liaison decreased by 1; and the clerical function decreased by 1-2 FTE. These changes would provide a savings of 3-5 FTE at a cost of approximately \$114,000 to \$207,000. Also, merging the departments would result in the savings of one executive director's salary of \$88,000 for a total possible savings of \$202,000 to \$295,000.

Technical and Consulting Services

Further decentralization should result in savings.

The Technical and Consulting Services Division provides general support to the agency personnel functions. This support includes conducting training classes, conducting personnel management reviews, providing personnel support for centralized agencies, and providing personnel rule interpretations. The Division has 14 FTE at a salary cost of \$680,000. Those Division activities important to the functioning of a decentralized personnel system include the auditing function, appeals process, personnel staff training to the agencies, and rules and regulation interpretation. One activity not required for a decentralized organization is the Technical Services Unit (TSU). As the previous recommendation noted, some of the functions TSU performs could be decentralized. At this point, it is unclear if all these activities could be decentralized or absorbed by larger agencies with the personnel expertise to perform the functions for the smaller agencies. The Department currently has 2 FTE at a cost of \$76,000 in the TSU function.

The Department should also review the disadvantages of housing the support and auditing functions in the same division. This results in Technical and Consulting Services staff auditing the work of other staff within the same division. Since both groups report to the same division director, it may be difficult to ensure objectivity.

Classification and Compensation

The Classification and Compensation Division maintains the job classification system and the compensation plan. The Division also conducts position reallocations for centralized agencies and develops technical guidance for all agencies. This division employs 15 FTE at a salary cost of \$732,000. Potential savings in this division come from further decentralization, possible contracting of activities, and New Directions initiatives.

As the previous recommendation notes, opportunities exist for further decentralization of position reallocations. For those centralized agencies not able to assume reallocation duties, other decentralized agencies could possibly assume this responsibility.

Contracting for services may be possible for some compensation and classification activities.

Development and maintenance of a statewide classification and compensation plan brings Colorado into compliance with federal equal pay for equal work requirements. Development of these

plans occurs every few years. Because the development of these plans is not an ongoing activity, it could be accomplished through contracting with the private sector. Since maintenance of the classification plan is an ongoing activity, keeping this function in-house might be more practical. However, New Directions in Classification should impact the number of FTE required to maintain the classification plan. New Directions was designed to make it "easier and less costly to administer, manage, and maintain" the new system. There should be opportunities for decreasing FTE after implementation of the new system. Further, maintenance of the compensation plan could potentially be contracted because it is a well-defined process. This is one of the criteria for identifying areas for contracting.

The Department currently has 8 FTE at a salary cost of \$385,000 involved in classification activities and 3 FTE at a cost of \$182,000 involved in compensation activities.

Benefits

The Benefits Division administers the employee benefits program and the employee assistance program. The Division employs 10 FTE at a salary cost of \$525,000. This is an essential function that possibly could be contracted. This function meets two of the criteria for privatizing functions: It is well-defined, and multiple providers exist in the private sector.

Selection

New Directions should impact the number of staff needed for selection.

The Selection Division develops examinations, administers clerical and general abilities examinations, provides technical guidance to agencies, and accepts and enters applications. The Division has 16 FTE at a salary cost of \$612,000. The potential savings in this division come from New Directions initiatives and further decentralization.

The Selection Division provides some services which are important to a decentralized system. Those functions include training and technical support for the agencies. Further, the Division provides a convenient location for those interested in state employment to get information and submit applications.

New Directions was designed to eliminate many of the manual, repetitive activities in the selection process. This in turn provides opportunities for decreases in staff. As discussed in Chapter 2, these savings have not yet been identified.

Test administration could be completely decentralized. However, the impact on cost is unknown. It may be more economical to administer examinations centrally for some positions frequently used in many agencies, such as clerical positions. In Chapter 2 we discuss the use of general abilities tests. If use of these tests is decreased or discontinued, savings would be realized in the administration of these exams.

Examination development is one area identified for further decentralization. Personnel administrators also expressed interest in the Department providing support for the agencies in this area. For example, the Department might provide a test bank of well-developed test questions. However, further decentralization of this function should provide some savings.

Computer Services

The Computer Services Division employs 13 FTE at a salary cost of \$608,000. This Division maintains the Employee Personnel System (EMPL) and Applicant Data System (ADS), and other internal systems. Merging the Departments of Personnel and Administration would provide opportunities for savings in computer services. The Department of Administration has an Information Systems Group which provides services similar to the Department of Personnel's Computer Services Division. Further, this organization would provide better coordination between the personnel and accounting systems. The Department of Personnel is responsible for employee information which feeds into the payroll system. The Department of Administration is responsible for the actual payment of employees. At this time we do not know if the Information Systems Group would be able to absorb Personnel's systems without an impact on FTE.

Further, our review found continuing problems with the Department's computer services area. The 1989 State Auditor's Office audit of the Department of Personnel found problems with the Department's system development methodology for the Colorado Personnel Payroll System (CPPS) and EMPL interface. This project was a joint effort with the Department of Administration. Specifically, the audit identified problems with adhering to a system development methodology and use of a project manager to coordinate the project. We identified similar problems with the Department's development of the ADS in Chapter 2.

Summary of Potential Savings

The following outlines the potential savings which we were able to quantify:

Executive Director's Office:	\$ 202,000
	to 295,000 *
Technical Services Unit:	\$ 76,000
Computer Services:	\$ <u>608,000</u> **
Total:	<u>\$886,000 to 979,000</u>

* Note that a workload analysis has not been performed and these amounts assume that certain functions could be combined. Final determination requires further study of both the Department of Personnel and the Department of Administration.

** Note that this amount represents the current salary cost of the Department of Personnel's Computer Services Division. We were not able to quantify the cost impact for the Department of Administration to absorb this function.

Also, we identified other areas for potential savings. However, since we do not know the number of FTE required for these activities, or in some cases the cost of contracting activities, the amount of savings is unknown at this time. These areas are Selection, Classification, and Benefits.

Description of Possible Structures

We believe that it may be more efficient to conduct some functions from a central office. Those functions include:

- Director and staff.
- Preparing Technical Bulletins for all areas.
- Training for agency personnel staff.
- Auditing.
- Appeals.
- Developing and maintaining classification/compensation plan (possibly contract).
- Managing the state employees' benefits package (possibly contract).
- Advising exam development and validation.
- Accepting and entering applications.

If selection and classification activities continued to be centralized for the small agencies, the following activities would be added to the above list:

- Administering tests for centralized agency positions
- Performing selection and classification activities, including reallocations

If examination for clerical classifications were maintained centrally, administration of clerical examinations would also be added to the list.

Montana has a structure similar to the fully decentralized structure described above. In fact, Montana has possibly the most decentralized personnel function in the United States. The personnel function is housed in a division of the Department of Administration. The Personnel Division employs 35 staff with 50 personnel staff in the decentralized agencies. Montana's personnel system includes 12,500 classified employees.

Personnel and Administration Have Similar Functions

Some states and the private sector combine the personnel and administrative functions.

Montana is not the only state in which the personnel function is part of the administrative department. In fact, including the personnel function with other administrative services is common in other

states. Of the 50 states, 24 personnel functions are housed within larger departments. In most cases, the primary department is an administration department. The remaining 26 states, including Colorado, have stand-alone personnel departments. Further, this type of combined structure is common in the private sector. Typically, all administrative functions, including personnel, are housed in the same department.

One of the primary reasons for including personnel with other administrative functions is the similarity in purposes. Administration and Personnel provide services and support to the other agencies of state government. The Department of Administration's services include purchasing, accounting, postal, and computer services. Likewise, the Department of Personnel provides support for human resources.

The two departments also have interrelated responsibilities. The Department of Personnel's EMPL and the Department of Administration's CPPS provide an integrated personnel and payroll system. The EMPL tracks individual employees and positions and shares data with the CPPS. This reduces duplicate data entry and provides a more accurate employee database.

Constitutional Changes Should Be Considered

Section 14 of the constitution creates the Department of Personnel as one of the principal executive departments. At a minimum, this would require that the merged Departments of Personnel and Administration contain "Department of Personnel" in the title. In addition, at the beginning of this chapter we recommend changes in the constitutional provisions pertaining to personnel. Removing the constitutional provision creating the Department of Personnel as a principal executive department should be included in the discussion to change the other constitutional provisions.

FTE Needs Should Be Quantified

As this discussion demonstrates, there are opportunities for savings within the Department. The possible savings come from three scenarios which are in many ways complementary: decentralization of more activities to the other agencies; movement of the Department of Personnel to a division within the Department of Administration or in the short term combining the departments to comply with the constitution; and accomplishing some functions through contracts with the private sector. This discussion also points out several areas in which FTE needs are unknown. To make changes which will result in the most efficient personnel function, a comprehensive workload analysis is needed.

Recommendation No. 3

The Department of Personnel should work with the Department of Administration to develop a plan for merging the two departments.

Department of Personnel Response:

To date, information from the Governor's office indicates that the constitutional creation of the Department of Personnel precludes it from merging with any other department unless a change is made in Colorado's Constitution.

Department of Administration Response:

The Governor's office has reviewed the possible merger of the two departments and has concluded that merging the two departments raises constitutionality questions.

Recommendation No. 4

The Department of Personnel should evaluate the following functions to determine the feasibility of contracting with the private sector for the services:

- a) Development of the classification plan.
- b) Development and maintenance of the compensation plan.
- c) Management of the employee benefits program.

Department of Personnel Response:

Agree. The Department will begin such feasibility study and upon conclusion submit to the Governor and the Legislative Audit Committee the results of its evaluation of the feasibility and associated costs of contracting the following functions with the private sector:

- a) Development of the classification system. The Department is in the process of completing its development of a new classification system, scheduled to be implemented July 1, 1993. The existing system was designed and implemented by a private consultant in 1975 at a cost of \$1 million, while the current project is being designed and implemented solely with in-house resources.
- b) Development and maintenance of the compensation plan.
- c) Management of the employee benefits program.

Recommendation No. 5

The Department of Personnel should arrange for an independent, comprehensive workload analysis. This should include recommendations for changes in FTE consistent with the findings of the analysis.

Department of Personnel Response:

Partially agree. An independent workload analysis would be desirable in accurately assessing the use and distribution of staff resources. However, in order to appropriately address the three scenarios identified in this report, a comprehensive, independent analysis of this scope will be expensive. Compliance with this recommendation must be contingent on funding. The workload analysis would also be more meaningful after all aspects of both New Directions in Selection and classification/compensation are fully implemented and evaluated.

Department of Personnel Response:

After the Department will begin such feasibility study and upon completion of the study, the Department will submit the results of its evaluation of the feasibility and associated costs of conducting the following activities with the private sector:

a) Development of the classification system. The Department is in the process of completing its development of a new classification system scheduled to be implemented July 1, 1993. The existing system was designed and implemented by a private consultant in 1975 at a cost of \$1 million, while the current project is being designed and implemented solely with in-house resources.

b) Development and maintenance of the compensation plan.

c) Management of the employee benefits program.

Recommendation No. 5

The Department of Personnel should arrange for an independent, comprehensive workload analysis. This should include recommendations for changes in the content with the findings of the analysis.

NEW DIRECTIONS IN SELECTION

Chapter 2

Background

One of the Department's primary responsibilities is overseeing the system for selecting candidates for state service. In 1987 the Department began planning a new system for employee selection called New Directions in Selection. The new selection system became operational statewide on April 1, 1992.

The Department designed New Directions in Selection to improve the previous selection process.

The Department developed the new selection process to improve the previous system. First, in the previous selection process applications were accepted only when an opening occurred. This required an applicant to submit an application for each opening. It also required personnel staff to manually review applications. Personnel staff might review the same person's application three or four times within a few months for different jobs. Second, applications were accepted during a short period of time for each opening. This can restrict the quality and quantity of applications received because well-qualified potential candidates may not learn of a job opening in time. Third, the previous process required that the entire selection process including announcing openings, accepting applications, and making the final selection occur with every position opening. This led to a lengthy and cumbersome process for both applicants and managers seeking to fill jobs quickly.

New Directions in Selection aimed to address these weaknesses by:

- Allowing applicants to apply for several different positions with one application at any time. This would eliminate the concern that a short time period for accepting applications impacted quality and quantity of applicants. Further, it would decrease the number of times an individual's application was processed. Continuously accepting applications also provides an ongoing pool of applicants. A department seeking to fill a vacant position does not have to start the selection process from the beginning but can pull a list of eligible applicants from the system at any time.

- Developing a computer-coded application to capture applicant education and experience. The computer coding was designed to significantly decrease the amount of time spent manually reviewing applications to determine qualifications. Applicants categorize their education and experience using established codes. The computer then reviews the applicant information to determine qualifications.

The transition from old to new selection system required that a new type of testing be added and that the existing computer system be modified substantially.

New Type of Testing Added for New Directions

The New Directions process uses general abilities tests to screen and rank applicants.

The Department adopted the use of general abilities tests as one tool for first stage selection testing of applicants. General abilities tests measure an individual's generic cognitive abilities which include numeric,

verbal, and mechanical reasoning ability as well as spatial relations perceptiveness. General abilities can be acquired through education and/or represent some innate ability on the part of the individual tested. These tests previously had not been used.

Currently, the Department conducts testing with two general abilities tests: the Differential Aptitude Test for Professional and Career Assessment (DAT) and the Colorado Verbal, Numeric Reasoning Test (VNR). The DAT is a commercially developed exam while the Department's Selection Center developed the VNR.

Computer System Was Modified for New Directions

To achieve the goals of New Directions in Selection, the Department needed a computer software system and data bank which could do the following:

- Maintain applicant information, including work experience and test scores
- Allow hiring authorities to establish job/position profiles
- Match and refer applicants whose qualifications, experience, and interests meet the profile parameters

To meet these needs the Department chose to modify or enhance its existing computer system, the Applicant Data System (ADS).

Audit Findings

At the time we conducted our audit work, New Directions in Selection had been operational less than a year. We recognize that problems during the first months of implementation are inevitable to any system. However, we identified areas for further review by the Department which impact the future operations of New Directions in Selection. Our review has shown the following:

- Some of the major objectives of the new system have, in fact, been met. The new selection process allows applicants to apply for 15 job classifications with one application. Further, applicants do not have to wait for job openings to apply. Applications are accepted on a continual basis for all classifications.
- We see no indication that the objectives related to staff resource efficiency and an increase in the quality of applicants have been accomplished. The ADS coding structure affects both of these areas. Because of the coding, agencies continue to review narrative job histories. Also, agencies are concerned that the coding prohibits applicants with a great deal of varied experience from accurately portraying it. In addition, agencies received more duties as a result of New Directions in Selection. However, the Department does not currently have a plan to evaluate this redistribution of responsibility and make corresponding changes in staff.
- We question the usefulness and appropriateness of using general abilities tests. The Department has not established and documented strong validity bases for using the general abilities tests. Further, use of these tests may eliminate qualified minorities from consideration. As a result, test use may not result in the selection of the most qualified applicants.
- The Department lacks a tracking system to monitor the number and type of user problems. As a result, user problems cannot be effectively addressed.
- The Department did not follow a systems development methodology in modifying the computer system. In addition, current methodologies used to implement ADS system changes do not provide adequate testing of the changes and their impacts to other programming. This contributed to problems in implementing the system and impacted the agencies' abilities to use the system.

Given the nature and seriousness of these problems, we urge the Department to reevaluate the New Directions in Selection system and modify the selection system to address the problems identified. The Department plans to evaluate the operation and effectiveness of the new selection system. We believe the Department's review should include the problems identified here.

Resource Efficiencies and Increase in Applicant Quality Are Not Yet Evident

New Directions in Selection's goals included using staff resources more efficiently and increasing the quality of the applicants available. We found that the ADS coding format has impacted staff efficiency and has the potential to affect the quality of applicants referred:

- Over 62 percent of the agencies surveyed indicated ADS applicant information was less than adequate in meeting their needs. Agencies required additional applicant work and educational experience to determine if the applicant was qualified for the vacancy.
- Agencies responding to the questionnaire explained that ADS referred applicants are adequately qualified. However, approximately 88 percent of the personnel officers did not believe ADS referred candidates were more qualified than applicants referred under the old system. In addition, about 57 percent of the personnel officers and 38 percent of the executive directors indicated New Directions negatively impacted their ability to select qualified candidates.

About 57 percent of personnel officers indicated New Directions negatively impacted their ability to select qualified applicants.

Agencies Request Additional Applicant Information

About 59 percent of the agencies surveyed indicated they request additional information from referred applicants to assist them in the selection process. In most instances, agencies requested additional information related to applicant work and educational experience. Work experience information requested includes:

- Positions held and titles.
- Job skills used.
- Previous employers and references.

Agencies requested applicant work experience information in a narrative format through either a resume or an interview information sheet. All this information, except for previous employers and references, was to be provided by the new coding system. As a result of the additional information requests, agencies continue to evaluate narrative job histories.

Restrictive ADS Coding Creates Problems

ADS coding impacts applicants' ability to convey work experience.

Agency questionnaire responses indicated that the restrictive nature of application coding contributes to the inadequacy of ADS information. Restrictive coding limits:

- Applicant's ability to accurately convey prior work experience.
- Agencies' ability to interpret applicant experience and specific qualifications.
- Agencies' ability to establish job profiles to meet their vacancy needs.

ADS coding structure may be more suited for entry-level positions.

The coding is particularly restrictive for individuals with years of varied experience and for agencies filling positions requiring specialized qualifications. Agency personnel administrators explained that the system is more suited for filling entry-level positions because the qualification requirements are more general. Further, they explain the system does not work well if the position requires a great deal of specific experience. It is difficult for the applicant to adequately code experience. Also, it is difficult for the agency to set up the job profile to correctly match the individuals with the required experience.

Job interest and location coding also causes problems for the agencies. These problems relate more to incorrect use of the codes by applicants than to the restrictiveness of the coding. Agencies outside the metro-Denver area have received referrals on individuals who are not interested in working outside the metro area. Agencies indicated the applicants had coded the agency and location as areas of interest. However, when contacted for referral, the applicants either did not respond or declined further participation in the selection process.

Much of New Directions in Selection's efficiencies depend on the use of coded applicant information. However, the system appears to have had an unintended consequence of making the process more difficult for applicants and the agencies. Agency personnel administrators felt so strongly about the problems with the system that they petitioned the Department for limited use of the system. The personnel administrators said, "Based on experience, we find it (New Directions in Selection) useful for entry level general use classes. But, experience has shown the system to be cumbersome and inefficient for other applications. We therefore respectfully request that its mandatory use be limited to entry level, general use classes." The full text of the petition can be found in Appendix C. The Department should determine how the coding construction can be improved and pursue the possibility of using the coding system for entry-level positions only.

Recommendation No. 6:

The Department of Personnel should evaluate the current and future operation of New Directions in Selection to determine if it is a useable system for the state personnel system.

Department of Personnel Response:

Agree. The Department continues to be responsive to recommendations from decentralized agencies. Evaluation of the system has always been a part of the implementation and operation of New Directions in Selection but, on recommendation of the Selection Resolution Panel (personnel representatives selected by agency personnel directors), was deferred until the system has been operating for a year. Some evaluation activities have been performed in preparation for the formal evaluation. The Department has worked with the Selection Resolution Panel and identified the areas for evaluation. The initial step in the system evaluation involved preparing a questionnaire related to the system's usefulness for filling general use classes as well as higher level classes. The questionnaire was distributed to system users in the decentralized agencies. The Personnel Management Review program in the Department of Personnel has been asked to study the selection program statewide in Fiscal Year 1994 and will examine the areas identified for evaluation.

Recommendation No. 7:

The Department of Personnel should:

- a. Assess agency concerns regarding information coding and information available from ADS to determine the needed improvements.
- b. Determine if operating separate selection processes for entry-level positions and more experienced positions is feasible.
- c. Address applicant difficulties in using the system.

Department of Personnel Response:

Agree.

- a. This is being addressed in the overall evaluation of the Applicant Data System (ADS) as well as through recommended system enhancements which have been given priority status by the Selection Resolution Panel. (See response for Recommendation No. 6.)
- b. This is already being addressed through the Selection Resolution Panel. (See response for Recommendation No. 6.)
- c. This is being addressed in the overall evaluation of the Applicant Data System. Some of the coding improvements gained through system enhancements may also address applicants' difficulties in using the system. (See response for Recommendation No. 6.)

New Directions Changed The Distribution Of Personnel Duties

New Directions in Selection changed the distribution of personnel duties between the agencies and the Department of Personnel. The resulting distribution of responsibilities, given available resources, may not be equitable. This change in duties takes two different forms: the Department of Personnel has delegated more responsibility to the agencies, and the types of duties performed have shifted from manual, repetitive activities to those requiring professional staff time.

Agencies Have Been Given New Duties

Survey questionnaire responses indicate 40 percent (12 of 30) of the agencies received additional duties as a result of New Directions. Some of the survey

respondents noted that some new duties may be due to the system being new and/or problems with system implementation. However, agencies also identified duties which would not disappear after the implementation problems are solved. New duties viewed as permanent include inputting applications, creating profiles, and creating lists of qualified applicants. A Department manager also noted that more responsibility has been delegated to the agencies.

Types of Duties Performed Have Changed

A Department of Personnel manager described the changes in activities/responsibilities between central personnel and the decentralized agencies as a shift in duties. The new system was designed to eliminate many of the manual, repetitive activities, such as designing and administering hundreds of separate tests and separately screening thousands of applications for each of them. The new system will free-up professional time at the decentralized agencies and the central office for other duties.

No Plan Exists To Evaluate Staffing

The Department does not currently have a plan to address redistribution and/or reduction of staff to reflect the changes in duties caused by New Directions in Selection. One Department manager explained that he and the management team believe it is too early to evaluate staffing because the implementation of New Directions (particularly classification) is not complete. The New Directions Resolution Panel has identified several areas for postimplementation review. One of those topics is "Fiscal Impact on the Agencies." The Panel has not identified the issues to be evaluated within this topic so it is unclear if this will include an FTE utilization evaluation.

One of the major purposes of New Directions in Selection was to "reduce the cost and human resources necessary to administer the selection process statewide." To ensure this goal is met, the Department should evaluate staffing with respect to changes in duties resulting from New Directions. In addition, the Department should facilitate staffing changes to reflect the redistributed duties.

Recommendation No. 8:

The Department of Personnel should, after implementation of New Directions:

- a. Evaluate the changes in the distribution of duties resulting from New Directions.
- b. Recommend changes in staffing to accommodate those changes.

This should be accomplished in conjunction with Recommendation No. 2.

Department of Personnel Response:

Agree.

- a. The Department has begun discussion of role changes produced by redistribution of duties resulting from New Directions. The expectation is that there will be an increasing focus on changes in human resource management issues.
- b. The Selection Resolution Panel, composed primarily of members from decentralized agencies, will examine the changing roles and functions as part of a larger effort of total selection system evaluation. This evaluation will include any recommended changes in staffing patterns.

Use of General Abilities Tests May Not Be Appropriate

The use of general abilities tests in the selection process may not be appropriate. Specifically:

- The Department has not established whether general abilities tests are useful in screening applicants.
- The tests may eliminate qualified minorities from consideration.

Because of these factors, we question whether general abilities tests should be used in the selection process. Through October 1992, the Department and agency staff had spent an estimated 540 hours administering general abilities tests. If you assume clerical staff performed the administration activities, the cost is approximately \$6000. The Department spent an estimated \$11,000 on materials for the tests for a total cost of \$17,000.

Documented Test Validity Required for Test Use

The Department must establish and document a test's validity to justify test use in the selection process. Test validity relates to the appropriateness,

meaningfulness, and usefulness of using a test for a designated purpose. The Department has three strategies available for establishing and documenting test validity:

- Criterion validity evidence demonstrates the relationship between test scores and a defined outcome. Acceptable job performance represents the defined outcome in the case of selection examinations.
- Construct validity evidence demonstrates that the test measures the intended characteristics or abilities.
- Content validity evidence relates to the degree to which test questions represent a defined domain of job tasks, behaviors, or knowledge. A professional guide on selection testing indicates that a content-oriented strategy may not be appropriate when the domain of job tasks is defined as more general abilities, ie., numeric ability and spatial reasoning.

The amount and type of validity evidence required to substantiate the use of a test depends to some degree on how the test will be used. In general, professional guidelines indicate that the more types of validity evidence present the better. However, a single solid line of validity evidence is better than a great deal of questionable evidence.

Criterion-Related Strategy Pursued for DAT Validity

The Department pursued a criterion-related strategy for establishing Differential Aptitude Test (DAT) validity. That is, the Department chose to collect evidence which established a relationship between DAT test scores and job performance. To obtain the evidence, the Department conducted a pilot study using state employees. Study participants came from a limited number of classifications in four broad occupational groups: managerial, clerical, skilled/technical, and administrative. The Department administered the test to the study group. Participants' supervisors gave special performance ratings using a standardized performance rating scale.

In using a criterion-related strategy for establishing DAT validity, the Department needed to consider whether relationships existed between test scores and performance ratings. In evaluating possible relationships, both their strength and statistical significance must be balanced to determine if the correlation serves a useful purpose. Appendix B contains a more detailed discussion of these two concepts.

DAT Criterion-Related Validity Evidence Was Mixed

Pilot study results show the DAT to be a weak predictor of job performance.

DAT pilot study results were mixed. Statistically significant relationships existed for the study group as a whole and for the

administrative group. However, the relationship strengths were weak. Relationships between DAT scores and performance ratings for the managerial, clerical, and technical groups were poor. The poor results indicated the DAT was a weak predictor of job performance. In addition, study results indicated negative relationships existed between the test scores and performance ratings of the Hispanic group. The Department did not evaluate reasons for the negative trend. Finally, the relationship strengths did not reach the levels the Selection Center had indicated general abilities tests normally achieve.

DAT Use Originally Extended to Over 400 Classifications

Based on the results of the pilot study for the total employee group and the concept of validity generalization, the Department established use of the DAT for 407 classifications. These classifications fell in the following occupational or service fields:

- Enforcement Protective Services
- Financial Services
- Health Care Services
- Labor, Trades, and Crafts
- Office Support and Related
- Physical Science/Engineering
- Professional Services
- Teaching

However, results of the pilot study do not support the use of the DAT in all of these categories. For example, the DAT has been used in the selection of highway maintenance workers, a class whose job skills fall within the general category of labor and trades. However, DAT pilot study results indicated that the DAT had no job performance predictiveness for individuals in classes within the broad category of labor and trades. Therefore, use of the test in this instance was not warranted and may have eliminated qualified candidates from consideration.

Department Lacks VNR Validity Evidence

The Department's Selection Center developed the Colorado Verbal, Numeric Reasoning Test (VNR) because the usefulness of the DAT for managerial and higher experience level classifications was low. The Department could not provide documentation of how the VNR was developed or the domain of job knowledge, skills, and abilities (KSA's) the VNR measures. Without this documentation, the Department does not have the basis for establishing VNR validity. In addition, the Department is currently validating VNR use through a content-related validity approach. However, as previously noted, professional literature indicates establishing content-related validity for tests of general abilities like the VNR may not be appropriate.

Both the DAT and VNR Have Exhibited Some Bias

The DAT and VNR may exclude qualified minorities from consideration.

The DAT and VNR have been administered to 3753 and 1649 applicants, respectively. The passing rates for ethnic minorities falls below 80 percent of the passing rates for non-minorities. These scores, based on the four-

fifths rule adopted by federal agencies, indicate that the DAT and VNR may exclude qualified minorities from consideration in the selection process. No potential adverse impacts on females have been noted for either test.

The four-fifths rule adopted by several federal agencies is a standard for determining if a test adversely impacts a particular group. The four-fifths rule implies that adverse impacts may exist if a minority group's test passing rate falls below 80 percent of the majority group's passing rate. Minority groups can be defined either by gender or ethnicity. Minority group scores below 80 percent of the majority group's scores may indicate the test is biased against that group.

Test users must assess and monitor whether tests are biased against different demographic groups. Test bias results from the different predictive qualities the test may have for different groups. For example, the test may identify strong verbal reasoning skills for the Hispanic group but not for the Caucasian group. If a test displays different predictiveness among groups, it may not accurately portray the abilities or knowledge of some individuals. As a result, qualified individuals may be excluded from consideration in the selection process based on their test scores.

Use of General Abilities Tests Should Be Re-evaluated

We believe the Department should review whether general abilities tests should be a component of New Directions in Selection. The problems identified, including the lack of strong evidence to support the use of these tests and the adverse impacts on minorities, raise questions about the effectiveness of general abilities tests as selection tools. The Department should include this issue in its planned evaluation of New Directions in Selection.

Recommendation No. 9:

The Department of Personnel should evaluate whether general abilities tests should be a component of New Directions in Selection. If the Department chooses to continue using general abilities tests, the following should be done:

- a. Re-evaluate the classifications for which the DAT is currently used and fully document the justification for use in those classifications.
- b. Document a validity basis for the VNR and the classifications in which it is used.
- c. Eliminate or compensate for the potential adverse impacts of both tests on protected classes.
- d. Discontinue use of the tests if "a" through "c" cannot be accomplished.

Department of Personnel Response:

Agree.

- a. The classes included in the periodic testing plan for the DAT and VNR were chosen by a committee including decentralized agency personnel staff, using survey data obtained from a sample of 10,000 employees. The Department has evaluated the scope of use of the DAT and VNR and shared results with the Resolution Panel and decentralized agencies. As a result, the number of classes being tested with these two aptitude tests has decreased significantly. Agencies may, at their discretion, choose an exam plan that does not include either test.

As stipulated in federal regulations, justification for the use of any test resides with the agency that uses it; a comprehensive job analysis is the accepted legal defense for test use.

- b. See response to (a.) above.
- c. Ongoing monitoring of adverse impact in test use and validity studies are part of the long-term system evaluation process. Affirmative action remedies are used where underutilization of protected classes occurs.
- d. If validity studies reflect negative outcomes, the Department will advise agencies to discontinue use of these tests.

The Department's Process for Tracking User Problems Is Inadequate

The Department does not have an effective mechanism for recording and tracking ADS user problems. Selection Center staff record user problems in a couple of different ways:

- Some staff record user problems by numeric tally. This method provides the name of the individual reporting but does not provide a description of the problem.
- Some staff record the reporting individual's name, date of the problem, and a problem synopsis.

In addition to inconsistencies in recording problem information, the Department does not log problems, maintain a central file, or summarize the problems received. By tracking the causes of user problems, the Department could more efficiently address user problems through its training program.

Complaint- or problem-tracking systems provide the means for identifying problem areas or trends. These systems should include the following elements:

- **Complaint/Problem Log:** The log ensures there is a complete record of all initial complaints or problems and their resolution status.
- **Central File:** The central file ensures all problems are accounted for and identifies problems which have similar characteristics.
- **Complaint/Problem Summary:** The summary allows better identification and monitoring of problem subjects.

The Executive Director's Office maintains a good complaint and inquiry handling system which includes the aspects listed above. We believe the Department could enhance its understanding of ADS user problems by more thoroughly recording and analyzing those problems. The Department could use the complaint- and problem-tracking system employed by the Executive Director's Office as a model for establishing an ADS user problem-monitoring system.

Recommendation No. 10:

The Department of Personnel should improve its ADS user problem processing by:

- a. Uniformly documenting user problems in a log.
- b. Summarizing user problem information by type and frequency to assist in establishing training needs.
- c. Maintaining all problem reports in a central file.

Department of Personnel Response:

Implemented. A method of logging user contacts has been developed and implemented. Although no formal written record of user problems existed, the Selection Center staff identified problem areas and provided training workshops to aid the users. Workshops were provided on test scoring, profile development and vacancy/applicant matching and substitutions. Supplemental training on applicant assistance was also provided for Job Service Center staff.

An electronic log and problem files shared by the Selection Center and Computer services have been established for reporting system problems and information from the log may be summarized as needed.

System Development Methodology Not Fully Followed for the ADS Enhancement Project

The Department did not fully follow a system development methodology for the ADS Enhancement Project. In addition, the Department's methodology for processing changes to the system has several weaknesses. Specifically, the Department has not:

- Developed detail designs of all the enhancement functions.
- Documented user involvement in the design and acceptance of the enhanced programming.
- Documented programming changes to ADS. Currently individual programming changes are annotated within the programming itself.

Between implementation of New Directions in April 1992 and late October 1992, 245 ADS problem reports have been noted as system programming problems. The complexity of the programming problems has varied. In some instances, the problems relate to formatting errors in the form letters printed by the system. In other cases, the problems have been more serious. For example:

- An ADS user accessed a test key which she was not supposed to be able to access.
- Veteran points have not been accurately added to applicant ranking scores.
- An individual not meeting job profile requirements was included in a vacancy referral.
- Applicants have been referred to agencies in geographical locations not specified by the applicant.

As of October 28, 1992, 42 of the reported system problems remained unresolved, and other problems continue to be reported.

System Development Methodologies Ensure Proper System Operations

In developing or enhancing computer systems, a structured methodology should be followed. Use of systems development methodologies ensures delivery of properly functioning, documented, and completed systems. In addition, programmers and users are assured the systems meet the needs of the user and other interested groups.

The Department's proposed methodology for the ADS Enhancement Project met some of the basic requirements of system development methodology. The Department developed a general design plan prior to beginning the ADS Enhancement Project. The general design plan proposed following a basic systems development methodology. The plan outlined phases for detail design,

programming and testing, and user acceptance. Milestone dates for the completion of these tasks and assignment of responsibility to individuals for completion of the tasks were also included in the general plan. However, the general plan did not identify a project manager or test procedures for the enhanced programming.

Use of Project Management Techniques Improves Work Flow

Use of project managers and project management techniques provides a means of effectively managing diverse projects. Project management technique involves the assignment of one individual to oversee and be responsible for the development and completion of projects. The project manager coordinates the participation of multiple organizational divisions in the project development.

Selection Center and Computer Services staff shared responsibility for system development.

In the absence of a project manager, staff in the Computer Services Division and the Selection Center shared responsibility for systems development. Computer Services staff assumed responsibility for enhancement programming. Selection Center staff took responsibility for program testing. However, neither staff assumed overall responsibility for ensuring the system development methodology was followed or that milestone activities and dates were met.

Complete Program Design and Testing Adversely Affected by Implementation Deadline

Department staff indicated that, as the implementation date for New Directions approached, time became a limiting factor to following the development methodology. Areas primarily affected by the time limits were the detail design phase and the testing phase.

Testing was also impacted because the Department did not define or develop test requirements for the enhanced programming. Testing of the ADS programming was limited to screen function checks and some scenario testing of applicant/position matching and referral. The Department recorded about 43 hours of program testing in 51 test sessions between September 1991 and February 1992. Other undocumented testing was conducted between February and April 1, the implementation date for New Directions. Primarily one staff person in the Selection Center completed the system testing.

Change Management and Testing Procedures Remain Undefined

The Department's lack of change management and testing procedures adversely affects efforts to correct system problems. Department staff currently program and test system changes on the basis of system problem reports. Because of the integrated operations of the Enhanced ADS system, program changes may adversely affect other program functions. Some agency personnel staff have reported program functions working one day but inoperative the next. While some of these problems reflect user problems, others may also indicate the adverse impacts of programming changes. Impacts of program changes on other programming operations are difficult to assess because the Department:

- Lacks detail system designs for several programming areas.
- Tests program changes on specific problems and does not conduct tests of their impact on other operations.

Project manager approach could improve the Department's system development methodology.

We believe the Department could improve its system development projects by using the project management approach. In addition, the Department could benefit from assigning a project

manager to the ADS Enhancement Project, given the changes still being made to the system. The project manager's responsibilities should be defined. The Department should also develop change management and testing procedures, and conduct pilot tests on major program revisions.

Recommendation No. 11:

The Department of Personnel should:

- a. Use project management methodology for continuing implementation of the ADS Enhancement Project and all future system development projects. This should include a description of the project manager's responsibilities.
- b. Develop system testing and change management policies and procedures.
- c. Pilot test new programs and major program revisions prior to full implementation.

Department of Personnel Response:

Partially agree.

- a. Partially agree - The Department is developing project manager duties and responsibilities. The Department will use this methodology for continuing implementation of the Applicant Data System (ADS) enhancements. Given the limited human resources of the Department, however, the project manager methodology may not always be possible or necessary. In some cases, the limited size and complexity of a project, or the limited time available may make the use of the project management methodology impractical.
 - b. Agree - The Department has formed a Total Quality Improvement team to develop system testing and change management policies and procedures.
 - c. Partially agree - Pilot testing of new system enhancements and major program revisions is sometimes, but not always, possible or practical. For example, legislated changes are necessary to implement on a specified date. Some system changes are tied to rules changes which take effect for all agencies at once. The Department will continue to work with the personnel community and develop testing strategies and implementation schedules.
-

Department of Personnel Response:

Partially agree

1. Partially agree. The Department is developing project manager duties and responsibilities. The Department will use the methodology for maintaining up-to-date information of the Agency Data System (ADS) enhancements. Given the limited human resources of the Department, however, the project manager methodology may not always be possible or necessary. In some cases, the limited size and complexity of a project or the limited time available may make the use of the project manager methodology impractical.

2. Agree. The Department has formed a Total Quality Improvement team to develop a new testing and change management process and procedures.

3. Partially agree. Pilot testing of new system enhancements and major program revisions is sometimes, but not always, possible or practical. For example, legislative changes are necessary to implement on a specified date. Since system changes are tied to these changes which take effect for all agencies at once, the Department will continue to work with the personnel community and develop testing strategies and implementation schedules.

RESULTS OF SURVEY QUESTIONNAIRE

Chapter 3

Background

The statutory objectives for this performance audit included determining how other state agencies and the General Assembly perceive the effectiveness of the Department of Personnel and the State Personnel Board. To accomplish this objective, we sent survey questionnaires to executive directors and personnel administrators in 38 state agencies and institutions of higher education. We also surveyed members of the General Assembly.

We asked executive directors and personnel administrators to evaluate the Department and Board on five topics. These included personnel rules and procedures, New Directions in Selection, the grievance and appeal processes, the division of responsibilities between the Department and state agencies, and the effectiveness of the State personnel system in meeting its statutory objectives. Personnel administrators also addressed four additional topics. These included the examination process, technical support, training offered to human resources staff, and the affirmative action program. Members of the General Assembly received a brief questionnaire about the overall effectiveness of the state personnel system.

We received responses from 79 percent of the executive directors and 87 percent of the personnel administrators. With these high response rates, we concluded that the survey results represent the views of the entire group. Twenty-nine of the one hundred legislators responded to the survey. This lower response rate did not allow us to draw conclusions about the opinions of the General Assembly as a whole.

We concluded that executive directors and personnel administrators have the following opinions:

- Overall, the state personnel system meets its statutory requirements.
- Personnel rules and procedures prevent effectiveness in selecting and dismissing employees.

- New Directions in Selection and the Department's technical support of computer services need improvement. This topic is discussed in detail in Chapter 2.
- The Department provides satisfactory examination and training services although respondents identified weaknesses with New Directions training.
- The Department's grievance and appeal process is effective and timely, whereas the Board's process could be more timely.

The State Personnel System Meets Its Statutory Objectives

Executive directors and personnel administrators agree that the state personnel system is effective in meeting three statutory objectives. Statutes require the system to assure that:

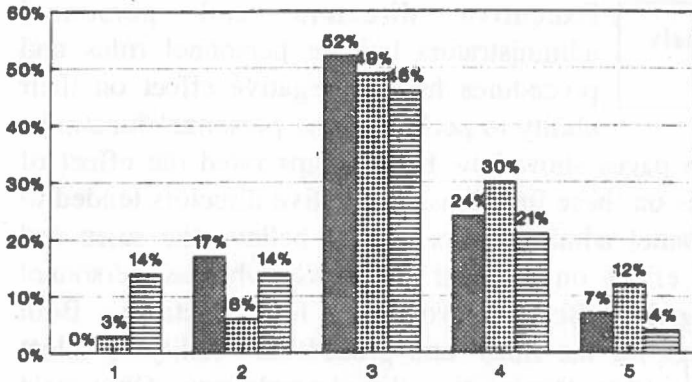
- A well-qualified work force serves the residents of the State.
- All segments of the population have an equal opportunity for state employment.
- State employees are recruited from qualified individuals and appropriate sources.

The exhibit on the following page shows how survey respondents rated the system's ability to meet these objectives. On a rating scale of one to five where one means "very ineffective" and five means "very effective," executive directors and personnel administrators gave average ratings between 3.0 and 3.4. They gave the highest ratings to the system's ability to assure that all population segments have equal opportunity for state employment. Legislators who responded to these questions also gave the highest ratings on this point; their average rating was 3.5. They gave lower ratings of 2.9 for the system's ability to meet its other two statutory objectives.

Legislators also responded to questions about the overall effectiveness of the Department and Board. On a rating scale of one to five where one means "very ineffective" and five means "very effective," legislators gave an average rating of 3.3 for the Department's effectiveness in administering the State personnel system. On the same scale, they gave an average rating of 3.0 for the Board's effectiveness in administrative rulemaking. Because we received survey responses from few legislators, little can be inferred from their average ratings.

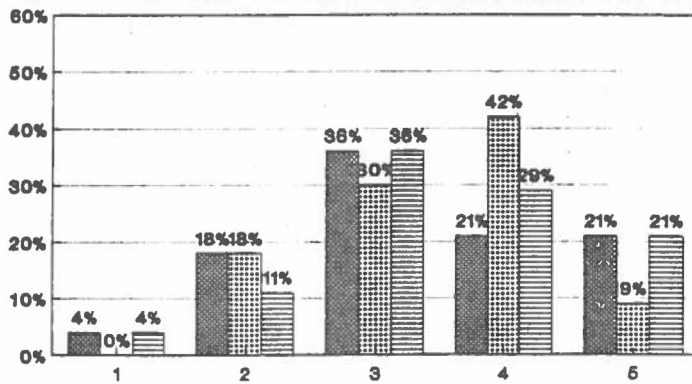
Average Ratings Given by Personnel Administrators and Executive Directors to the Colorado State Personnel System's Effectiveness in Meeting Statutory Requirements October 1992

"To assure that a well-qualified work force is serving the residents of Colorado:"



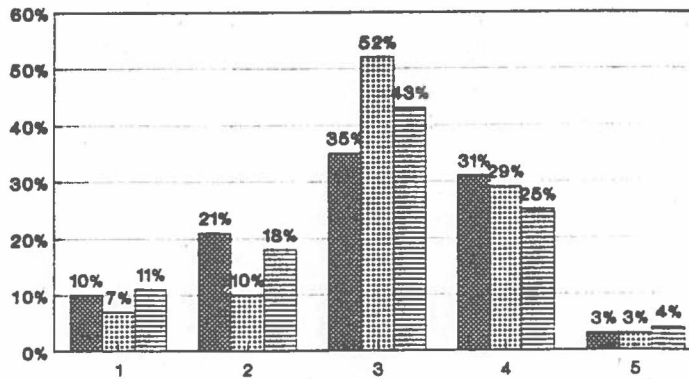
**Executive Directors = 3.2
Personnel Administrators = 3.4
Legislators = 2.9**

"To assure that all segments of its population have an equal opportunity for... state employment:"



**Executive Directors = 3.4
Personnel Administrators = 3.4
Legislators = 3.5**

"To assure that recruitment be from qualified individuals from appropriate sources:"



**Executive Directors = 3.0
Personnel Administrators = 3.1
Legislators = 2.9**

Scale: 1 = very ineffective, 5 = very effective

Legend: [Solid Black] = Executive Directors, [Grid Pattern] = Personnel Administrators, [Horizontal Lines] = Legislators

Source: State Auditor's Office analysis of survey responses.

Rules and Procedures Prevent Effectiveness in Selecting and Dismissing Employees

Rules negatively affect timely selection of employees.

Executive directors and personnel administrators believe personnel rules and procedures have a negative effect on their ability to perform basic personnel functions.

The exhibits on the next two pages show how both groups rated the effect of personnel rules and procedures on these functions. Executive directors tended to be more negative than personnel administrators. They believe the rules and procedures have a negative effect on all four functions, whereas personnel administrators perceive a negative effect on two of the four functions. Both groups gave the lowest ratings for the rules' and procedures' ability to select employees in a timely manner and to dismiss unqualified employees. On a scale of one to five where one means "very negatively" and five means "very positively," the ratings for these two topics ranged between 2.0 and 2.5.



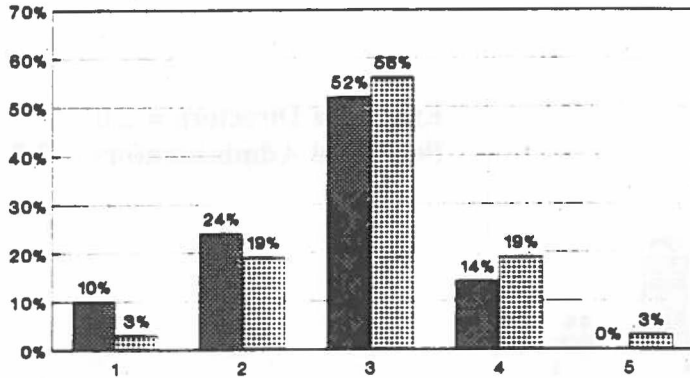
Scale: 1 = very negatively, 5 = very positively

Legend: Executive Directors (dark bar), Personnel Administrators (medium bar), Legislators (light bar)

Source: State Auditor's Office analysis of survey responses

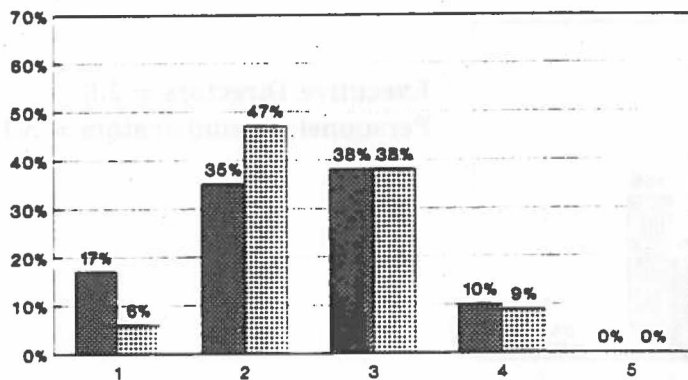
**Average Ratings Given by Personnel Administrators and Executive Directors to Questions on State Personnel Rules and Procedures
October 1992**

"How do current personnel rules and procedures affect your department's ability to select qualified employees?"



**Executive Directors = 2.7
Personnel Administrators = 3.0**

"How do current personnel rules and procedures affect your department's ability to select employees in a timely manner?"



**Executive Directors = 2.4
Personnel Administrators = 2.5**

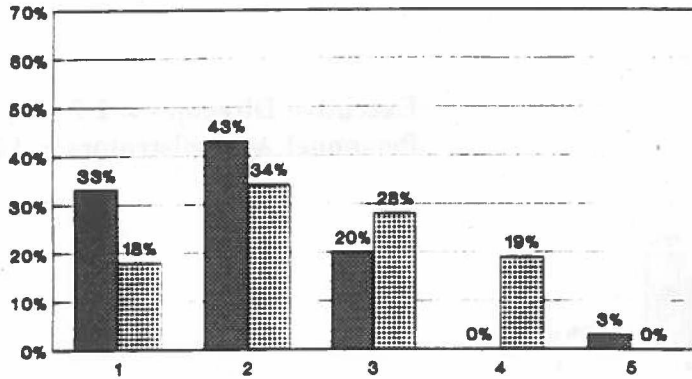
Scale: 1 = very negatively, 5 = very positively

Legend: ■ = Executive Directors, ▨ = Personnel Administrators

Source: State Auditor's Office analysis of survey responses.

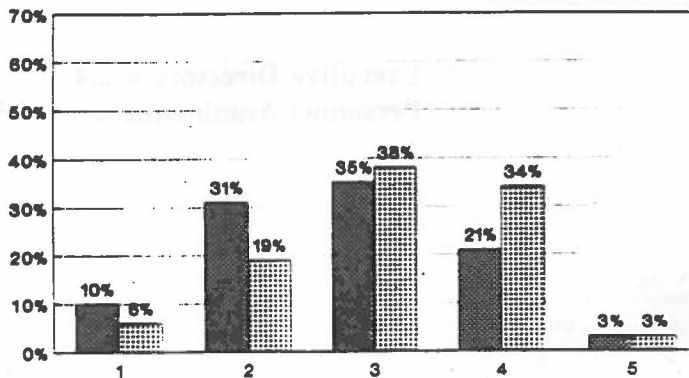
**Average Ratings Given by Personnel Administrators and Executive Directors to
Questions on State Personnel Rules and Procedures
October 1992**

**"How do current personnel rules and procedures affect your department's ability to
dismiss unqualified employees?"**



**Executive Directors = 2.0
Personnel Administrators = 2.5**

**"How do current personnel rules and procedures affect your department's ability to
promote employees?"**



**Executive Directors = 2.8
Personnel Administrators = 3.1**

Scale: 1 = very negatively, 5 = very positively

Legend: ■ = Executive Directors, ▨ = Personnel Administrators

Source: State Auditor's Office analysis of survey responses.

New Directions in Selection and Technical Support of Computer Services Need Improvement

Executive directors and personnel administrators believe New Directions in Selection and technical support of computer services are ineffective. Ratings indicate that personnel administrators find the new system is least effective in helping them select qualified employees in a timely manner. On a scale of one to five where one was the least favorable rating and five was the most favorable, ratings on New Directions in Selection ranged from 2.4 to 2.9. The following table summarizes these results. In addition, Chapter 2 discusses problems with New Directions in Selection in detail.

Average Ratings Given by Personnel Administrators and Executive Directors to the Department of Personnel's New Directions in Selection System October 1992			
Survey Topic	Rating Scale	Personnel Administrators	Executive Directors
Training provided on new selection system	1=very ineffective 5=very effective	2.6	2.8
Effect on your ability to select qualified employees	1=very negatively 5=very positively	2.4	2.7
Effect on your ability to select employees in a timely manner	1=very negatively 5=very positively	2.4	2.8
Effectiveness in responding to complaints and concerns about New Directions in Selection	1=very ineffective 5=very effective	2.7	2.7
Effectiveness in responding to complaints and concerns about the Applicant Data System	1=very ineffective 5=very effective	2.7	2.9
Source: State Auditor's Office analysis of survey responses from 33 personnel administrators and 30 executive directors.			

Responses show computer services technical support needs improvement.

Personnel administrators believe the Department provides effective technical support in most areas. They find technical support of examination, classification, and selection to be effective. On a scale of one to five where one means "very ineffective" and five means "very effective," ratings for these technical support services ranged from 3.2 to 3.9. In contrast, personnel administrators believe technical support of computer services is ineffective. The following table summarizes the ratings for technical services.

Average Ratings Given by Personnel Administrators to the Department of Personnel's Technical Support October 1992	
Survey Topic	Average Rating
Technical support in the area of examinations	3.6
Technical support in the area of classification	3.9
Technical support in the area of computer services	2.6
Technical support in the area of selection	3.2
Rating Scale: 1 = very ineffective, 5 = very effective	
Source: State Auditor's Office analysis of survey responses from 33 personnel administrators.	

The Department Provides Satisfactory Examination and Training Services

Personnel administrators believe the Department's examination and training services are effective although they indicated some concern with the timeliness of the examination process. The table on the next page shows how personnel administrators rated the Department on these services. On a rating scale of one to five when one was the least favorable rating and five was the most favorable, the average ratings were between 2.8 and 3.7. Personnel administrators gave the highest ratings to examination administration and development and personnel training topics.

Average Ratings Given by Personnel Administrators to the Department of Personnel's Examination and Training Services October 1992		
Survey Topic	Rating Scale	Average Rating
Performance in examination development	1=very ineffective 5=very effective	3.5
Performance in administering examinations	1=very ineffective 5=very effective	3.7
Frequency of examinations given	1=very infrequent 5=very frequent	3.2
Timeliness in completing the examination process	1=never timely 5=always timely	2.8
Timeliness of training provided to human resources staff	1=very ineffective 5=very effective	3.2
Ability of instructors who train human resources staff	1=very ineffective 5=very effective	3.3
Appropriateness of training topics provided to human resources staff	1=very ineffective 5=very effective	3.5
Source: State Auditor's Office analysis of survey responses from 33 personnel administrators.		

Grievance and Appeals in the State Personnel System

The state personnel system has two formal grievance and appeal processes to resolve different types of cases. Both the Department and the Board operate a separate grievance and appeal process. The Department hears cases on administration of the personnel system and employee classification and selection. The Board hears cases on employee pay, status, and tenure. Statutes and regulations establish the grievance and appeal processes and set time limits for each phase.

The Department's Grievance and Appeal Process Is Effective and Timely

Of all aspects of the state personnel system that we asked executive directors and personnel administrators to evaluate, the highest ratings were given for the Department's grievance and appeal process. On a scale of one to five when one was the least favorable and five was the most favorable, the ratings from both groups averaged between 3.5 and 4.1. Executive directors and personnel administrators reported that the Department's grievance and appeal process is effective and completed in a timely manner. Although both groups believe that the grievance and appeal process allows valid complaints to be heard, they feel that invalid complaints are sometimes heard as well. The following table reports the average ratings given by personnel administrators and executive directors to the Department's grievance and appeal process.

**Average Ratings Given by Personnel Administrators and Executive Directors to the Department of Personnel's Grievance and Appeal Process
October 1992**

Survey Topic	Rating Scale	Personnel Administrators	Executive Directors
Effectiveness in addressing appeals on classification actions	1=very ineffective 5=very effective	3.6	3.6
Effectiveness in addressing appeals on selection actions	1=very ineffective 5=very effective	3.9	3.6
Timeliness in processing appeals on classification actions	1=never timely 5=always timely	4.0	3.5
Timeliness in processing appeals on selection actions	1=never timely 5=always timely	3.9	3.5
Frequency with which invalid complaints are heard	1=rarely 5=always	2.9	3.1
Frequency with which valid complaints are heard	1=rarely 5=always	4.0	4.1

Source: State Auditor's Office analysis of survey responses from 33 personnel administrators and 30 executive directors.

The Board's Grievance and Appeal Process Is Not As Timely As the Department's

In their ratings of the Personnel Board's grievance and appeal process, executive directors and personnel administrators expressed concern that invalid complaints are sometimes heard and the process is not completed in a timely manner. Although the timeliness of the Board's process received lower ratings than the Department's, the Department reports that the Board has consistently met its statutory time requirements for Fiscal Years 1990 to 1992. If problems exist with the length of time needed to resolve a grievance or appeal action, the cause may be that statutory requirements are perceived to be excessive. The following table reports the average ratings given by personnel administrators and executive directors to the Board's grievance and appeal processes.

Average Ratings Given by Personnel Administrators and Executive Directors to the State Personnel Board's Grievance and Appeal Processes October 1992			
Survey Topic	Rating Scale	Personnel Administrators	Executive Directors
Effectiveness in addressing appeals on pay, tenure, and status actions	1=very ineffective 5=very effective	2.8	3.2
Timeliness in processing appeals on pay, tenure, and status actions	1=never timely 5=always timely	2.8	2.9
Frequency with which invalid complaints are heard	1=rarely 5=always	3.2	3.2
Frequency with which valid complaints are heard	1=rarely 5=always	4.0	4.0
Source: State Auditor's Office analysis of survey responses from 33 personnel administrators and 30 executive directors.			

Department of Personnel Response:

In response to the surveys of personnel administrators, executive directors and legislators that was conducted as part of the performance audit, the Department will be using the results in discussion with various user task forces, e.g., the ADS Resolution Team and Job Evaluation Issues Group.

Survey of Personnel Administrators, Executive Directors and Legislators
October 1991

Response	Personnel Administrators	Executive Directors	Legislators
Agree	78	75	72
Disagree	18	20	25
Don't know	4	5	3

Source: The Auditor General's Office, analysis of survey responses from 13 personnel administrators and 10 executive directors.

FOLLOW-UP ON RECOMMENDATIONS FROM 1989 PERFORMANCE AUDIT

Chapter 4

Background

In March 1989 the State Auditor's Office issued a performance and financial audit report on the Department of Personnel and the Personnel Board. The report contained 29 audit recommendations addressing issues in the following six areas:

- Providing and operating computer services (eight recommendations)
- Achieving the purpose of the state personnel system (four recommendations)
- Overseeing the state personnel system (four recommendations)
- Planning and maintaining the classification system (four recommendations)
- Managing the functions of the Personnel Board (two recommendations)
- Improving the Department's accounting practices (seven recommendations)

To evaluate the Department's implementation actions, we reviewed the status of recommendations in four of the six areas. The scope of this audit did not include reviewing recommendations on the Department's accounting practices since those recommendations were covered in the financial audit following the release of the performance audit. In addition, we were able to conclude that the recommendations on the Personnel Board's functions were implemented in our initial review. For further review, we selected from the four remaining areas twelve recommendations which apply to the Department's current operations.

Overall Status of Recommendations

We asked the Department to describe the implementation status of all recommendations from our 1989 report except those related to accounting practices. Of the remaining 22 recommendations, the Department reported 16 as fully implemented, 2 as partially implemented, and 2 as not implemented. It claimed "other" status for two recommendations. We concluded the Department has fully implemented 16 recommendations, partially implemented 4, and not implemented 2. The table below compares the implementation status as reported by the Department and by the State Auditor's Office.

Comparison of Implementation Status Reported by the Department of Personnel and the State Auditor's Office December 1992		
Implementation Status	Department of Personnel	State Auditor's Office
Implemented	16	16
Partially Implemented	2	4
Not Implemented	2	2
Other ¹	2	0
Total	22	22
¹ Other implementation status includes "ongoing implementation" and "planned implementation."		
Source: State Auditor's Office analysis of Department of Personnel data.		

The table in Appendix D shows each of the 22 recommendations as it was presented in the 1989 report, the Department's plan for implementing it, and its status as reported by the Department and the State Auditor's Office.

Audit Findings

While our review indicated the Department has implemented most of the recommendations, we identified some areas that need additional attention. The 1989 State Auditor's Office audit of the Department of Personnel recommended that the Department estimate the cost of the new classification system and develop procedures for ensuring classification uniformity statewide. The Department agreed with both of these recommendations. In following up on these recommendations, we found:

- The Department did not estimate development costs for the new classification system and has not monitored the costs during implementation.
- The Department needs a method to ensure uniformity of classifications statewide.

The Department Is Developing a New Classification System

One goal of the new classification system is to promote uniform classifications statewide.

In August 1991 the Department began its New Directions in Classification project to replace the old classification system. Some of the problems with the old system which prompted its

replacement include outdated classes; complex and inconsistent relationships between the classes; too many classes with small, unclear distinctions; a time-consuming evaluation process; and overall complexity of the system. The primary goals of the new classification system are to promote uniformity in classifications statewide and to decrease the time and complexity in evaluating positions for classification. The Department plans implementation of the new classification system by July 1, 1993.

The Department Did Not Estimate Costs of the New Classification System

The Department did not estimate the cost of its New Directions in Classification Project prior to implementation. Further, the Department has not been tracking the actual costs incurred. A Department manager explained one reason costs were not estimated is that no additional Department staff were required. However, the project required significant time from state employees outside the Department of Personnel. For example:

- In the first phase of the project, a sample of 8200 employees statewide completed questionnaires describing their job duties. The Department estimates that each employee spent, on average, two hours to complete the questionnaire. This time equals 410 work weeks or is equivalent to 8 FTE. Using the average state employee salary for Fiscal Year 1992, these costs would total \$246,000.
- Approximately 440 agency staff participated in 63 panels to evaluate the questionnaires prepared by the sample of employees. Agency staff spent time reviewing the questionnaires and time in panel meetings. According to the Department, panel members spent approximately 15 minutes reviewing each questionnaire. The estimated time spent to review all questionnaires would equal approximately one FTE or 52 work weeks. The number of times each panel met varied with the number of questionnaires to be reviewed. For example, the General Office Support panel reviewed 1655 questionnaires while the General Health Services panel reviewed only 5. If we assume that each panel met once for an eight-hour period, the total time spent for the meetings would equal 1.7 FTE or 88 work weeks. This is a conservative estimate because most panels met more than once.
- Agency staff time will be required for the implementation of the new classification system. Each employee will complete a Position Description Questionnaire (PDQ). This form will replace the current PC-8. The time required to complete the PDQ will be similar to filling out the original questionnaires, which was approximately two hours per employee. With approximately 27,000 classified employees, the time will total about 1350 work weeks or 26 FTE. The PDQ information will be used to convert positions to the new classes. The agency personnel staff will evaluate each position to determine if it is properly classified. The Department has not estimated how much time these evaluations will require. Without this information, it will be difficult for agencies to plan the implementation of the new system and maintain their current functions.

Agency staff contributed approximately 1900 work weeks to development of the new system.

As these examples show, the agencies contributed an estimated 1900 work weeks to the development of the new classification system. Using the average state employee salary for 1992, this cost would total \$1.1 million. Again, this does not include time the agency personnel staff will spend evaluating all positions. Also, these are estimates. The Department has not tracked the actual time spent by the agencies.

As the 1989 State Auditor Report pointed out, one way to control an agency's investment of resources in a new system is to estimate all costs of developing the proposed system. This includes estimating costs in both dollars and hours. It is also important to monitor the costs throughout the project. After the system is implemented, a postimplementation review is needed to evaluate the total cost of the project. Department management indicated they plan to quantify the cost of the project in a few months. However, the Department may not be able to accurately identify the cost of the project since it has not tracked agency time used.

The Department needs policies and procedures for estimating and monitoring project costs.

The Department has not developed policies and procedures for estimating and monitoring project costs. Policies and procedures should help guide Department staff in deciding when project costs should

be estimated and what should be included in the estimate. Further, management could use this mechanism to emphasize the importance of monitoring and controlling project costs.

Recommendation No. 12:

The Department of Personnel should improve its controls over all project development by:

- a. Developing policies and procedures on estimating costs prior to project development.
- b. Developing policies and procedures for estimating project costs, monitoring costs during project development, and reporting estimate to actual comparisons to Department management.
- c. Ensuring all costs are included in postimplementation calculations of New Directions in Classification costs.

The Department of Personnel Response:

Partially agree.

- a. Agree. The Department will develop policies and procedures to estimate costs prior to project development.

- b. Agree. The Department will develop policies and procedures to estimate costs, monitor costs during project development and report estimate-to-actual comparisons to Department management.
- c. Partially agree. The Department will ensure that all relevant costs are included in post-implementation calculations of New Directions in Classification. The Department questions the practicality of including all costs incurred by agencies in participating in a system change or implementation. The independent choices each agency makes in participating and implementing would vary greatly, and thus would make estimating and tracking agency costs impractical.

The Department Needs a Method To Ensure Uniformity in Classifications

In 1984 and 1989 we recommended that the Department perform desk audits on a sample of agency positions as part of its Personnel Management Review (PMR) process. The purpose of the desk audits was to help ensure uniform classification statewide. At that time we noted that the PMR team reviewed the documentation developed by agency staff to support a classification decision. However, a review of documentation will not show if agency staff are accurately describing actual work performed. Without this assurance, the Department cannot determine if a classification is appropriate. Our review showed that the Department has not implemented this recommendation.

The Department's current process assesses the agency's classification methodology.

The current PMR process does not determine whether an agency's positions are correctly classified. It only

allows the Department to assess the agency's classification methodology. Without some assurance that agencies correctly classify their positions, the State could be spending more than necessary for personal services. We estimated that state agencies have reclassified 30 percent of the State's classified positions to higher classes since we issued our previous report in 1989. These reclassifications were done without assurance that the action was correct.

System Changes Require a Different Approach to Quality Assurance

The Department has intentionally waited to implement this recommendation until after the new classification system is complete. It has not yet made a decision

about how the new classification system will evaluate individual positions for reclassification. One approach under consideration is to form panels of human resources staff and individuals who work in the fields being reviewed. The panels will evaluate each position against a set of predetermined factors and will assign it a numeric rating.

If the Department decides to implement this panel approach, incorporating desk audits into the PMR process may not be cost-effective. The PMR team would also have to conduct desk audits using a panel approach. This could require considerable staff resources, duplicate efforts, and provide very little additional quality assurance. Further, the panel approach, without auditing, may provide reasonable assurance that agency positions are correctly and uniformly classified.

We believe that as part of the New Directions in Classification project, the Department needs to plan a new approach to assuring that agencies correctly and uniformly classify their positions. Managers of the PMR unit and the Classification Division should design and implement a reasonable approach to reviewing agencies' classification activities.

Recommendation No. 13:

The Department of Personnel should design and implement a methodology to ensure state agencies correctly and uniformly classify their positions.

The Department of Personnel Response:

Agree. As part of its New Directions in Job Evaluation project, the Department is proposing that future reviews of positions seeking reclassification will be done by a panel of three trained employees. To bring more uniformity and equity across departments, one or more of these employees will be from a different department than the requesting employee's department. If the desired goal of this process is not achieved, then the Department will conduct desk audits on a sample of positions during the postaudit review of other agencies to ensure the correctness of the classification of positions. Final plans will be in place by July 1, 1994, the approximate date of the completion of Phase II of the Job Evaluation project. Phase II of the project includes the review of all 27,000 classified positions to ensure that they are properly placed in the new classes.

APPENDIX A

LIST OF CENTRALIZED AND DECENTRALIZED AGENCIES

APPENDIX A
LIST OF CENTRALIZED AND DECENTRALIZED AGENCIES

Centralized

Colorado School of Mines
Adams State College
Arts and Humanities
Colorado Advanced Technical Institute
Colorado Student Loan Program
Commission on Higher Education
Consortium of State Colleges
Education and CSDB
Ft. Lewis College
Law
Mesa College
Military Affairs
Office of State Planning and Budgeting
Secretary of State
State Historical Society
Treasury
University of Southern Colorado
Western State College

Decentralized

Administration
Agriculture
Auraria Higher Education Center
CCCOES - Administration
CCCOES - Community College of Denver
Colorado State University
Corrections
Health
Institutions
Labor and Employment
Local Affairs
Metropolitan State College
Natural Resources
Personnel
Public Safety
Regulatory Agencies
Revenue
Social Services
State Auditor
Transportation
University of Colorado, Colorado Springs
University of Northern Colorado
University of Colorado, HSC
University of Colorado, Boulder
University of Colorado, Denver

APPENDIX B

INFORMATION ON GENERAL ABILITIES TESTS

APPENDIX B
INFORMATION ON GENERAL ABILITIES TESTS

In using a criterion-related strategy for establishing test validity two factors must be considered: the statistical significance and strength of the relationship between test scores and defined outcome. In evaluating relationship correlations both the strength and statistical significance must be balanced to determine if the correlation serves a useful purpose.

Statistical significance relates to the probability that the relationship exists for reasons other than chance. If a correlation is statistically significant, one variable can be used to predict the behavior of the other variable. The level of significance (.05, .01, or .001) describes the confidence that the relationship does not exist through chance. For example, if a relationship has a statistical significance of .05, you are 95 percent sure that the relationship exists for factors other than chance.

The amount or strength of the correlation is expressed numerically between +1.00 and -1.00. Positive correlation coefficients (r) indicate that as one variable increases the other variable will also increase. Negative correlations indicate that as one variable decreases, the value of the other variable increases. Both +1.00 and -1.00 represent perfect correlations. A correlation coefficient of 0 means that no relationship exists between the two variables. Statistical text describe the predictive strength of variable relationships as follows:

$r = .80$ or higher	very high
$r = .60$ to $.80$	strong
$r = .40$ to $.60$	moderate
$r = .20$ to $.40$	low
$r = .20$ or less	very low

In advocating the use of general abilities tests, the Selection Center indicated that general ability tests had proven and documented predictive correlation strengths of about .5 on a scale from 0 to 1. The Selection Center noted that this was a good predictive value in comparison to the predictiveness of other selection techniques. Other selection devices were noted to have predictive values as follows:

APPENDIX B
INFORMATION ON GENERAL ABILITIES TESTS

<u>Selection Device</u>	<u>Predictive Validity</u>
Work sample	.54
Written (ability) tests	.53
Peer rating	.49
Written tests of job knowledge	.48
Job tryouts	.44
Biographical information	.37
Grade point average	.21
Experience	.18
Interview	.14
Amount of education	.10

The DAT pilot study produced some statistically significant relationships between DAT scores and employee performance ratings for the administrative group and the total employee group. However, the relationships have correlation coefficients which are either low or very low in predictive strength ($r < 0.40$ or $r < 0.20$).

APPENDIX C

PERSONNEL ADMINISTRATOR PETITION

We the undersigned are members of the State of Colorado personnel community. We support the ongoing initiatives being undertaken to make our systems more effective and efficient. We respectfully request that the State Personnel Director, Shirley Harris, continue the development and review of New Directions and the Applicant Data System. Based on experience, we find it useful for entry level general use classes. But, experience has shown the system to be cumbersome and inefficient for other applications. We therefore respectfully request that its mandatory use be limited to entry level, general use classes. Petition was signed January 26, 1993.

Signature	Name (Please Print)	Position	Agency
<i>William G. Moore</i>	William G. Moore	Per. Admin	Public Safety
<i>John B. Olson</i>	John B. Olson	Per. Dir	TRANSPORTATION
<i>Sharon Payton</i>	Sharon Payton	Per. Admin	Dept of Admin
<i>Shirley J. Farned</i>	SHIRLEY J. FARNED	Per. Admin	MSCD
<i>Debbie Payne-Lane</i>	Debbie Payne-Lane	Director	CDE
<i>Ron Ross</i>	Ron Ross	Per. Director	CGA
<i>Kick Wolley</i>	Kick Wolley	Personnel Admin	Local Affairs
<i>Ann Hamilton</i>	Ann Hamilton	HR Director	AHEC
<i>Sandi Jones</i>	SANDI JONES	Dir Personnel	MSCD
<i>Manuela U. Fadelly</i>	MANUELA U. FADELLY	Per. Consultant	Colorado School for Deafblind
<i>Pat Ruybal</i>	PAT RUYBAL	DIR. PERSONNEL	PUEBLO COMM. COLL.
<i>Rosin Mangano</i>	Rosin Mangano	CCOES	Research Analyst
<i>Cynthia B. Hies</i>	CYNTHIA B. HIES	sup. Personnel Asst	AHEC
<i>Susan J. Guyer</i>	SUSAN J. GUYER	Applying Director Human Resources	CSM
<i>Carol A. Martin</i>	CAROL A. MARTIN	PERSONNEL OFFICER	FRCC
<i>Edric Womack</i>	EDRIC WOMACK	Personnel Admin.	Military Affairs
<i>Marcia L. Williams</i>	Marcia L. Williams	HR Administrator	State Auditor's Office
<i>Carolyn Williams</i>	CAROLYN WILLIAMS	Info. Syst. Sr.	PERSONNEL OFFICER
<i>Lucille Montoya</i>	Lucille Montoya	Personnel Off.	CCHE
<i>Madrice Nitz</i>	MADRICE NITZ	Personnel Admin.	Corrections
<i>John Swygert</i>	JOHN SWYGERT	PERSONNEL	UCHSC
<i>Linda Gonzalez</i>	LINDA GONZALEZ	Director HR	U of CO EXDIZ
<i>Patricia Hunter</i>	Patricia Hunter	Personnel	Colorado Comm. College CU Denver

APPENDIX D

DISPOSITION OF PRIOR AUDIT RECOMMENDATIONS

1989 Audit Recommendation	Department Response	Department's Proposed Action	Status Per Department	SAO Conclusion
Recommendation No. 1			Implemented	Implemented
The Department of Personnel should work with the Department of Administration to appoint one person, independent of both Departments, as a project manager. The project manager should be responsible and accountable for the success of the project (personnel and payroll interface). In addition, the project manager should include all users in each step of the systems development process.	Implemented	Tom Romero, who is associated with the COFRS Project, has been appointed by the Department of Personnel and the Department of Administration as project manager. This not only will ensure the success of the interface project but also will provide necessary coordination with the COFRS project. Please note that in our opinion user groups have been and will be appropriately involved in the interface project development.		
Recommendation No. 2			Implemented	Implemented
The Department of Personnel should work with the Department of Administration to define the scope and review the objectives of the project (personnel and payroll interface) before continuing with the systems development process.	Implemented	As soon as issues regarding the interface process were identified by the audit team, the Department took steps immediately to address those issues.		
Recommendation No. 3			Implemented	Implemented
The Department of Personnel should work with the Department of Administration to:		Implementation date 9/89		
a: Establish policies and procedures to ensure that cost/benefit analyses are performed and properly documented on this and future projects.	Agree			
b: Periodically compare actual costs to budgeted costs on this interface project and report information to management of both Departments.	Implemented			
c: Conduct a post implementation review of costs and benefits on this project.	Agree	A post implementation review of cost and benefits will be done at the close of the project.		
Recommendation No. 4			Implemented	Implemented
The Department of Personnel should work with the Department of Administration to:		Implementation date 3/89.		

1989 Audit Recommendation	Department Response	Department's Proposed Action	Status Per Department	SAO Conclusion
a: Prepare monthly status reports in a timely manner and submit the reports to the management of both Departments. These reports should include a revised project schedule and a comparison of actual costs to budgeted costs.	Implemented			
b: Establish policies and procedures to ensure that adequate and effective controls, such as those recommended by the American Institute of Certified Public Accountants, exist for the interface system.	Agree	Will recommend that the State establish a policy regarding expectations regarding adequate and effective security of computer systems, so that all agencies know the standards against which they will be measured.		
Recommendation No. 5			Implemented	Implemented
The Information Management Commission should establish and issue guidelines to state agencies on systems development methodology as soon as possible.	Agree			
Recommendation No. 6			Implemented	Implemented
The Department of Personnel should:		Implementation date 1/90.		
a: Establish written policies and procedures for the ADS maintenance.	Agree			
b: Document and complete adequate ADS maintenance in a timely manner.	Partially Agree	The highest priority in the Department at the present time is successful completion of the interface between the personnel and payroll systems. Although we agree that maintenance of the ADS system is necessary, that work must be subject to higher priorities.		
c: Ensure that FTE approved for ADS maintenance is used for ADS maintenance.	Partially Agree	See response to "b" above. In the future, we will be careful to indicate in our budget submissions that the estimates for ADS maintenance are subject to change if other priorities become more imperative.		
d: Communicate the status of maintenance projects to the Selection Center on a regular basis.	Agree			
Recommendation No. 7			Partially Implemented	Partially Implemented
The Department of Personnel Should:		Implementation date 1/90.		
a: Establish written policies and procedures for the Computer Systems Division.	Agree			

1989 Audit Recommendation	Department Response	Department's Proposed Action	Status Per Department	SAO Conclusion
b: Prepare an annual Division plan, approved by the Executive Director, for the use and allocation of computer resources.	Agree			
c: Plan and provide user training for new systems and when systems change.	Agree	The Department now provides training but we will review our program to assure that it is thorough and timely.		
Recommendation No. 8 The Department of Personnel should establish policies and procedures to:		Implementation date 7/89.	Implemented	Implemented
a: Provide adequate security for software and systems documentation on site.	Agree			
b: Provide off-site storage for a copy of software and systems documentation.	Agree			
Recommendation No. 9 The Department of Personnel should:		Implementation date 9/89.	Implemented	Implemented
a (1): Fully implement the recommendation of the State Auditor's 1984 performance audit by making provisions for the Personnel Data System to gather and report information on agency implementation of performance evaluations.	Implemented			
a(2): Fully implement the recommendation of the State Auditor's 1984 performance audit by using the above information to monitor compliance with requirements for annual performance evaluations.	Agree			
b : Continue to emphasize the use of its performance evaluation system. When it identifies agencies that use the performance evaluation system well, the Department should tell other agencies about the successful methods.	Agree			

1989 Audit Recommendation	Department Response	Department's Proposed Action	Status Per Department	SAO Conclusion
Recommendation No. 10			Implemented	Implemented
The Department of Personnel should develop and implement methods of monitoring and enforcing agency compliance with the requirement that they request prior approval before filling a vacancy which could correct underrepresentation of ethnic minorities and women.	Agree			
Recommendation No. 11			Implemented	Implemented
The Department of Personnel should:		Implementation date 1/89.		
a: Obtain and review a representative sample of state agency examinations.	Agree			
b: Report the results of its reviews of examinations to agencies.	Agree			
c: Work with the agencies to help them correct their problems.	Agree	Implementation of this recommendation is already in progress.		
Recommendation No. 12			Implemented	Implemented
The Department of Personnel's Selection Center staff should begin to routinely monitor decentralized agencies' announcement processes on a regular basis. Violators should be identified and required to take proper future action under the direction of the Department of Personnel.	Agree			

1989 Audit Recommendation	Department Response	Department's Proposed Action	Status Per Department	SAO Conclusion
Recommendation No. 13		Implementation date 7/90.	Implemented	Implemented
The Department of Personnel should adequately staff the Personnel Management Review function so that they review each decentralized agency every five years, or sooner if necessary.	Partially Agree	The Department of Personnel is engaged in a major initiative, known as "New Directions," to revise all major areas of the personnel system. Due to the dedication of resources to that initiative, it will not be possible at the present time to direct additional staff from our existing staffing pattern to the PMR effort. However, one part of New Directions is a restructuring of the Personnel Management Review function to make it more efficient and less time consuming. In addition, we hope to explore the possibility of "horizontal" audits of major systems on a system-wide basis, rather than on an agency-by-agency basis.		
Recommendation No. 14		Implementation date 10/89.	Not Implemented	Not Implemented
As part of its Personnel Management Reviews, the Department should perform desk audits on a sample of each agency's positions to determine if agency positions appear correctly classified. If they are not correctly classified, the Department of Personnel should take appropriate enforcement action to correct the situation.	Agree	We also believe that a system-wide review of specific classes may be an effective way to determine if agency positions are correctly classified.		
Recommendation No. 15		Implementation date 3/89.	Implemented	Implemented
The Department of Personnel should assign responsibility to a specific manager to monitor the review of all agency implementations of appeals panels' orders.	Agree			
Recommendation No. 16		Implementation date 8/89.	Partially Implemented	Partially Implemented
The Department of Personnel should:				
a: Specify in its delegation agreements what will happen if agencies fail to adequately perform personnel functions.	Agree			
b: Develop additional monitoring and enforcement alternatives short of revoking decentralization authority.	Agree			

1989 Audit Recommendation	Department Response	Department's Proposed Action	Status Per Department	SAO Conclusion
Recommendation No. 17		Implementation date 6/89.	Planned Implementation 10/93	Partially Implemented
The Department of Personnel should maintain the current classification system or a new system on at least a five-year cycle by determining the number of FTE needed to achieve a five-year maintenance cycle.	Partially Agree	Part of the New Directions initiative is the development and implementation of a new classification system. We will develop a maintenance program in connection with the development of the new system.		
Recommendation No. 18			Not Implemented	Not Implemented
The General Assembly should ensure that the state classification system is maintained by providing the necessary funding to implement the changes recommended by system maintenance studies that cannot be implemented with the dollar-for-dollar method developed by the Department.	Agree	The Department has undertaken a constructive step towards resolving this problem by advocating the "dollar-for-dollar" implementation of systems maintenance studies. This new Board rule and Director's procedure substantially decreases the cost of implementing those studies.		
Recommendation No. 19			Ongoing Implementation	Partially Implemented
The Department of Personnel should:		Implementation date 7/89.		
a: Develop a specific plan for replacing the classification system to include dates for beginning and completing the process and an estimate of the total cost of the project, including total salary impact, if any.	Agree			
b: Include the plan in its Fiscal Year 1991 budget request.	Partially Agree	The Department's intent is to design a new classification system and transition which will have minimal fiscal impact on the State payroll. However, we agree that early and frequent communication with the legislature is important to the success of the project. We will identify any costs of implementation as early as possible and communicate them appropriately to the legislature.		
c: Provide a copy of the plan to the Legislative Audit Committee by July 1, 1989.	Agree			

1989 Audit Recommendation	Department Response	Department's Proposed Action	Status Per Department	SAO Conclusion
Recommendation No. 20		Implementation date 7/91.	Implemented	Implemented
The Classification and Compensation Division of the Department should review a sample of decentralized agencies' classification actions when problems are apparent. If the Division finds incorrect classification, they should take appropriate enforcement action to correct the situation.	Agree	In light of the development of a new classification system, this activity will be undertaken after implementation of the new system.		
Recommendation No. 21		Implementation date 7/89.	Implemented	Implemented
The Personnel Board should monitor the workload and the deadlines for each phase of the appeals process on a regular basis. This might involve a review of staffing levels or statutory deadlines to determine if they are realistic.	Agree	In the vast majority of missed deadlines, the delay was no more than three days. This should be recognized as indicative of the Board's diligence in monitoring and achieving these deadlines under rather adverse conditions.		
Recommendation No. 22			Implemented	Implemented
The Personnel Board needs to establish a policy to obtain "conflicts" counsel from the Attorney General's Office when needed.	Partially Agree	This policy was established as soon as the issue surfaced in the audit process. However, it cannot be fully implemented within the present appropriation.		

SUMMARY OF RECOMMENDATION IMPLEMENTATION

Implementation Status	Status Per Department	Status Per SAO
Implemented	16	16
Partially Implemented	2	4
Not Implemented	2	2
Other	<u>2</u>	<u>0</u>
Total	<u>22</u>	<u>22</u>

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