Department of State Civil Service Staffing and Personnel Issues in State Agencies

Performance Audit
Issued November 12, 2009

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FOR QUESTIONS RELATED TO THIS PERFORMANCE AUDIT, CONTACT EMILY WILSON, PERFORMANCE AUDIT MANAGER, AT 225-339-3800.

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LOUISIANA LEGISLATIVE AUDITOR
STEVE J. THERIOT, CPA

November 12, 2009

The Honorable Joel T. Chaisson, II,
President of the Senate
The Honorable Jim Tucker,
Speaker of the House of Representatives

Dear Senator Chaisson and Representative Tucker:

This report provides the results of our performance audit that examined the Department of State Civil Service (DSCS) and staffing and personnel issues across state agencies. The audit was conducted under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended.

The report contains our findings, conclusions and recommendations. DSCS has already begun to address many of the recommendations identified in the report. Appendix A contains the DSCS response. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of DSCS for their assistance during this audit. They were helpful and cooperative throughout the audit and have already begun to implement some of the recommendations in the report.

Sincerely,

Steve J. Theriot, CPA
Legislative Auditor

SJT/dl

DSCS09

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Appendices

Office of Legislative Auditor

Steve J. Theriot, CPA, Legislative Auditor

Department of State Civil Service
Staffing and Personnel Issues in State Agencies

November 2009

Audit Control # 40090004

Executive Summary

We conducted a performance audit on the Department of State Civil Service (DSCS) and staffing and personnel practices in state agencies. This audit was initiated in response to legislative interest in civil service reform and other efforts to streamline state government. We primarily focused on the following four topics:

- Staffing Levels in State Agencies
- Hiring and Compensation
- Employee Productivity and Discipline
- Performance Management

Since we relied on the Integrated Statewide Information System (ISIS) data for much of our analysis, this report primarily covers only executive branch agencies. Higher education and quasi-state entities such as boards and commissions do not comprehensively use ISIS so they are not included in this report except where noted. Our objectives and the overall results of our audit are summarized below.

Section 1: Staffing Levels in State Agencies

Objective 1: How many state employees are carrying out the functions of state government?

Results: It is difficult to determine the exact number of employees carrying out state government functions because the number depends on how state employees are defined and some employees, like contract employees, are not reported. In addition, most employee counts do not include the number of employees in the legislative and judicial branches of government. Most employee counts include only executive branch employees[1] because the executive branch is the only branch that reports comprehensive personnel information to DSCS.

[1] The executive branch includes state agencies, higher education, and quasi-state entities such as boards, commissions, and housing authorities.

Within the executive branch, employees are categorized and counted in a variety of ways. For example, common terms for describing employees include actual headcounts versus full-time equivalents (FTEs) and classified and unclassified employees. As of June 30, 2009, the actual headcount of all executive branch state employees was 100,486 (including higher education and quasi-state entities) which equates to 91,823 FTEs. A total of 62,012 of these employees were classified (62%) and 38,474 were unclassified (38%).

As part of the budget process, the legislature authorizes (appropriates) the number of FTE positions each state agency can have. This number is also called an agency's table of organization or "TO." In FY 2009, the legislature authorized 45,898 FTE to state agencies (excluding higher education and quasi-state entities). However, agencies also have positions which are not appropriated as positions by the legislature and are called "non-TO" positions. As of June 30, 2009, there were 7,080 of these employees.

Finally, contract employees are generally excluded from employee counts even though some contracts may employ individuals who carry out state government functions because the state does not require that agencies report on the number of contract employees. As of June 10, 2009, state agencies had over 16,000 active contracts totaling over $7.4 billion.

Objective 2: How does the number of state employees in Louisiana compare to other states?

Results: Louisiana ranks 13th in the nation for having the most state employees per capita. Census data from 2007 shows that Louisiana has 193 state employees for every 10,000 Louisiana residents.

Objective 3: What is Louisiana's ratio of supervisors to staff in state agencies?

Results: Our analysis of ISIS data shows that the overall average supervisor to staff ratio for classified employees in executive branch state agencies is 1 supervisor to 4 staff. Our analysis also shows that 22% of supervisors in state agencies supervise only one person. However, this analysis is limited by the completeness of ISIS data. Specifically, most unclassified employees were not included in the analysis. In FY 2009, unclassified employees represented 16% of employees in state agencies (excluding higher education and quasi-state entities).

It is difficult to evaluate supervisor to staff ratios as these ratios depend on factors such as the nature of the occupation and geographic locations. In addition, some occupations and agencies may have accreditation standards that mandate certain ratios. However, the 1995 SECURE report recommends a 1:10 ratio for state agencies in Louisiana but notes that a 1:5 ratio may be necessary for highly technical, policy, or nonrepetitive functions.

Objective 4: Does the state require agencies to justify their staffing levels?

Results: The state does not have a formal process that requires agencies to justify their staffing levels. Although the budget process requires agencies to report on existing employees and justify any new positions, state law does not require that agencies evaluate and justify their staffing levels.

One way to address justification of staffing levels is to require that the state conduct strategic workforce planning. Strategic workforce planning is a tool whereby agencies link their staffing levels with the goals and objectives outlined in their strategic plan. This plan would allow the legislature and other decision-makers the ability to evaluate the total number of staff needed to carry out the strategic goals of each agency.

Section 2: Hiring and Compensation

Objective 5: Does the state's hiring process ensure that agencies are able to hire employees in a timely manner?

Results: DSCS has recently implemented an online hiring system that automates the hiring process. This system allows agencies to manage the hiring process themselves instead of relying on DSCS. However, according to most state agencies we interviewed, this system has not increased timeliness because agencies are now getting more applications than they did using the manual process. For example, since February 2009 when the system was implemented, agencies have received over 260,000 applications.

Also, the process is not as timely as it could be because some of the system's capabilities are not currently used by all agencies. For example, agencies can use supplemental questions to identify candidates who are the most qualified. This total helps agencies reduce the number of applications that must be reviewed. However, this tool is not currently being used by all agencies.

Objective 6: How does DSCS determine appropriate levels of compensation for state employees?

Results: DSCS conducts annual salary studies and compares data on approximately 300 of 1600 job titles to salaries in other states and to private industry. This study helps ensure that employee compensation is appropriate and is the basis for recommendations to any changes to pay ranges. In 2008, DSCS recommended either a 3% to 10% increase for certain base pay ranges or a one-time 2% to 5% salary supplement. The plan was adopted by the Civil Service Commission; however, the plan has not been implemented.

DSCS conducts pre-approvals and post-action audits of certain pay actions to ensure agencies are using pay mechanisms appropriately. DSCS also conducts allocation reviews to ensure that employees are performing work commensurate with their position description. These reviews help to ensure that employees are compensated appropriately.

Objective 7: What is the average salary for classified and unclassified employees in state agencies?

Results: According to ISIS data as of June 30, 2009, the statewide average salary for all full-time classified employees in state agencies was $43,670. The statewide average salary for all full-time unclassified employees in state agencies was $52,626. Unclassified salaries do not have to be approved by DSCS so they are not subject to the same limitations as classified salaries. As a result, unclassified employee salaries are generally higher than classified salaries.

Section 3: Productivity and Discipline

Objective 8: What is the turnover rate in state agencies?

Results: Classified employees in state agencies had an average voluntary turnover rate of 14% in FY 2009. Most employees cited that they left for personal reasons. Decreasing turnover in state government is important because turnover results in increased costs to the state. For example, in 2007, when the state had a 17% turnover rate, DSCS estimated that the total cost to the state was between $48 million and $192 million. These costs include separation costs (annual leave payouts), replacement costs (testing, recruiting, advertising), vacancy costs (use of temporary employees, overtime), training costs (formal classes, orientation), and productivity costs.

Objective 9: Are state employees required to document productivity?

Results: Although all state agencies have a system for accounting for employee time, these systems do not necessarily document or ensure productivity. Most state employees are considered negative time employees which means they do not have to record actual time worked because they are assumed to work forty hours per week unless they take leave. Positive time employees must actually enter the hours worked. However, most positive and negative time employees do not record what activities they worked on unless required by a federal grant or other source of funds.

The Performance Planning and Review (PPR) process, if used correctly, should help agencies track and document the productivity of employees. Supervisors should use the PPR process as a mechanism to track how well each employee performs by using objective information to measure actual performance against agreed upon expectations.

Objective 10: What kinds of disciplinary actions were taken against state employees?

Results: From FY 2007 to FY 2009, state agencies have taken 1,946 formal disciplinary actions against permanent classified employees (approximately 3% of all employees). The most prevalent action was reducing an employee's pay (58%). Other actions taken include dismissing employees (30%), employees resigning to avoid dismissal (8%), and demoting employees (4%). Most employees have not appealed these actions. From FY 2007 to FY 2008, there have been 283 appeals and most of these were dismissed or denied (81%). We were unable to determine the most prevalent reason for these disciplinary actions because neither state agencies nor DSCS tracks the reasons.

Some agencies said they did not have formal disciplinary policies. Formal policies would help employees know what is expected of them and the consequences resulting from noncompliance which may also help reduce the number of actions. Most agencies also used a six-month probationary period even though civil service rules allow agencies to set probationary periods for up to two years. Having a longer probationary period would allow agencies more time to observe and evaluate the performance of employees before the employee gains permanent status. According to DSCS, there were 1,727 probational employees terminated in state agencies in FY 2009.

Section 4: Performance Management

Objective 11: How do state agencies evaluate their employees?

Results: Louisiana's performance management system primarily consists of the PPR process and annual merit increases. Nearly all state employees (approximately 94%) received merit increases in FY 2009 and most of these merit increases were issued in accordance with civil service rules. Civil service rules require that only employees who receive a rating of "meets requirements" and above are eligible for a 4% merit increase. However, we identified 650 cases (< 1%) in FY 2008 and FY 2009 where ISIS data showed that employees did not have a documented PPR record in ISIS or had a poor rating but received a merit increase.

We also found that supervisors did not always rate employees as required by civil service rules. From FY 2007 to FY 2009, supervisors did not rate employees as required 8,962 times. In addition, although supervisors should enter the reason they did not rate the employee in ISIS, we found that 68% of these cases did not have a reason entered. DSCS recently addressed this problem by issuing a rule that makes the supervisors' merit increase contingent upon their compliance with all PPR rules. This rule should help ensure that classified supervisors rate their employees as required.

DSCS conducts accountability audits to ensure that agencies are in compliance with PPR rules. According to DSCS data, the statewide average compliance rate for conducting appropriate PPR planning sessions was 69% and the statewide average compliance rate for properly rating employees was 91%.

Objective 12: How can existing tools be used to improve performance management?

Results: The state can better manage employee performance by increased use of existing tools such as special pay mechanism and rewards and recognition programs. These mechanisms are important because they give agencies the flexibility to compensate employees based on performance. However, agencies do not always take advantage of these mechanisms. For example, 15% of employees were given a special pay mechanism and 3% of employees were awarded a reward in FY 2009.

Similar to state agency rewards and recognition programs, some legislative reward programs have not been fully used. The incentive fund and gainsharing programs allow agencies to apply for funds as a reward for good performance. However, no agencies have applied to this program since 2005.

Objective 13: What additional performance management initiatives should the state further develop?

Results: The state should continue to develop broadbanding and pay for performance initiatives to improve performance management. Broadbanding collapses salary grades and job classifications into wider pay bands, allowing more discretion and flexibility related to promotions and pay. One of the primary benefits of broadbanding is that is allows managers to compensate and move employees from one job to another without having to go through the formal reclassification process. Although DSCS has taken some steps toward implementing broadbanding, it still has a relatively large number of job titles. As of June 30, 2009, there were 1,633 classified job titles in use by state employees. A total of 1,088 of these titles (67%) had 10 or fewer employees in the title which indicates that DSCS could further reduce the number of these titles.

Pay for performance is another initiative that gives agencies the ability to link employees compensation to actual performance. DSCS is currently seeking changes to the merit increase rules that will enable agencies to implement pay for performance.

To help ensure pay for performance is successful, there are several challenges that the state should address. These challenges include increasing agency oversight to help ensure the PPR process is consistent, objective, and based on measurable expectations; ensuring that all supervisors, including unclassified supervisors, are trained on the PPR process and rate employees; and having adequate funding to fund the variable performance adjustments.

Audit Initiation, Scope and Methodology

This audit was initiated in response to legislative interest in civil service reform and staffing in state agencies. The audit focused primarily on practices related to the hiring, compensation, and performance management of state employees. Once the Commission on Streamlining Government was formed, we modified the objectives to address some of their questions as well. The audit period generally covered FY 2008 to FY 2009.

We developed 13 objectives and performed the following steps:

- Researched civil service rules and relevant state laws
- Interviewed various DSCS staff and key personnel related to civil service functions and duties
- Reviewed various documents (annual reports, uniform pay plan, etc.) published by DSCS
- Interviewed various agency management staff and the Office of Planning and Budget (OPB) on the budget process
- Conducted interviews at 18 state agencies on various human resource practices
- Accompanied DSCS on reviews and audits of state agency human resource practices
- Obtained and analyzed ISIS data on the number and type of state employees, supervisory ratios, the number of pay mechanisms, the number of disciplinary actions, merit increases and PPR ratings, turnover, and salary information. For the purposes of our analysis, we used personnel area numbers that were generally grouped by budget unit by analyzing data from agencies that were grouped and reported as follows:
    - The Executive Department includes the Division of Administration and entities under the Governor's Office.
    - The Department of Public Safety - Corrections Services and the Department of Public Safety - Public Safety Services are reported separately. However, the Department of Public Safety - Public Safety Services includes the Office of Youth Development.
    - The Department of Culture, Recreation and Tourism and the Lieutenant Governor's Office are reported separately unless otherwise noted.
    - The Department of Education includes special schools and commissions.

- The Civil Service agencies include the Department of State Civil Service, Municipal Fire and Police Civil Service, Board of Ethics, Division of Administrative Law, and State Police Commission.

  Note: All exhibits in this report will follow this methodology unless otherwise noted. In addition, exhibits will be in alphabetical order by executive branch agency unless a rank ordered listing is needed.

- Compared ISIS data to census data to compare the number of Louisiana state employees with other states on a per capita basis

- Obtained information on other states identified by the Pew Center's Government Performance Project as leaders in human resource functions

- Obtained data on best practices from academic, human resources industry, and other government Web sites on workforce planning and performance management

- Conducted a survey of other states on their experiences with broadbanding

- Compared authorized positions to actual positions using ISIS

We conducted this performance audit under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. We also followed generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Overview of the Department of State Civil Service

Legal Authority. The Department of State Civil Service (DSCS) and the State Civil Service Commission are established in the executive branch of state government by Article X of the Louisiana State Constitution. The civil service system is founded upon the principles of equal pay for equal work, equal opportunity, ability-based employment and promotion, accountability for results, and freedom from political influence.

The constitution empowers the seven member Civil Service Commission to enact rules that state agencies use to manage their human resource functions. Civil service rules establish standards for recruiting and hiring, promotion, demotion, disciplinary actions, compensation, performance evaluation, training, and conditions of employment. Through these rules and accompanying policies and procedures, the DSCS administers a comprehensive merit-based human resources program for classified state employees.

Mission and Goals. According to its current strategic plan, the mission of DSCS is to provide human resource services and programs that enable state government to attract, develop, and retain a productive and diverse workforce that excels in delivering quality services to the residents of Louisiana. The goals of DSCS are as follows:

1. Administer the classification and compensation systems by developing and implementing flexible job evaluation and pay policies and practices that can be adapted to meet agencies' unique requirements

2. Create and administer programs, rules, assistance procedures and training that promote, encourage, and enhance effectiveness, efficiency, and accountability in state agencies and their employees

3. Provide for the systematic evaluation of effectiveness of human resource practices in state agencies

4. Provide a prompt, inexpensive system for resolving removal, discipline, rule violation, and discrimination cases that satisfies due process requirements

5. Use technology to improve the productivity and effectiveness of DSCS and its user agencies

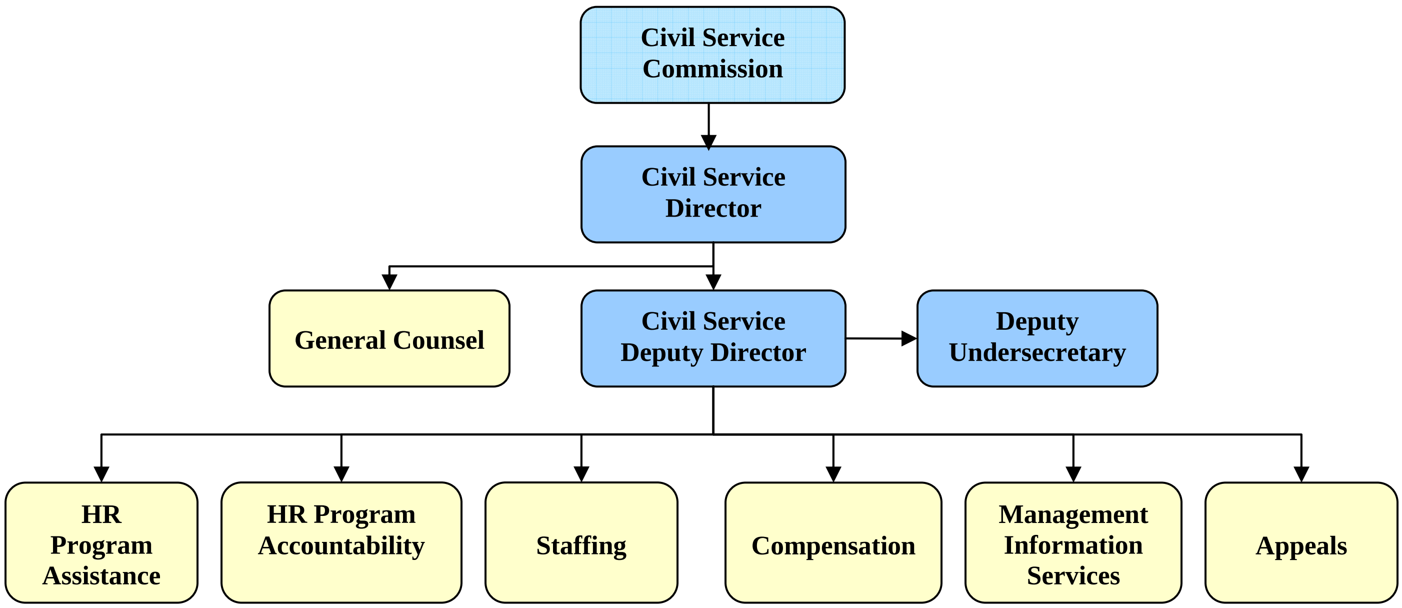
Budget and Staffing. In FY 2009, DSCS was appropriated $8,947,254, and had 94 authorized positions.

Organization and Functions. DSCS has delegated many of the duties it previously carried out to individual state agencies. Examples of functions that have been delegated include hiring employees and allocating positions. Currently, DSCS primarily operates in an advisory and oversight role by providing guidance and conducting audits to ensure agencies are complying with civil service rules. DSCS carries out this role through seven divisions.

Exhibit 1 illustrates how DSCS is organized and Exhibit 2 outlines the primary functions of the seven divisions.

Exhibit 1

DSCS Organization Chart



Source: Prepared by legislative auditor's staff using information on the DSCS Web site.

Exhibit 2

DSCS Division Functions

Division	Functions
Administrative Division (Director, General Counsel, Deputy Director, and Deputy Undersecretary)	Includes the executive staff, as well as the fiscal, purchasing, personnel, and legal functions for DSCS.
Program Assistance Division	Provides support and advice to agencies in managing their human resources programs; provides basic training in people-management to all classified supervisors and specialized training to human resource professionals.
Accountability Division	Evaluates the human resource practices used by state agencies to manage the classified work force by assessing their effectiveness and adherence to merit principles and civil service rules.

Exhibit 2 DSCS Division Functions	
Division	**Functions**
Staffing Division	Provides agencies with tools to recruit and select the most qualified candidates; supports agencies' workforce planning programs by providing advice, training, and monitoring and reporting on results; operates pre-employment assessment centers in Baton Rouge, Shreveport, Monroe, Lake Charles, Opelousas, and New Orleans.
Compensation Division	Allocates positions into job classifications and determines appropriate, equitable pay systems and salary ranges for classified jobs.
Management Information Services Division	Provides data and records support; develops and maintains computer systems that serve DSCS's needs, as well as those of other state agencies and the general public.
Appeals Division	Serves as the Clerk of Court for the State Civil Service Commission and referees hear and decide cases for the Commission.
Source: Prepared by legislative auditor's staff using data from the DSCS FY 2008 annual report and Web site.	

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Section 1:

State Agency Staffing Levels

Objective 1: How many state employees are carrying out the functions of state government?

It is difficult to determine the exact number of employees carrying out state government functions because the number depends on how state employees are defined. For example, most employee counts do not include employees in the legislative and judicial branches of government. Most employee counts include only executive branch employees[2] because the executive branch is the only branch that reports comprehensive personnel information to DSCS. Because there is no central data captured on all three branches of state government, this report does not include information on legislative or judicial employees.

Within the executive branch, employees are categorized and counted in a variety of ways. For example, common terms for describing employees include actual headcounts versus full-time equivalents (FTEs) and classified versus unclassified employees. For budget purposes, agency staff are categorized as authorized positions within an agency's table of organization ("TO"). However, agencies also have non-authorized employees ("non-TO") included in other categories that are not reported to the legislature as part of an agency's TO.

Finally, contract employees are generally excluded from employee counts even though some contracts may employ individuals who carry out state government functions. As a result, it is difficult to know the true number of people it takes to carry out the functions of state government.

The various definitions and corresponding counts of executive branch state employees are provided in the following sections.

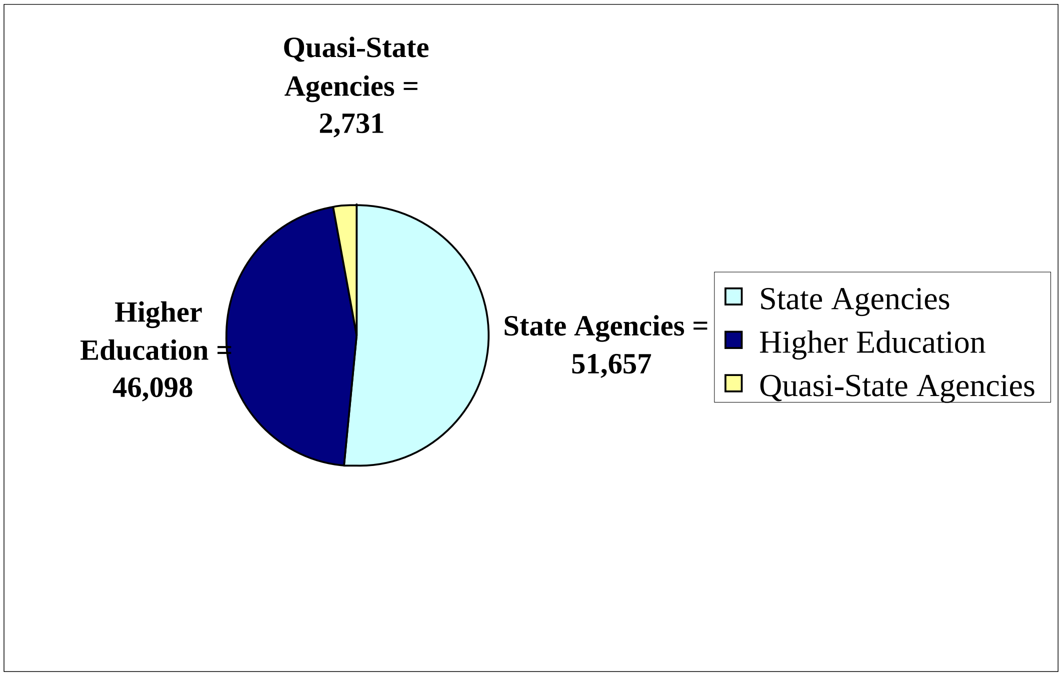
Actual Headcount versus Full-time Equivalent

Actual headcounts of employees include the number of individuals currently reported as employed and includes all full-time and part-time workers as well as seasonal or temporary workers. Employee counts described in terms of FTEs are adjusted to reflect the number of full-time positions. For example, two part-time employees who work 20 hours per week would constitute one FTE. In FY 2009, DSCS reported 100,486 employees which equates to 91,823 FTEs including higher education and quasi-state[3] entities. Exhibit 3 on the following page outlines the actual headcount of employees in the different categories of the executive branch.

[2] The executive branch includes state agencies, higher education, and quasi-state entities.
[3] Quasi-state entities include boards and commissions, housing authorities, levee boards, etc.

Exhibit 3

Actual Headcount of Executive Branch State Employees, as of June 30, 2009



Source: Prepared by legislative auditor's staff using data provided from DSCS.

Of the 100,486 total state employees, 62,012 are classified employees (62%) and 38,474 are unclassified employees (38%) in all executive branch entities. The remainder of our report includes only the employees associated with executive branch state agencies because these agencies report personnel data in the Integrated Statewide Information System (ISIS).[4] It was important for us to use ISIS because ISIS data includes such data as salaries, job titles, pay actions, performance evaluation ratings, and other information needed for our work. As such, our analysis did not include agencies that do not use ISIS, such as higher education and quasi-state entities.

Classified versus Unclassified Employees (State Agencies Only)

The state constitution divides state employees into classified and unclassified service. The constitution assigns specific positions, such as elected officials, university teaching staff, and legislative and judicial employees to the unclassified service. Any positions not designated by law are considered classified positions, unless the Civil Service Commission grants exceptions. Only classified positions are governed by civil service rules which determine employee job duties and compensation. Unclassified employees are not subject to civil service rules and may be hired and compensated at the discretion of agency management. The primary advantages to hiring unclassified employees are that agencies have greater flexibility in

[4] ISIS is the state's centralized accounting system. The system includes modules for human resources, procurement, travel, and capital outlay. We used the human resources module in this report.

determining job duties, compensation, and length of employment. Exhibit 4 outlines the number of classified, unclassified, and other[5] employees in each of the executive branch state agencies.

Exhibit 4

Actual Headcount of Classified, Unclassified, and Other Employees by Executive Branch State Agency As of June 30, 2009

Agency	Classified Employees	%	Unclassified Employees	%	Other	%	Total by Agency
Culture, Recreation and Tourism (CRT)	660	65.93%	322	32.17%	19	1.90%	1,001
Department of Agriculture and Forestry (DAF)	680	54.10%	568	45.19%	9	0.72%	1,257
Department of Environmental Quality (DEQ)	881	95.14%	23	2.48%	22	2.38%	926
Department of Health and Hospitals (DHH)	11,919	85.95%	1,000	7.21%	949	6.84%	13,868
Department of Natural Resources (DNR)	483	87.66%	22	3.99%	46	8.35%	551
Executive Department	1,649	46.56%	1,731	48.87%	162	4.57%	3,542
Department of Public Safety - Corrections (DOC)	6,155	97.65%	142	2.25%	6	0.10%	6,303
Department of Education (DOE)	1,024	26.83%	2,741	71.81%	52	1.36%	3,817
Department of Insurance (DOI)	234	82.11%	28	9.82%	23	8.07%	285
Department of Justice (DOJ)	0	0.00%	506	94.93%	27	5.07%	533
Department of Revenue (DOR)	829	88.29%	94	10.01%	16	1.70%	939
Department of Treasury (DOT)	54	55.67%	32	32.99%	11	11.34%	97
Department of Transportation and Development (DOTD)	4,665	97.31%	62	1.29%	67	1.40%	4,794
Department of Public Safety - Public Safety (DPS)	3,851	93.95%	221	5.39%	27	0.66%	4,099
Civil Service Agencies (CSA)	170	65.64%	83	32.05%	6	2.32%	259
Department of Social Services (DSS)	4,939	99.04%	35	0.70%	13	0.26%	4,987
Department of Veteran's Affairs (DVA)	775	90.86%	78	9.14%	0	0.00%	853
Louisiana Economic Development (LED)	81	57.45%	45	31.91%	15	10.64%	141
Lieutenant Governor (Lt. Gov.)	4	13.79%	23	79.31%	2	6.90%	29
Louisiana Workforce Commission (LWC)	908	91.81%	69	6.98%	12	1.21%	989
Public Service Commission (PSC)	71	79.78%	18	20.22%	0	0.00%	89

[5] Other employees include student workers and clients. Clients are actual clients of the programs who are also paid workers. These are primarily within the mental health and developmentally disabled areas.

Exhibit 4 Actual Headcount of Classified, Unclassified, and Other Employees by Executive Branch State Agency As of June 30, 2009							
Agency	**Classified Employees**	**%**	**Unclassified Employees**	**%**	**Other**	**%**	**Total by Agency**
Secretary of State (SOS)	401	44.16%	455	50.11%	52	5.73%	908
Department of Wildlife and Fisheries (WLF)	803	91.46%	40	4.56%	35	3.99%	878
Total by Type	**41,236**	**80.63%**	**8,338**	**16.30%**	**1,571**	**3.07%**	**51,145***
Source: Prepared by legislative auditor's staff using data from ISIS. *This total differs from the 51,657 reported by DSCS on page 16 because DSCS data includes retirement systems. Retirement systems are not included in any analysis in this report because they do not use ISIS for payroll.							

Authorized (TO) versus Unauthorized (non-TO) Positions (State Agencies Only)

Each year the legislature authorizes the number of FTE positions for each agency in the Appropriations Act. This number is also referred to as an agency's table of organization or "TO." However, agencies also employ staff who are considered "non-TO." These employees are not reported as staff in the executive budget and are not authorized by the legislature. The number of non-TO employees is generally driven by funding and is reported in other categories of the executive budget. According to the Office of Planning and Budget (OPB), these employees are generally short-term positions that are funded through federal grants or other temporary sources. In FY 2009, agencies employed 7,080 non-TO employees. Exhibit 5 outlines the number of legislatively authorized positions from the FY 2009 Appropriations Bill and the number of actual non-TO reported in ISIS as of June 30, 2009.

Exhibit 5 Summary of TO and Non-TO FTE Compared to Legislatively Authorized Positions FY 2009					
Agency	**Legislatively Authorized TO**	**Actual TO FTE**	**Actual Non-TO FTE**	**Actual Total TO and Non-TO FTE**	**Total Number of FTE Over Authorized TO**
CRT	786	643	311	954	**168**
DAF	810	701	267	968	**157**
DEQ	953	891	20	911	**-42**
DHH	11,895	10,875	2,412	13,287	**1,392**
DNR	508	488	29	517	**9**
Executive	2,986	2,768	578	3,346	**360**
DOC	6,486	5,967	311	6,278	**-208**
DOE	1,846	1,499	1,981	3,480	**1,634**
DOI	280	262	12	274	**-6**

Exhibit 5

Summary of TO and Non-TO FTE Compared to Legislatively Authorized Positions FY 2009

Agency	Legislatively Authorized TO	Actual TO FTE	Actual Non-TO FTE	Actual Total TO and Non-TO FTE	Total Number of FTE Over Authorized TO
DOJ	521	473	36	511	**-11**
DOR	893	828	103	931	**38**
DOT	65	61	26	87	**22**
DOTD	4,893	4,691	75	4,766	**-127**
DPS	4,350	3,922	145	4,067	**-283**
CSA	187	169	24	193	**6**
DSS	5,165	4,864	113	4,977	**-188**
DVA	807	783	35	818	**11**
LED	130	125	9	134	**4**
Lt. Gov.	25	21	7	28	**3**
LWC	1,059	874	77	951	**-108**
PSC	111	89	0	89	**-22**
SOS	342	325	412	737	**394**
WLF	800	756	97	853	**53**
Total	**45,898**	**42,075**	**7,080**	**49,154**	**3,253**

Source: Prepared by legislative auditor's staff using information from FY 2009 Appropriations Act and ISIS.

As the exhibit shows, there are no agencies whose TO exceeded the TO authorized by the legislature. However, when TO is combined with non-TO, the number of positions exceeds what was legislatively authorized by 3,253 positions. Because the total number of "TO" and "non-TO" positions are not reported in the budget process, the legislature does not know the true number of staff in state agencies.

Contract Employees

According to the state's Office of Contractual Review (OCR), many agencies enter into contracts because they do not have sufficient resources or expertise to provide certain services. However, contract employees are not included in employee counts because state agencies are not required to report contract employees. Although state agencies enter contract cost and other data into ISIS, OCR does not require state agencies to report on the number of contracted employees. In addition, OCR does not require that this information be reported as part of their contract review and approval process. As a result, the true number of staff necessary to carry out the required functions of government cannot be determined.

State law also requires DSCS to review certain contracts. DSCS is required to approve certain professional services contracts to determine whether a contract will displace a classified employee. In some cases, these decisions must be approved by the Civil Service Commission.

DSCS agreed that it would be useful if contractors were required to report the number of FTEs since this information would help DSCS and others evaluate the number of people needed to carry out certain functions. In addition, since the Commission on Streamlining Government is interested in outsourcing and privatization of certain state functions, having information on contract employees would help agencies assess the cost-effectiveness of such contracts.

Exhibit 6 outlines the number of active contracts as of June 10, 2009, by state agency identified by OCR as the types of contracts likely to result in additional staff for state agencies.[6]

Exhibit 6

Number of Active Contracts by Agency Likely to Increase Actual Staffing As of June 10, 2009

Agency	Number of Contracts	Dollar Value of Contracts
CRT	37	$14,815,908.20
DAF	50	4,275,998.00
DEQ	62	14,655,505.16
DHH	6,668	789,017,041.44
DNR	178	383,169,116.75
DOC	193	34,056,729.10
DOE	874	459,490,997.82
DOI	123	41,737,814.05
DOJ	26	2,416,395.00
DOR	6	309,900.00
DOT	15	6,578,500.00
DOTD	78	31,762,388.26
DPS	337	367,181,395.32
CSA	10	688,450.00
DSS	852	690,654,213.27
DVA	35	3,536,245.60
Executive	5,546	4,223,946,040.10
LED	168	90,429,095.92
Lt. Gov.	13	489,010.00
LWC	356	271,402,857.59
PSC	3	181,999.00
SOS	11	17,829,604.00
WLF	617	15,935,664.48
Total	**16,258**	**$7,464,560,869.06**

Source: Prepared by legislative auditor's staff using data from ISIS.

[6] OCR only identified overall contract types, not individual contracts.

Matter for Legislative Consideration: The legislature may wish to consider requiring that state agencies report their number of non-TO employees to the legislature as part of the budget process. Reporting non-TO employees would help the legislature understand the true number of actual employees in state agencies.

Matter for Legislative Consideration: The legislature may wish to consider requiring that the number of employees or FTEs employed through contracts be captured and reported to OCR as part of the contract review process. Reporting contract employees would allow the legislature to understand the true number and cost of carrying out state functions.

Objective 2: How does the number of state employees in Louisiana compare to other states?

Based on U.S. census data from 2007 on population estimates and state government employee data, Louisiana ranks 13th out of 50 states for the highest ratio of state employees' FTEs to every 10,000 residents in the state's population. Exhibit 7 shows how Louisiana compares to other states. This exhibit includes FTE data and includes higher education.

Exhibit 7

Comparison of FTE in Louisiana to Other States
2007 Census Data

Ranking	State	Population	Number of FTE* Employment	Number of FTEs in 10,000 People
1	Hawaii	1,277,356	57,210	**448**
2	Alaska	681,111	25,653	**377**
3	Delaware	861,953	26,148	**303**
4	North Dakota	637,904	17,918	**281**
5	New Mexico	1,964,402	52,255	**266**
6	Wyoming	523,252	12,842	**245**
7	Vermont	620,748	14,759	**238**
8 (tie)	West Virginia	1,809,836	38,060	**210**
8 (tie)	Arkansas	2,830,557	59,386	**210**
10	Montana	956,624	20,017	**209**
11 (tie)	Rhode Island	1,053,136	20,435	**194**
11 (tie)	Oklahoma	3,608,123	69,961	**194**
13	Louisiana	4,373,310	84,593	**193**
14	Alabama	4,626,595	88,617	**192**
15 (tie)	Mississippi	2,921,030	55,824	**191**
15 (tie)	Utah	2,668,925	51,001	**191**
17	Kentucky	4,236,308	80,307	**190**
18	Washington	6,449,511	119,970	**186**
19	Nebraska	1,769,473	32,465	**183**
20	New Jersey	8,653,126	155,685	**180**
21	Iowa	2,983,360	53,427	**179**
22	Connecticut	3,489,868	61,823	**177**
23	South Dakota	795,689	13,897	**175**
24	Maine	1,315,398	22,870	**174**
25	South Carolina	4,404,914	76,213	**173**
26 (tie)	Kansas	2,777,382	45,098	**162**
26 (tie)	Virginia	7,698,775	124,536	**162**
28	Maryland	5,618,899	90,333	**161**

Exhibit 7

Comparison of FTE in Louisiana to Other States
2007 Census Data

Ranking	State	Population	Number of FTE* Employment	Number of FTEs in 10,000 People
29	Oregon	3,735,549	59,619	**160**
30	North Carolina	9,041,594	142,985	**158**
31	Missouri	5,878,399	89,532	**152**
32	Minnesota	5,182,360	78,266	**151**
33 (tie)	New Hampshire	1,312,256	19,588	**149**
33 (tie)	Massachusetts	6,467,915	96,109	**149**
35	Idaho	1,496,145	22,190	**148**
36	Michigan	10,049,790	144,807	**144**
37	Indiana	6,335,862	89,558	**141**
38	Colorado	4,842,770	67,784	**140**
39	Tennessee	6,149,116	84,875	**138**
40	Georgia	9,523,297	126,420	**133**
41	New York	19,429,316	253,354	**130**
42	Pennsylvania	12,419,930	160,177	**129**
43	Ohio	11,477,641	143,206	**125**
44	Wisconsin	5,598,893	68,714	**123**
45	Texas	23,843,432	290,451	**122**
46	Nevada	2,554,344	28,506	**112**
47	Arizona	6,353,421	68,224	**107**
48	California	36,377,534	387,168	**106**
49	Florida	18,199,526	188, 772	**104**
50	Illinois	12,825,809	125,015	**97**

* The number of full-time (40 hours/week) positions represented by aggregating the assigned work hours reported for current employees. For example, two 20-hour per week employees equate to one FTE.
Note: The number of state employees includes higher education.
Source: Prepared by legislative auditor's staff using 2007 information published on the U.S. Census Bureau's Web site.

Objective 3: What is Louisiana's ratio of supervisors to staff in state agencies?

Our analysis of ISIS data shows that the overall average supervisor to staff ratio for classified employees in executive branch agencies is 1:4. Our analysis also shows that 22% of supervisors supervised only one person. Because supervisor to staff data is not reported in ISIS or to DSCS, we worked with DSCS to develop two different methodologies using ISIS data to evaluate these ratios. However, both analyses are limited by the completeness of the data in ISIS. Specifically, unclassified employees are generally not included in the analyses. In FY 2009, unclassified employees represented 16% of the employees in state agencies.

It is difficult to compare supervisor to staff ratios to other states as ratios depend on factors such as the nature of the occupation and geographic locations. In addition, some occupations and agencies may have accreditation standards that mandate certain ratios. However, the 1995 Select Council on Revenues and Expenditures in Louisiana's Future (SECURE) report[7] recommends a 1:10 ratio for state agencies but also notes that a 1:5 ratio may be necessary for highly technical, policy, or nonrepetitive functions.

<u>Analysis of Supervisor to Staff Ratios</u>

Overall, the average supervisor to staff ratio for classified employees in executive branch state agencies is approximately 1:4. Although supervisor to staff numbers and/or ratios are not routinely reported by agencies, analyzed by DSCS, or directly captured in ISIS, we identified two methodologies that can reasonably be used to estimate this ratio. These methodologies, their limitations, and our results are summarized as follows:

- In the first analysis, we counted the number of classified employees considered supervisors and the number of classified employees considered staff. DSCS uses nine levels of work to categorize classified job titles. These levels are based on the duties assigned to specific jobs. According to the DSCS staff, job titles categorized into levels 1-5 are considered to be staff positions, and job titles categorized into levels 6-9 are considered to be management positions. According to ISIS data as of March 2009, there are 8,814 (21.70%) classified employees in management positions who supervise 31,799 (78.30%) classified employees in staff positions.[8] This analysis results in a ratio of one supervisor to every 3.6 employees (1:3.6). Appendix B summarizes the number of employees by each level of work. However, again, this analysis is limited as it does not include unclassified employees because the job titles of unclassified employees are not designated by levels of work.

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[7] This council was comprised of members from private businesses, legislative members, state agencies, and other areas. The legislative auditor, legislative staff, and KPMG also provided assistance to the council.
[8] This data is as of March 2009, not June 30, 2009, so the employee numbers are different.

- In the second analysis, we evaluated the number of supervisors to staff per state agency. We used ISIS Performance Planning and Review (PPR) data to determine the number of supervisors who evaluated employees since supervisors are supposed to rate employees who they directly supervise. We found that the overall ratio in this analysis was 1:4.2 and that 22% of the supervisors (2,115 of 9,619) supervised only one person. The difference in this analysis is that it includes some unclassified supervisors if those unclassified supervisors conducted PPRs for their classified employees. We found that there were approximately 1,600 unclassified employees and supervisors in this data. Exhibit 8 summarizes this ratio by state agency and includes the division or office with the highest and lowest ratios.

Exhibit 8

Rating Supervisors vs. Employees Being Rated
FY 2009

Agency*	Number of Rating Supervisors	Number of Staff	Number of Staff/ Number of Rating Supervisors	Min vs. Max Ratios within Each Agency that Contains More than One Organization Unit	
				Organization Unit	Max/Min
DOC	1,209	6,349	5.25	Louisiana Correctional Institute for Women	7.15
				Administration	2.18
DEQ	185	895	4.84	Environmental Compliance	5.33
				Office of Management and Finance	3.30
DOTD	991	4,522	4.56	Engineering and Operations	4.78
				Administration	2.66
DSS	1,195	5,100	4.27	Office of Family Support	4.90
				Rehabilitation Services	2.61
DHH	2,835	11,897	4.20	Medical Vendor Administration	5.21
				Office of Secretary	2.71
DVA	176	724	4.11	Northwest Louisiana War Veterans Home	5.86
				Department of Veterans Affairs	3.23
DPS	925	3,802	4.11	Office of Motor Vehicles	4.61
				Donald Thibodaux Training Academy	1.90
CRT	183	704	3.85	Office of State Parks	4.72
				Office of Cultural Development	2.50
DOE	307	1,164	3.79	Louisiana Special Education Center	6.24
				Louisiana School for Math, Science, and the Arts	1.67

Exhibit 8 Rating Supervisors vs. Employees Being Rated FY 2009					
Agency*	Number of Rating Supervisors	Number of Staff	Number of Staff/ Number of Rating Supervisors	Min vs. Max Ratios within Each Agency that Contains More than One Organization Unit	
				Organization Unit	Max/Min
LWC	234	882	3.77	Office of Workforce Development	4.02
				Office of Workers' Compensation	2.81
DAF	198	745	3.76	N/A	N/A
WLF	224	804	3.59	Office of the Secretary	5.56
				Office of Wildlife	2.86
DOI	67	238	3.55	N/A	N/A
DOS	118	412	3.49	N/A	N/A
DSCS	48	166	3.46	Board of Ethics/Ethics Administration	4.60
				Municipal Fire and Police Civil Service	2.67
LED	23	77	3.35	Office of Business Development	3.80
				Office of the Secretary	2.00
DNR	151	501	3.32	Office of Conservation	3.38
				Office of the Secretary	2.55
Executive	500	1,637	3.27	Mental Health Advocacy Service	7.00
				Office of Inspector General	2.00
DOT	18	50	2.78	N/A	N/A
PSC	27	72	2.67	N/A	N/A
Lt. Gov.	5	6	1.20	N/A	N/A
Total	**9,619**	**40,747**	**4.2**		

*DOR is not included in this exhibit. We could not identify the number of rating supervisors because DOR had only one out of 305 employees with rating information in ISIS because DOR is moving to a focused rating date (see page 63 for additional explanation) and that date is after June 30.
Note: The above data only includes employees in ISIS. Some agencies, like DOC, may supervise working inmates and other agencies may use temporary workers for seasonal work. These individuals would not be reflected in the above chart. N/A means that these agencies have only one organizational unit
Source: Prepared by legislative auditor's staff using FY 2009 PPR data from ISIS.

Although this data does include some unclassified employees, it does not contain all of them. As a result, the ratio may actually be higher or lower. Since unclassified employees tend to be in supervisory positions, the ratios may actually be lower. However, in some agencies, like the Recovery School District within DOE, all of the personnel are unclassified.

Another limitation to this analysis is that some agencies did not enter the supervisor information in ISIS. There were 2,273 cases where supervisors did not enter their personnel number. According to DSCS, supervisors are supposed to enter their personnel number in ISIS when rating employees, but some supervisors may not do so because this field is not a required field in ISIS. In addition, some supervisors may not have rated the employees they supervised.

If a supervisor did not rate his/her employee then the employee and supervisor would not be included. We did find some issues with agencies not rating employees and not entering PPRs as discussed later in this report on page 49.

According to DSCS, Louisiana appears to have low supervisor to staff ratio because state agencies have historically rewarded employees by promoting them into supervisory jobs which typically have higher pay. However, as shown on pages 52-53, DSCS has developed several pay options that agencies can use without necessarily promoting employees into supervisory positions.

Another way for agencies to increase supervisor to staff ratios is reclassifying positions into dual career ladder positions. These positions do not require that the employee exercise supervision; however, the person in the position is paid a salary that is commensurate with typical supervisory positions. These positions are usually in the technical or scientific fields such as environmental science or engineering because these positions require significant expertise. These individuals may not have management or supervisory skills, but it is important for state agencies to retain them because of their specialized expertise. As of March 2009, only 367 (<1%) of classified state employees were in dual career ladder positions.

We attempted to compare supervisor to staff ratios in Louisiana to other states or to find standards for what these ratios should be. However, it was difficult to find any model ratios as these ratios depend on factors such as the nature of the occupation and geographic locations. In addition, some occupations and agencies may have accreditation standards that mandate certain ratios. However, the 1995 SECURE report recommends a 1:10 ratio for state agencies but states that a 1:5 ratio may be necessary for highly technical, policy, or nonrepetitive functions.

Recommendation 1: DSCS may want to consider requiring agencies to submit data on their supervisor to staff ratios or to develop the necessary required fields in ISIS to obtain this information directly.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will work with DOA to pursue the possibility of system enhancements to ISIS and the development of further user requirements and guidelines.

Recommendation 2: DSCS may want to consider expanding its use of dual career ladder positions as a way of compensating employees with technical or specialized expertise.

Summary of Management's Response: DSCS agrees with this recommendation and states that they recently increased the maximum participation levels in existing Dual Career Ladders by 33% and will continue to study the effectiveness of this program to identify potential areas for further expansion.

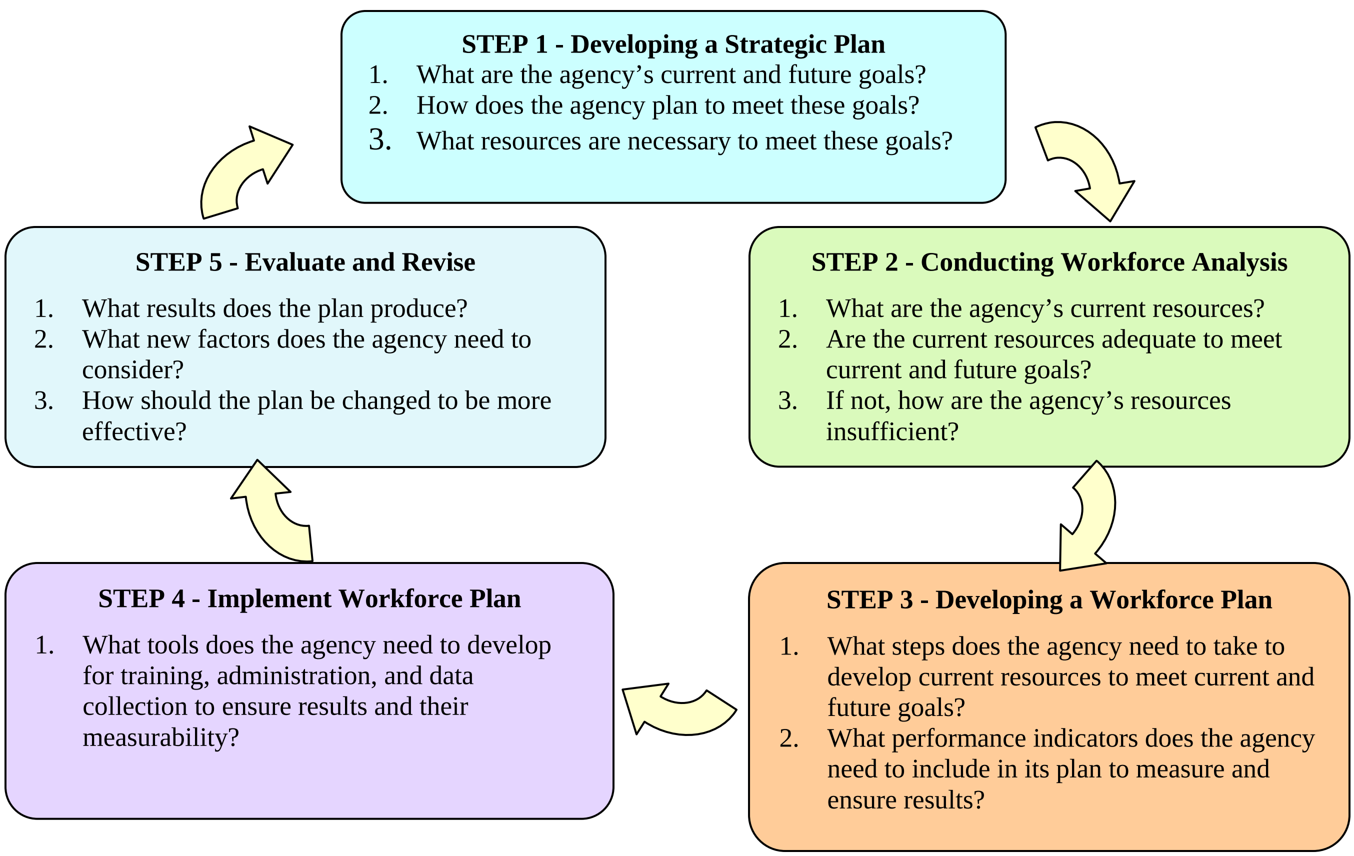
Objective 4: Does the state require agencies to justify their staffing levels?

The state does not have a formal process that requires agencies to justify their staffing levels. Although the budget process requires that state agencies report on the number of existing employee positions and provide written justification for requested new positions, state law does not require written justification for the overall or total number of positions in an agency's budget. According to the Office of Planning and Budget (OPB), it may request that agencies provide verbal justification in instances when the requested number appears unreasonable or represents a significant increase from previous staffing levels.

One way to address staffing levels is to require that the state conduct strategic workforce planning. Strategic workforce planning is a tool whereby agencies link their staffing levels with the goals and objectives outlined in their strategic plan. This tool would allow the legislature and other decision-makers to evaluate the total number of staff needed to carry out the strategic goals of each agency. Although there are several models for workforce planning, the models generally have common elements. These elements are summarized in Exhibit 8.

Exhibit 8

The Workforce Planning Process



Source: Prepared by legislative auditor's staff based on models from the Texas State Auditor's Office, the Government Accountability Office, and the IBM Center for the Business of Government.

Louisiana has engaged in some workforce planning on a small scale. DSCS publishes an annual workforce plan that lists state employment trends and agency workforce planning efforts. DSCS also provides training and assistance to agencies on workforce planning. However, Louisiana has no requirement that state agencies conduct workforce planning. As a result, none of the state agencies we interviewed have a formal workforce plan. Some agencies did report that they conducted some components of workforce planning, such as succession planning and recruitment and retention strategies.

Both Texas and Georgia mandate that state agencies conduct workforce planning as part of the agency's strategic planning process. Exhibit 9 is an excerpt from the Texas Department of Insurance workforce plan. This plan provides a clear visual link between the agency's goals and objectives and its staffing needs.

Exhibit 9

Texas Department of Insurance Workforce Plan

Strategic Plan Goals		**Objectives**	**FTEs**
Goal 1	Encourage fair competition in the insurance industry	• Reduce impediments to competition and improve insurance availability • Reduce unfair and illegal insurer practices	409.5
Goal 2	Encourage the financial health of the insurance industry	Regulate insurance industry solvency by: • assuring mandated examinations are conducted • reviewing companies • overseeing Special Deputy Receivers	190.1
Goal 3	Decrease insurance industry loss costs	Reduce losses by assuring that: • insurance companies provide adequate loss control services • windstorm inspections result in "approved" status • consumer and provider fraud referrals to other entities result in legal action	73.7

Source: Prepared by legislative auditor's staff using data from the 2006 Texas Department of Insurance workforce plan.

The table above could also include whether contracted and temporary employees are used to meet each goal and the total costs associated with each goal. This table could help the legislature and other decision-makers identify the true number of staff needed to carry out each function of government as well as help agencies plan for and justify their staffing levels.

Matter for Legislative Consideration: The legislature should consider requiring that state agencies include workforce planning as a component of strategic planning and the budget request process. The legislature may want to specify what kinds of data should be included in such plan. For example, the legislature may want to specify that all staff positions, regardless of funding source or type of employee (classified, unclassified, contracted, etc.), be included in the plan.

Recommendation 3: DSCS should continue to provide guidance and training on workforce planning to agencies.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will actively work to support and encourage agencies in the further development of the agencies' human resource management practices.

Section 2:

Hiring and Compensation

Objective 5: Does the state's hiring process ensure that agencies are able to hire employees in a timely manner?

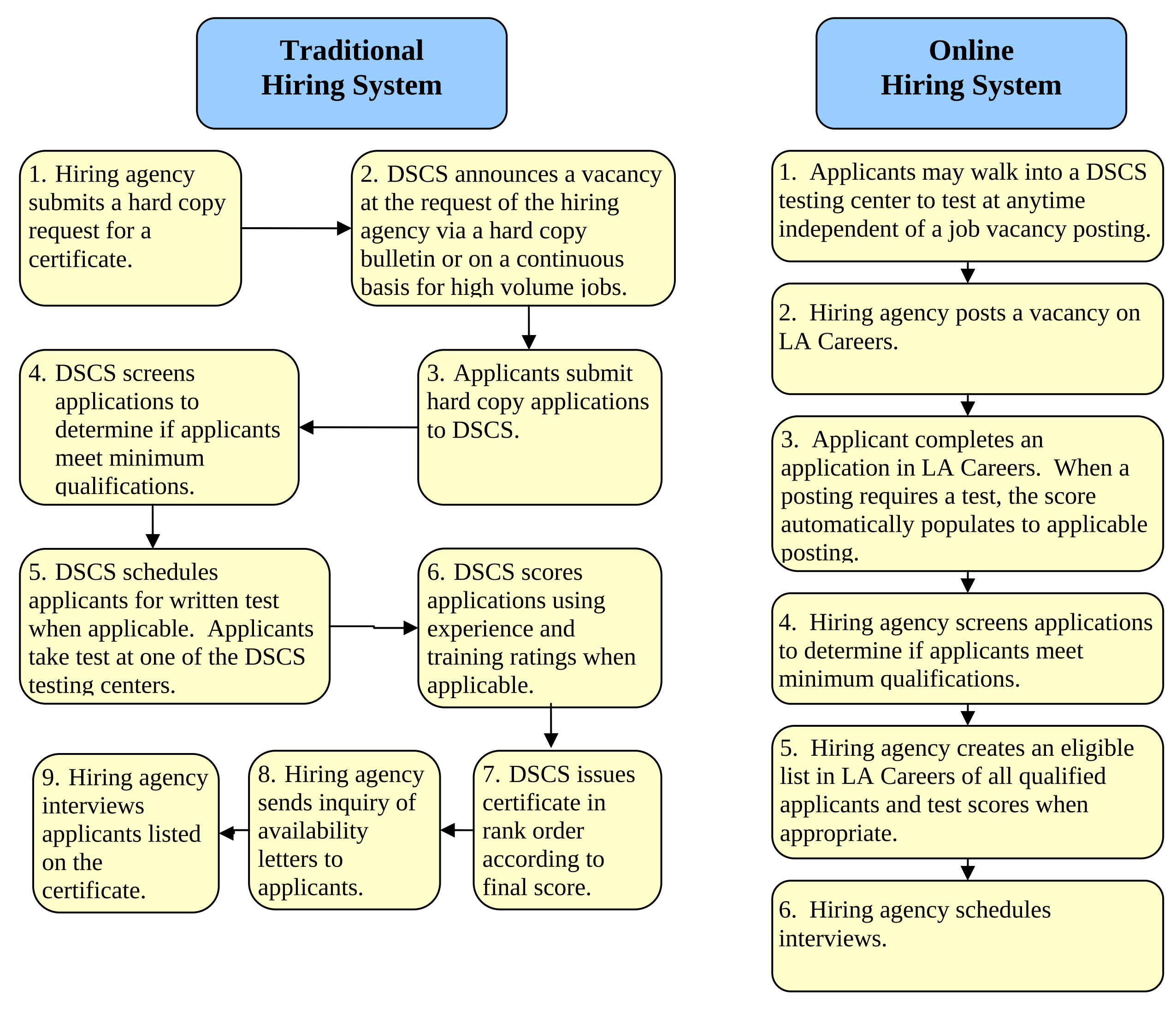
DSCS has recently implemented an online hiring system that automates the hiring process. However, according to most state agencies we interviewed, this system has not increased timeliness because agencies are now getting more applications than they did using the manual process. Also, the process is not as timely as it could be because some of the system's screening capabilities are not currently used by all state agencies. These screening capabilities would help agencies reduce the number of applications that must be reviewed. These issues are summarized in more detail as follows:

Manual versus Automated Process

In February 2009, DSCS implemented LA Careers, which is an online system that automates the hiring process. Agencies can post job announcements and applicants can complete applications online. Agencies can then review applications online and compile lists of eligible candidates for their agency. The new online process decreases paperwork and allows agencies to directly manage the hiring process instead of relying on DSCS. Exhibit 10 on the following page compares the previous manual hiring process to the online system.

Exhibit 10

Traditional Civil Service Hiring Process Versus Automated Process



Source: Prepared by legislative auditor's staff using information provided by the DSCS staff.

We were unable to determine whether the new system is more efficient because no data was kept on the manual process. Therefore, we surveyed human resource divisions at state agencies to obtain their feedback on the timeliness of the new system. Most agencies (80%) said that their primary issue with the new system is that they do not have sufficient resources to review applications timely for the following reasons:

- Agencies have an increased volume of applications because of the ease of applying online and the current economy and unemployment rate. For example, in FY 2008, approximately 35,000 applications were received by DSCS.[9] However, since the implementation of LA Careers in February 2009, agencies have received over 260,000 applications.

- Agencies must review all applications for minimum qualifications and create a list of eligible candidates. In some agencies, this function was previously performed by DSCS.

- Certain screening tools, such as the supplemental questions, are not being used by all agencies. According to South Carolina, who was one of the first states to implement a similar system, the filtering and scoring capabilities of the system has helped them identify the most qualified candidates. In addition, the use of supplemental questions helps to deter unqualified candidates from applying which gives human resource divisions a smaller, more qualified pool to work with.

Recommendation 4: DSCS should continue to develop the capabilities of the LA Careers system to help ensure that agencies are able to use the system to hire qualified applicants in a timely manner.

Summary of Management's Response: DSCS agrees with this recommendation and states that they have provided several additional system tools to help agencies maximize efficiency, including a set of standard automated assessment tools that agencies can use or customize to immediately identify the most qualified candidates for their positions.

Recommendation 5: DSCS should continue to develop and provide additional training to agencies on the effective use of LA Careers screening tools.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will actively work to support and encourage agencies in the further development of their human resource management practices. In addition, they are now offering bi-weekly User Webinars that allow agencies to speak directly with DSCS staff and other users to work through challenges and share and discuss best practices.

[9] This number only includes applications processed by DSCS. At that time, several agencies were processing their own applications; however, no data was captured on these numbers.

Objective 6: How does DSCS determine appropriate levels of compensation for state employees?

DSCS conducts annual salary studies and analyzes data on benchmark/comparable jobs in other states and in private industry to ensure that compensation is appropriate and to develop its recommendations for any changes to pay ranges. In 2008, DSCS recommended and the Civil Service Commission adopted either a 3% to 10% increase for certain base pay ranges or a one time 2% to 5% salary supplement. However, the plan has not been implemented.

DSCS conducts pre-approvals and post-action audits of certain pay actions to ensure agencies are using pay mechanisms appropriately. DSCS also conducts allocation reviews to ensure that employees are performing work commensurate with their position description. This review helps ensure that employees are compensated appropriately.

Annual Uniform Pay Plan

DSCS develops an annual uniform pay plan to ensure that classified state employees are compensated appropriately. The plan aims to set compensation at levels that enable state agencies to recruit and retain the quality of employees they need to deliver effective services, while adhering to a fiscally conservative philosophy. DSCS has established six pay schedules that include different job levels. Each job level has a minimum and maximum salary range and may encompass several different job titles. Exhibit 11 summarizes these schedules, the number of job levels in each schedule, and the number of job titles in each schedule.

Exhibit 11

Pay Schedules, Levels of Work, Job Titles, and Number of Employees FY 2009

Pay Schedule	Number of Job Levels	Number of Job Titles in Job Levels	Number of Employees in Job Titles
Administrative	29	640	11,462
Medical	31	161	3,022
Protective Services	27	146	6,909
Scientific and Technical	23	283	5,228
Social Services	27	248	9,449
Technical and Skilled Trades	25	179	4,064
Total	**162**	**1,657**	**40,134***

*This number does not match the 41,236 number of classified employees because it does not include 1,102 state troopers that are classified by a separate civil service commission (State Police Commission).

Source: Prepared by legislative auditor's staff using information from DSCS pay schedules and ISIS.

To develop the annual pay plan, DSCS identifies benchmark or comparable jobs and obtains both public and private sector compensation for the jobs from commercial providers, like Watson Wyatt Data Services and from public consortia, such as the Southeastern States Salary Conference. The 2008 plan evaluated 333 job titles. Private sector data is included in this analysis because state competition comes primarily from the private sector. According to DSCS, most states include private sector data in their salary studies.

The most recent pay plan in 2008 found that the minimum salary rates for the six pay schedules averaged 10% to 25% behind those of comparable jobs in the state's general employment market. The review also found that Louisiana's average annual state salary was 4% to 16% lower than comparable jobs. DSCS recommended either a 3% to 10% increase to the base minimum pay in each of the six schedules or a 2% to 5% one-time salary supplement. The recommendations were approved by the Civil Service Commission, but the plan has not been implemented. Exhibit 12 summarizes Louisiana's average salary compared to average salaries in public and private markets as reported in the DSCS pay plan.

Exhibit 12

Average Salary Comparison
2008 Pay Plan

Pay Schedule	Private	Public	Louisiana
Administrative	$40,647	$31,113	$31,026
Protective Services	29,765	28,887	21,984
Social Services	34,243	31,244	27,191
Technical and Scientific	52,637	43,220	41,303
Technical and Skilled Trades	30,562	28,680	26,748
Medical	48,317	39,102	41,932

Source: Prepared by legislative auditor's staff using data from the DSCS 2008 pay plan.

DSCS Compensation Reviews

DSCS conducts reviews to ensure state employees are compensated in accordance with civil service rules. DSCS audits all special pay mechanisms related to optional pay, rewards and recognition payments, and advanced degree payments. To conduct these audits, DSCS sends each agency a spreadsheet and requests that agencies list salary information before and after the pay action. DSCS then reviews the spreadsheets to ensure the increase does not exceed the percentage dictated by civil service rules for each type of action and that the agency complied with its approved policies.

DSCS also reviews job allocations for agencies who have been delegated the authority to allocate their own positions. Agencies are required to submit allocation information to DSCS on a monthly basis. Depending on the total number of allocations by agency, DSCS will review from 20% to 100% of the allocations by meeting with the employee and their supervisor to determine their job duties and responsibilities. DSCS compares this information to the agency's allocation position description to ensure the agency properly allocated/classified the position.

This review helps ensure that agencies classify and compensate employees appropriately and commensurate with their actual duties and responsibilities.

We identified a few areas where DSCS could improve this process. As noted previously, DSCS relies on agencies to complete a spreadsheet on the special pay mechanisms they use. However, this information is readily available in ISIS and could be generated independent of agencies. The Data Integrity Unit within DSCS could also develop exception reports of pay mechanisms that exceed the required percentage and give these to the compensation analysts for their review. Another area that could be improved is the capturing of electronic data on the outcomes of these reviews. DSCS does not currently record the occurrence or the outcomes of the reviews it conducts. Capturing these electronically would allow DSCS to document its work and analyze trends and patterns within agencies.

Recommendation 6: DSCS should generate exception reports related to special pay mechanisms. These reports could show when these pay mechanisms exceed the amount allowed by civil service rules.

Summary of Management's Response: DSCS agrees with this recommendation and states that their Data Integrity Unit is now producing bi-weekly exception reports auditing basic pay records for all state employees in ISIS-HR.

Recommendation 7: DSCS should consider capturing electronic data on the outcomes of its allocation audits. Capturing electronic data would allow DSCS to quantify its outputs and outcomes.

Summary of Management's Response: DSCS agrees with this recommendation and states that in September they enhanced their "NewTrax" computer system to begin capturing this data.

Objective 7: What is the average salary for classified and unclassified employees?

According to ISIS data as of June 30, 2009, the statewide average salary for all full-time classified employees was $43,670. The statewide average salary for all full-time unclassified employees was $52,713. Unclassified salaries do not have to be approved by DSCS so they are not subject to the same limitations as classified salaries. As a result, unclassified employee salaries are generally higher than classified salaries. Exhibit 12 summarizes the average salary for classified employees and the average salary for unclassified employees by state agency.

Exhibit 12

Average Salaries of Classified and Unclassified Full-time Employees by Agency, as of June 30, 2009

Agency	Classified Full-time Employees Average Annual Salary	Number of Classified Full-time Employees	Unclassified Full-time Employees Average Annual Salary	Number of Unclassified Full-time Employees
CRT	$36,511	644	$25,153 (lowest)	185
CSA	56,878	169	80,152	4
DAF	43,542	677	41,883	220
LED	50,969	81	99,277	45
DEQ	52,447	879	98,258	11
DHH	41,173	11,844	72,351	564
DNR	60,228	481	102,078	10
DOC	41,568	6,155	85,123	97
DOE	47,589	1,020	50,735	2,297
DOI	49,034	234	107,831	28
DOJ	N/A	0	53,752	481
DOR	47,953	829	32,063	93
SOS	39,606	401	46,078	195
DOTD	43,719	4,654	70,445	45
DPS	46,202	3,846	60,816	175
DSS	43,367	4,936	75,066	31
DVA	30,703 (lowest)	775	100,170	13
Lt. Gov.	54,844	4	68,019	22
LWC	43,983	889	86,860	21
PSC	50,175	71	53,933	18
DOT	60,682 (highest)	54	122,190 (highest)	8
WLF	50,221	802	49,841	30
Executive	53,487	1,645	$46,343	1,459
Statewide	**$43,670**	**41,090**	**$52,713**	**6,052**

Note: We did not include 146 classified part-time employees and 2,286 unclassified part-time employees because these employee salaries would have skewed the averages.
Source: Prepared by legislative auditor's staff using ISIS data.

As the exhibit shows, the lowest classified salary was in DVA and the lowest unclassified salary was in CRT. The highest classified and unclassified average salary was in DOT. Some agencies, such as CRT, Executive Department, and DOR, had a large number of unclassified employees with low salaries which is why their average unclassified salary is lower than their average classified salary.

Section 3:

Employee Productivity and Discipline

Objective 8: What is the turnover rate in state agencies?

Classified employees in state agencies had an average voluntary[10] turnover rate of 14% in FY 2009. It is important for state agencies to reduce turnover because turnover affects agency productivity and increases costs. According to information from DSCS, the total cost to the state resulting from turnover was between $48 million and $193 million in FY 2007 when the overall average total turnover rate in state government was approximately 17%. Since reducing turnover is important, agencies should evaluate the reasons for turnover in their agency. However, agencies are not required to conduct exit interviews with employees that would help determine the reasons employees leave.

<u>Turnover by State Agency</u>

According to data from DSCS, as of June 30, 2009, turnover ranges from a high of 39.4% in the DVA to a low of 3.9% at the DOT. Exhibit 13 summarizes the percentage of turnover by each state agency.

Exhibit 13
Voluntary Turnover by State Agency
As of June 30, 2009

State Agency	Turnover %
DVA	39.4%
Lt. Gov.	25.0%
PSC	20.0%
DOC	17.9%
DHH	16.3%
DOE	14.7%
DPS	14.2%
DAF	12.1%
CRT	12.1%
DSS	10.4%
DOR	9.7%
LWC	9.3%
DOI	9.0%
DOTD	8.6%
Executive	7.4%
DEQ	7.4%
CSA	7.3%
SOS	6.9%
DNR	6.3%
WLF	5.2%
LED	5.1%
DOT	3.9%

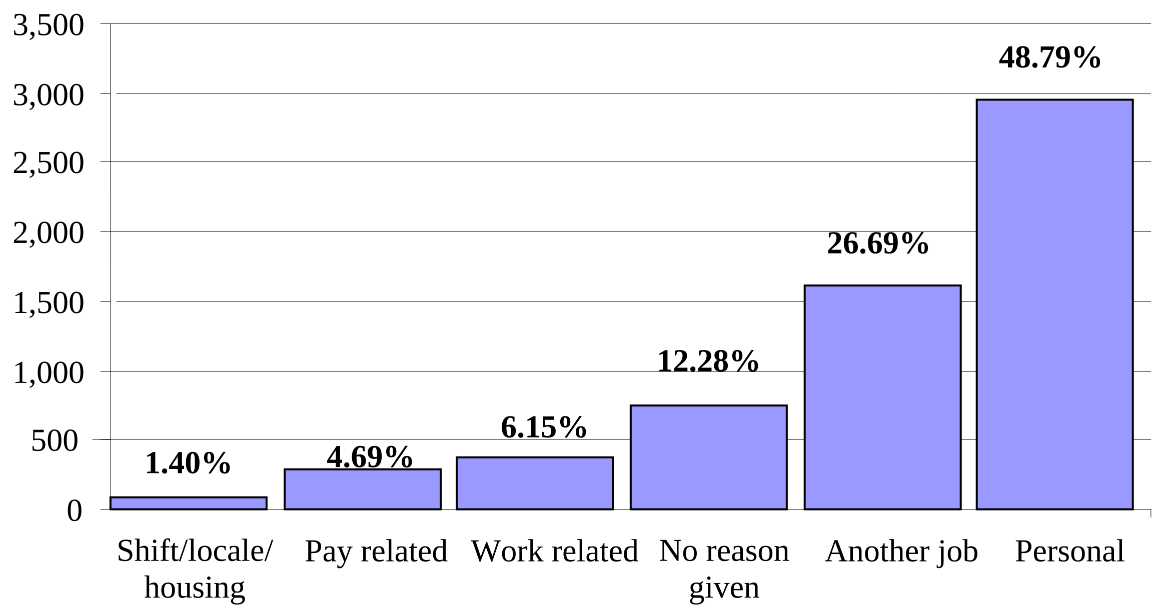
Source: Prepared by legislative auditor's staff using data from DSCS as of June 30, 2009.

[10] Voluntary turnover does not include employees who were dismissed as a result of disciplinary actions or employees who retired.

Although not required, some agencies conduct exit interviews with employees to determine reasons for leaving and enter these reasons into ISIS. However, not all agencies do exit interviews. As a result, the data on turnover is not necessarily complete. Employees cited "personal reasons" as the most common reason for leaving from FY 2007 to FY 2009. Exhibit 14 provides a summary of the turnover reasons that were supplied to ISIS for FY 2009.

Exhibit 14

State Employee Resignations by Reason FY 2009



Source: Prepared by legislative auditor's staff using data from ISIS.

To make the assessment of turnover more efficient and meaningful, state agencies should conduct exit interviews if possible and be required to include the reasons for employee turnover in ISIS. The reasons listed in ISIS could also be expanded to provide more detailed explanations. For example, Kansas includes reasons related to health and family as well as an overall dissatisfaction with work reason. Having detailed reasons may help agencies identify and focus on problem areas that could be addressed to prevent subsequent turnover.

<u>Costs of Turnover</u>

According to information from DSCS, the total cost to the state resulting from turnover was between $48 million and $193 million in FY 2007 when the overall total turnover rate in state government was approximately 17%. DSCS based these estimates on a turnover costing model recommended by Louisiana State University (LSU). This model outlines the following categories of costs related to turnover:

- Separation Costs (administrative costs related to termination, annual leave payout)
- Replacement Costs [recruiting and advertising costs, pre-employment administrative costs, interviewing time, testing, medical expenses (drug screening)]
- Vacancy Costs (overtime, temporary employees)
- Training Costs (orientation, certifications, supervisor/lead-worker's time, formal class time/fees)
- Productivity Costs (loss of customer contacts, on-the-job learning)

DSCS also estimated the cost of turnover for specific job titles. These titles and the annual cost of turnover are summarized as follows.

- Corrections Cadet (86% turnover) - $1.3 million
- Social Worker 1 (15% turnover) - $186,432
- State Budget Analyst (27% turnover) - $272,574

As shown above, reducing turnover is important in state agencies because turnover can result in increased costs for agencies. It is more cost-effective to keep employees by promoting good performance management systems within agencies that can help employees improve. Louisiana's performance management system and recommendations for how to improve it are discussed in the next section.

Recommendation 8: DSCS should encourage the use of exit interviews and the recording of reasons in ISIS.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will work with DOA to pursue the possibility of system enhancements to ISIS and the development of further user requirements and guidelines.

Recommendation 9: If possible, DSCS should revise the turnover reasons in ISIS to make the data more meaningful and valuable.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will work with DOA to pursue the possibility of system enhancements to ISIS and the development of further user requirements and guidelines.

Recommendation 10: DSCS should collect data on turnover reasons in ISIS as part of the DSCS reports.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will work with DOA to pursue the possibility of system enhancements to ISIS and the development of further user requirements and guidelines.

Objective 9: Are state employees required to document productivity?

Not all state employees are required to document their productivity or account for their time. Most state employees are considered negative time employees. Negative time means that they do not have to record their actual hours worked. Instead, these employees are assumed to work their approved schedules unless they request leave. Other employees are considered positive time employees. These employees must code the hours they actually worked. However, the majority of both negative and positive time employees are not required to document on their time sheets the activities that they worked on. Some employees who are paid for with federal grants or with other sources of funds record what they worked on to ensure that their hours are billed to the correct account.

However, detailed timekeeping procedures alone do not necessarily ensure that employees are productive. Tracking productivity is more of a performance management function which can be enhanced by the Performance Planning and Review (PPR) process if done correctly. Ideally, supervisors should use the PPR forms to track how well each employee performs by using objective information to measure actual performance against expectations. More information on this process is found in objective 11.

Objective 10: How do state agencies discipline employees?

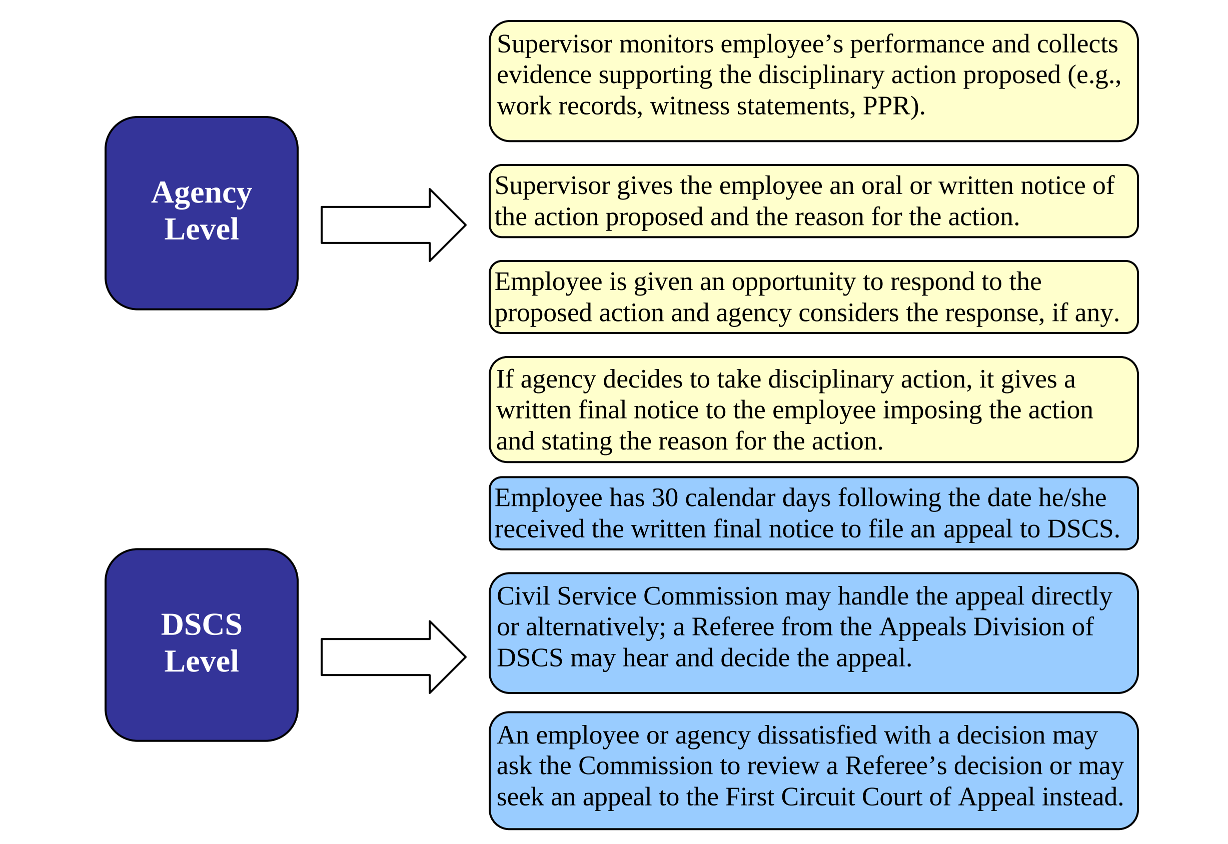
Civil service rules outline requirements that agencies must follow for formally disciplining employees. However, civil service rules do not outline what kinds of employee infractions require formal disciplinary action. Agencies are allowed to develop individualized disciplinary policies and most agencies have developed such policies. Agencies do not use formal disciplinary action frequently. From FY 2007 to FY 2009, approximately 3% of employees received a formal disciplinary action. The most prevalent action was reducing an employee's pay (58%).

Disciplinary Process

Civil service rules govern what kinds of disciplinary actions agencies may take and also outline what steps agencies must take regarding how to document performance and notify employees. Exhibit 15 summarizes the general process to formally discipline a classified employee.

Exhibit 15

Overall Process to Discipline a Permanent State Classified Employee*



* Discipline includes only suspension without pay, reduction in pay, involuntary demotion, and dismissal.
Source: Prepared by legislative auditor's staff using information provided by DSCS.

Civil service rules do not specifically outline what kinds of employee infractions require formal disciplinary actions. Agencies have the flexibility to determine what kinds of infractions require what level of discipline, although formal policies are not required. Most agencies we surveyed (61%) have a code of conduct or other disciplinary policy. However, there were seven agencies that said they did not have any formal guidance related to disciplinary infractions and related actions. Agencies should develop general policies on expected conduct and potential consequences so employees know what is expected of them. Ensuring that employees are aware of consequences may also help reduce the number of actions.

All agencies we surveyed said they had informal disciplinary procedures that are used before initiating formal disciplinary actions. Examples of informal actions are letters of reprimand or counseling. Informal discipline is usually handled by an employee's supervisor or the human resource division staff.

Agency Data on Disciplinary Actions

From FY 2007 to FY 2009, state agencies have taken 1,946 disciplinary actions against employees. The most prevalent action taken was reducing an employee's pay. The actions taken were as follows:

- 1,136 (58.4%) employees received reductions in pay.
- 585 (30.1%) employees received dismissals.
- 150 (7.7%) employees resigned to avoid dismissal.
- 75 (3.9%) employees received demotions.

The agencies with the largest numbers of disciplinary actions include DOC, DHH, and DPS. It is expected that these agencies have higher numbers since these agencies provide critical services and have strict disciplinary policies. For example, correctional officers have a certain number of times they can be late before they are formally disciplined. Exhibit 16 outlines the total number of disciplinary actions by state agency ranked from highest to lowest.

Exhibit 16 Number of Disciplinary Actions by Agency FY 2007 to FY 2009				
Agency	**FY 2007**	**FY 2008**	**FY 2009**	**Total**
DOC	314	248	135	697
DHH	117	107	168	392
DPS	55	133	80	268
DOE	31	45	62	138
Executive	54	51	33	138
DSS	9	24	48	81
DOTD	21	18	12	51
DOR	6	26	9	41
DVA	16	9	11	36
DOJ	3	13	3	19
DNR	1	5	9	15
CRT	10	3	1	14
DOS	7	2	4	13
LWC	3	4	6	13
WLF	4	1	3	8
DOT	4	1	1	6
LED	2	2	2	6
DOI	1	2	1	4
DEQ	1	1	1	3
CSA	0	1	1	2
Lt. Gov.	0	1	0	1
Total	**659**	**697**	**590**	**1,946**
Source: Prepared by legislative auditor's staff using data from DSCS.				

Formal disciplinary actions are appealable to DSCS. However, most employees have not appealed disciplinary actions. From FY 2007 to FY 2008, there have been 283 appeals. Most of these appeals were dismissed (150 or 53%). The remainder were denied (78 or 28%) or granted (55 or 19%).

Improvements to Disciplinary Process

One way to improve the disciplinary process is for agencies to use longer probationary periods. Most agencies use a six-month probationary period even though civil service rules allow agencies to set probationary periods for up to two years. During a probationary period, agencies can terminate an employee without cause during that time. After the probationary period ends, an employee can become a permanent employee. Agencies must then establish cause to terminate an employee. Because longer probationary periods allow agencies more time to observe and evaluate the performance of employees, agencies should consider using longer periods to address performance and other disciplinary issues before an employee achieves permanent status. According to DSCS, 1,727 probational employees were terminated in FY 2009.

Another way to improve the disciplinary process is to evaluate common reasons for disciplinary actions. Neither DSCS nor agencies internally track the reasons or causes for disciplinary actions. Although ISIS provides some information on formal actions, it does not provide the reasons for the actions. In addition, DSCS does not keep data on the reasons cases are appealed. Having electronic data on the causes for disciplinary actions and reasons for appeal would help agencies and DSCS evaluate patterns and trends in disciplinary actions and whether rules or procedures could be established to reduce the behaviors necessitating such disciplinary actions.

Recommendation 11: DSCS should encourage agencies to develop general policies on expected conduct and potential consequences so employees know what is expected of them.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will actively work to support and encourage agencies in the further development of the agencies' human resource management practices.

Recommendation 12: DSCS should encourage agencies to use longer probationary periods to allow sufficient time to assess the performance of new employees.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will actively work to support and encourage agencies in the further development of the agencies' human resource management practices.

Recommendation 13: DSCS should develop a system for agencies to report on the causes of disciplinary actions and should internally track the reasons for its appeals cases.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will work with DOA to pursue the possibility of system enhancements to ISIS and the development of further user requirements and guidelines.

Section 4:

Performance Management

Objective 11: How do state agencies evaluate their employees?

State agencies primarily use the PPR process to evaluate their employees. Nearly all classified state employees (approximately 94%) received merit increases in FY 2009 and most of these merit increases were issued in accordance with civil service rules. Civil service rules require that only employees who receive a rating of "meets requirements" and above are eligible for a 4% merit increase. However, we identified 650 cases (< 1%) in FY 2008 and FY 2009 where ISIS data showed that employees did not have a documented PPR record in ISIS or had a poor rating but received a merit increase.

We also found that supervisors did not always rate employees as required by civil service rules. From FY 2007 to FY 2009, supervisors did not rate employees as required 8,962 times. In addition, although supervisors should enter the reason they did not rate the employee in ISIS, we found that 68% of these cases did not have a reason entered. DSCS recently addressed this problem by issuing a rule that makes the supervisor's merit increase contingent upon his/her compliance with all PPR rules. This rule should help ensure that classified supervisors rate their employees as required.

In addition, DSCS conducts accountability audits to ensure that agencies are in compliance with PPR rules. According to DSCS data, the statewide average compliance rate for conducting appropriate PPR planning sessions was 69% and the statewide average compliance rate for properly rating employees was 91%.

<u>PPR Process and Merit Increases</u>

DSCS developed the PPR process in 1997 as a tool to increase productivity through enhanced communication. All agencies with classified employees are required to use the PPR process to evaluate employee performance. Supervisors are required to complete performance expectations for all of their employees for six to eight different factors. Supervisors must continuously monitor their employees to assess the degree to which their employees meet the outlined expectations and rate employees accordingly. Exhibit 17 summarizes the performance evaluation factors and the associated rating levels.

Exhibit 17

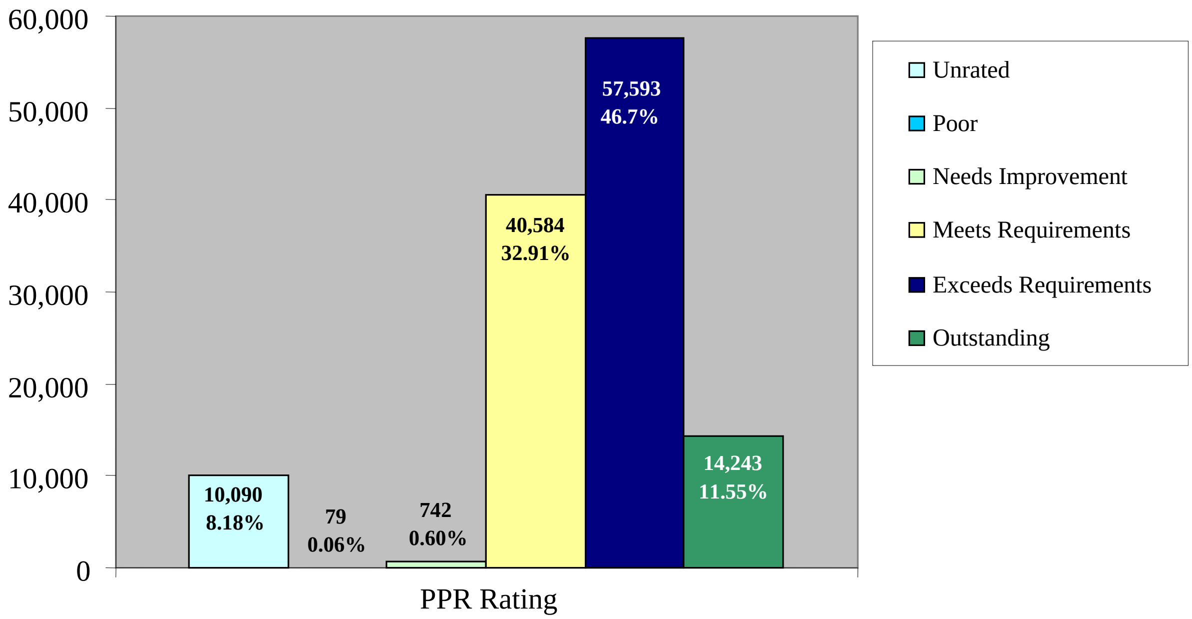
Required PPR Components

Performance Evaluation Factors	Overall Rating Levels
1. Work Product 2. Dependability 3. Cooperativeness 4. Adaptability 5. Communication 6. Daily Decision Making and Problem Solving	1. Outstanding = 4.50 - 5.00 2. Exceeds Requirements = 3.50 - 4.49 3. Meets Requirements = 2.50 - 3.49 4. Needs Improvement = 1.50 - 2.49 5. Poor = 1.00 - 1.49

Exhibit 17 Required PPR Components	
Performance Evaluation Factors	**Overall Rating Levels**
7. Work Group Management and Leadership (for supervisors) 8. Performance Planning and Review (for supervisors)	
Source: Prepared by legislative auditor's staff using information from DSCS.	

According to DSCS data, in FY 2009, approximately 94% of state employees received merit increases. Most of these merit increases were issued in accordance with civil service rules. Over the last three years, most employees received a rating of meets requirements (33%) or exceeds requirements (47%). Less than 1% of employees received a rating of poor or needs improvement. Exhibit 18 shows the distribution of PPR ratings from FY 2007 to FY 2009.

Exhibit 18
Distribution of PPR Ratings
FY 2007 to FY 2009



Note: The 10,090 unrated column includes both classified and unclassified employees.
Source: Prepared by legislative auditor's staff using data from ISIS.

Agency Compliance With Civil Service Rules

Civil service rules outline requirements for merit increases and specify that employees cannot receive the 4% merit increase if they receive a poor or needs improvement on their most recent PPR rating. However, we did identify a total of 650 (<1%) merit increases that were issued between FY 2008 and FY 2009 that appear to be issued incorrectly. Exhibit 19 shows the number of employees who received a merit increase in FY 2008 and FY 2009 that did not have a corresponding PPR record in ISIS to support the merit increase.

Exhibit 19

Not Documented in ISIS or Unsatisfactory PPRs That Received Merit Increases FY 2008 and FY 2009

PPR Rating	FY 2008 Total Number	FY 2009 Total Number	FY 2008-2009 Total Number
Not Documented in ISIS	51	557	608
Poor	1	0	1
Needs Improvement	28	13	41
Total	**80**	**570**	**650**

Source: Prepared by legislative auditor's staff using data from ISIS.

In these cases, either the PPR rating was not documented in ISIS or the employee's corresponding PPR record reflected an unsatisfactory (i.e., poor or needs improvement) rating. Because of time constraints, we were unable to follow up with all agencies on these issues. However, we did follow up with two agencies. These agencies identified inaccurate data entry as the primary cause. However, at both agencies there were still some PPRs that were conducted incorrectly or out of compliance with civil service rules.

Civil service rules require that classified supervisors complete PPRs at least once a year and rate employees. If a supervisor does not rate an employee then the supervisor should enter the reason in ISIS for not rating the employee. However, 68% of the PPRs that were unrated from FY 2007 to FY 2009 did not supply a reason. According to DSCS, the unrated reason is not a required field in ISIS so many agencies do not enter a reason. Other reasons that employees received unrated PPRs include supervisors who did not complete a PPR in a timely manner (16%) and supervisors who never completed a PPR at all (9%). Exhibit 20 on the following page shows the distribution of unrated reasons for FY 2007-2009 for classified employees.

Exhibit 20 Distribution of Reasons Listed for Unrated Classified Employees FY 2007-2009	
Reason	**Number (Percent)**
Untimeliness	1,410 (15.73%)
Never Rendered	764 (8.52%)
No Signatures	7 (0.08%)
Copies Not Given	3 (0.03%)
Employee on Extended Leave	321 (3.58%)
Transfer in from another Agency within Previous 90 Days	170 (1.90%)
Other	197 (2.20%)
No Reason Listed	6,090 (67.95%)
Total Unrated Classified	**8,962 (100.00%)**

Note: This exhibit only includes classified employees.
Source: Prepared by legislative auditor's staff using data from ISIS.

Civil service rules currently do not prohibit agencies from giving merit increases to employees who are unrated because it is the supervisors' responsibility to complete the PPR and agencies do not want to penalize employees for management failing to do their job. In fact, we found that 1,483 classified employees (3%) that were not rated in FY 2009 received merit increases. However, it is impossible to know whether these employees qualified for the merit increase because there is no official PPR rating documented in ISIS. DSCS recently addressed this problem by issuing a rule that makes the classified supervisors' merit increase contingent upon their compliance with all PPR rules (i.e., planning and rating requirements) for each of their subordinates. This new rule should help ensure that supervisors rate their employees as required by civil service rules.

DSCS Accountability Audits and Agency PPR Reviews

DSCS conducts accountability audits to help ensure PPR compliance. The DSCS Accountability Division regularly conducts onsite reviews of a sample of state agency personnel files to ensure that agencies properly complete and document personnel actions. The DSCS staff review PPR documentation for each personnel action included in an agency's sample. Overall, executive branch agencies had a 68% compliance rate for PPR planning requirements and a 92% compliance rate for PPR rating requirements. Appendix C provides PPR compliance ratings by agency for the Accountability Division's audits conducted from November 2004 through December 2008.

Some state agencies also conduct compliance reviews of PPR documentation. We surveyed 18 executive branch agencies to determine common human resource practices statewide and found that 61% reported some degree of human resource oversight of the PPR process. Typically, this oversight includes a human resource staff member reviewing PPRs as supervisors complete them. Most agencies review for compliance issues such as correct dates and required signatures rather than for quality or content. However, some agencies, such as DEQ and DOR, review for quality issues such as consistency of ratings and whether documentation justifies actual ratings.

Recommendation 14: DSCS should periodically analyze PPR data in ISIS to evaluate compliance with civil service rules and to identify data entry errors.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will work with DOA to pursue the possibility of system enhancements to ISIS and the development of further user requirements and guidelines.

Recommendation 15: DSCS should consider working with DOA-OIS to make the entry of merit data contingent upon PPR data.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will work with DOA to pursue the possibility of system enhancements to ISIS and the development of further user requirements and guidelines.

Recommendation 16: DSCS should encourage OIS to make the unrated reason field in ISIS a required field.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will work with DOA to pursue the possibility of system enhancements to ISIS and the development of further user requirements and guidelines.

Objective 12: How can existing tools be used to improve performance management?

Although civil service rules allow agencies to use special pay mechanisms and rewards and recognition programs to improve performance management, state agencies did not always take advantage of these mechanisms. In addition, state agencies have also not used legislative reward programs designed to encourage agencies to identify efficiencies and cost-savings. Increased use of these existing tools may help agencies improve employee performance.

Special Pay Mechanisms

Civil service rules allow the use of special pay mechanisms to recruit and retain employees. However, not all agencies use them. DSCS has developed rules related to special pay mechanisms that are designed to help state agencies increase pay for employees who exhibit good performance, who are given additional duties, who obtain additional degrees or qualifications, and for other justifiable reasons. For most of these mechanisms, state agencies must develop policies and procedures for their use which must be approved by the Civil Service Commission or DSCS. Some of these mechanisms are awarded in a lump sum or one-time payment and some may be added to base pay. However, agencies do not always take advantage of these mechanisms. A total of 15% of employees were given some special pay mechanism in FY 2009. Exhibit 21 outlines the definition of each of these mechanisms and the percentage of times agencies used them in FY 2009.

Exhibit 21

Definitions and Use of Special Pay Mechanisms

Special Pay Mechanism	Definition	Percentage of Times Used FY 2009
Incentive Pay	• An appointing authority may, after presenting justifiable reasons in writing to the Commission, and with the Commission's approval, pay an incentive award at any time that the justification has been shown.	**< 1%**
Optional Pay Adjustment	• Agencies can use to retain employee or to adjust pay differentials between comparative employees, to recruit employees into difficult positions, or to compensate individuals for additional duties. • Increases cannot exceed 10% in a fiscal year. These can be either lump sum or added to base salary. • Agencies must have policies related to this which must be approved by the Commission.	**47%**
Advanced Degree	• Agencies may approve a base pay increase of up to 10% for employees who earn a master's degree, PhD or equivalent. • Agency must have policies approved by the Commission.	**< 1%**

Exhibit 21

Definitions and Use of Special Pay Mechanisms

Special Pay Mechanism	Definition	Percentage of Times Used FY 2009
Individual Pay Adjustment	• If agency shows sufficient justification with documentation, it can adjust pay as long as it is within the pay range for that job title. • These can also be in the form of incentive awards/pay.	**< 1%**
Special Entrance Rates	• Agencies can use when it is difficult to recruit and retain employees. • All employees in this job title will be increased to this rate. • Must be approved by the Commission.	**43%**
Extraordinary Qualifications	• If applicant possesses extraordinary or superior qualifications above and beyond the minimum qualifications. • May be paid at a rate not to exceed the 3rd quartile of the range for the affected job. • The agency must have policies and procedures related to this mechanism.	**8%**

Source: Prepared by legislative auditor's staff using information obtained from the DSCS Web site.

Agencies use these mechanisms in a variety of ways. For example, DEQ provides incentive pay for those employees who expedite the completion of air quality permits. DOTD uses incentive pay to recruit employees for positions with high turnover or positions that are hard to fill. Other state agencies use them to compensate employees for additional duties, such as employees who were assigned to the Enterprise Resource project. Appendix D summarizes the number of times these mechanisms were used in FY 2009 by each state agency.

Although the use of these mechanisms is voluntary, having these mechanisms available for state agencies provides flexibility in compensating employees. Traditional civil service systems generally promoted and reclassified employees in agencies as a means to increase their pay. This practice likely resulted in having more supervisors than necessary. However, these mechanisms offer a way to increase the pay of high performing individuals without necessarily promoting them or reclassifying their position.

Rewards and Recognition Programs

Civil Service rules also allow agencies to develop rewards and recognition programs to reward and encourage exceptional performance. However, most agencies do not use them. During FY 2009, 1,576 state employees received approximately $700,000 in additional compensation as part of agency reward and recognition programs. These programs are designed to reward employees or teams for significant achievement and can be either monetary or non-monetary. Monetary rewards can be awarded as a lump sum or added to an employee's base pay and cannot exceed 10% within a fiscal year. Exhibit 22 on the following page outlines how many employees received monetary rewards in FY 2009 by state agency.

Exhibit 22 Employees Received Monetary Rewards by Agency in FY 2009			
State Agency	**Number of Employees Received Rewards and Recognition Payments**	**Percent of Total Employees**	**Total Monetary Awards**
CRT	12	1.20%	$18,203
DAF	0	0.00%	0
DEQ	53	5.72%	20,200
DHH	37	0.27%	103,714
DNR	105	19.06%	49,125
DOE	20	0.52%	13,752
DOI	1	0.35%	250
DOR	20	2.13%	14,110
DOS	0	0.00%	0
DOT	4	4.12%	8,737
DOTD	549	11.45%	142,056
DOC	444	7.04%	180,660
DPS	98	2.39%	30,100
CSA	15	5.79%	10,500
DSS	2	0.04%	1,500
DVA	63	7.39%	9,250
Executive	131	3.70%	84,850
LED	0	0.00%	0
Lt. Gov.	0	0.00%	0
LWC	3	0.30%	750
PSC	0	0.00%	0
WLF	19	2.16%	9,750
Total	**1,576**	**3.11%**	**$697,507**

Note: Some employees were rewarded multiple times.
Source: Prepared by legislative auditor's staff using data from ISIS for FY 2009.

As the exhibit shows, agencies used the rewards and recognition pay mechanism to reward approximately 3% of total employees in FY 2009. Best practices emphasize rewards and recognition as important tools to enhance performance and encourage increased productivity. For example, according to DSCS, DOR issued a reward to an employee who saved the state $130,000 annually by proposing an automated system to reduce staffing by three employees. LWC issued a reward to an employee who saved the state $120,000 annually by developing a workbook for the Unemployment Insurance Program that aided in collecting $400,000 in unpaid taxes.

State agencies may also use non-monetary rewards. In our survey, most agencies said that they issued non-monetary rewards such as service awards, retirement plaques, employee appreciation days, parking spaces, and telecommuting privileges. However, this information is not centrally reported anywhere so we were unable to summarize the total of non-monetary rewards used by state agencies.

Effective performance management systems should use both monetary and non-monetary rewards to effectively motivate employees and develop a culture of high performance. Performance management best practices acknowledge that humans are motivated by non-monetary rewards such as recognition for doing a good job, increased autonomy, and flexible working hours. An added advantage of non-monetary rewards is that these rewards are relatively simple to implement and are cost-effective.

Legislative Reward Programs

Similar to state agency reward and recognition programs, some legislative reward programs have not been fully used. Civil service rules allow agencies to reward employee performance through an incentive fund and a gainsharing program established by the Louisiana Government Performance and Accountability Act in 1997. The general purpose of both programs was to reward performance and encourage agencies to identify cost-effective ways to streamline operations. To apply, state agencies must submit a proposal to the Joint Legislative Committee on the Budget (JLCB) for consideration. The proposal must outline the agency's exceptional performance and provide concrete supporting evidence which must be reviewed by the Legislative Auditor. For example, DHH requested and received a $20,000 total award for five employees who designed and implemented a Medicaid data warehouse that saved the state over $700,000 by reducing the costs and time associated with generating Medicaid reports.

According to JLCB staff, however, state agencies have not applied for either program since 2005. According to DSCS, agencies have likely not applied for the program because of the cumbersome process. Between 2002 and 2005, only a total of 14 state agencies submitted successful applications for funds totaling nearly $1.4 million. Exhibit 23 provides an award history for these programs.

Exhibit 23

Incentive Fund and Gainsharing Program Awards

	2002	2003	2004	2005	2006-2009	Total
Successful Applicants	3	7	3	1	0	14
Amount Awarded	$198,350.00	$725,035.00	$65,891.09	$357,535.00	$0	$1,346,811.09

Source: Prepared by legislative auditor's staff using information provided by the JCLB staff.

Recommendation 17: DSCS should continue to encourage state agencies to take full advantage of existing special pay and rewards and recognition policies to provide employees with both monetary and non-monetary rewards for high performance.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will actively work to support and encourage agencies in the further development of the agencies' human resource management practices.

Matter for Legislative Consideration: Because of legislative interest in agency accountability and rewarding good performance, the legislature should determine the reasons agencies are no longer using the incentive award and gainsharing program. If the reason is that the process is too cumbersome, the legislature should find ways to streamline the process.

Objective 13: What additional performance management initiatives should the state further develop?

The state should further develop broadbanding and pay for performance initiatives to improve performance management. Broadbanding collapses salary grades and job classifications into wider pay bands, allowing more discretion related to pay and job duties. One of the primary benefits of broadbanding is that it allows managers to compensate employees without having to go through the formal reclassification process. Although DSCS has taken some steps toward implementing broadbanding, it still has a relatively large number of job titles. As of June 30, 2009, there were 1,633 classified job titles that were in use by state employees. However, 1,088 of these titles (67%) had 10 or fewer employees in the title which indicates that DSCS could further reduce the number of these titles.

Pay for performance gives agencies the ability to link employees compensation to actual performance. DSCS has currently proposed different options for state agencies to choose. These options include either fixed models that assign specific percentages to PPR ratings or flexible models that allow agencies to select their own percentages for each PPR rating.

To help ensure pay for performance is successful, there are several challenges that the state should address. These challenges include increasing agency oversight to help ensure the PPR process is consistent, objective, and based on measurable expectations; ensuring that all supervisors, including unclassified supervisors, are trained on the PPR process and rate employees; and having adequate funding to fund the variable performance adjustments.

Broadbanding

Some states have used broadbanding to increase agency flexibility related to pay. Broadbanding replaces narrow job classifications or job titles into larger bands. Also known as paybanding, it collapses salary grades into wider pay bands, allowing more discretion for managers related to promotions and pay. One of the primary benefits of this initiative is that it allows managers to compensate and move employees from one job to another without having to go through the formal reclassification process. It also increases job flexibility and stresses performance by putting less emphasis on job titles and position hierarchy. Currently, 16 states have implemented broadbanding to some degree.

DSCS has already taken some steps toward implementing broadbanding. In 2003, DSCS developed career progression groups which allow agencies to move employees within three to five pay bands based on individual performance. Use of these groups has allowed DSCS to reduce the number of job titles from 3,700 to less than 1,500. House Concurrent Resolution of the 2009 Regular Legislative Session asked the Civil Service Commission to take broadbanding further and revise the classification system to 700 or fewer job titles.

DSCS has not aggressively pursued broadbanding because it also has disadvantages. We surveyed the 16 states that have implemented broadbanding to some degree to determine the benefits and disadvantages. Of the 10 states that responded, most cited the increased flexibility relative to pay as the primary benefit of broadbanding. They also cited the following disadvantages:

- The broad ranges make it difficult to isolate and manage the pay of specific jobs.
- Extensive training is needed for broadbanding to work effectively as some managers were not used to making decisions about pay.
- Potential inequities in pay may exist because of manager discretion, unequal treatment of employees, and favoritism.

A 2008 journal article[11] surveyed the 34 states who have not implemented broadbanding. This article found that these states did not pursue broadbanding primarily because they were content with their system or because they did not want to implement a system whose effectiveness is still being debated.

Despite these disadvantages, further broadbanding may still prove useful in improving the state's performance management system. According to ISIS data as of June 30, 2009, DSCS has 1,633 classified job titles. However, 1,088 of these titles (67%) have 10 or fewer employees, indicating that many of these job titles could be reduced even further.

Pay for Performance

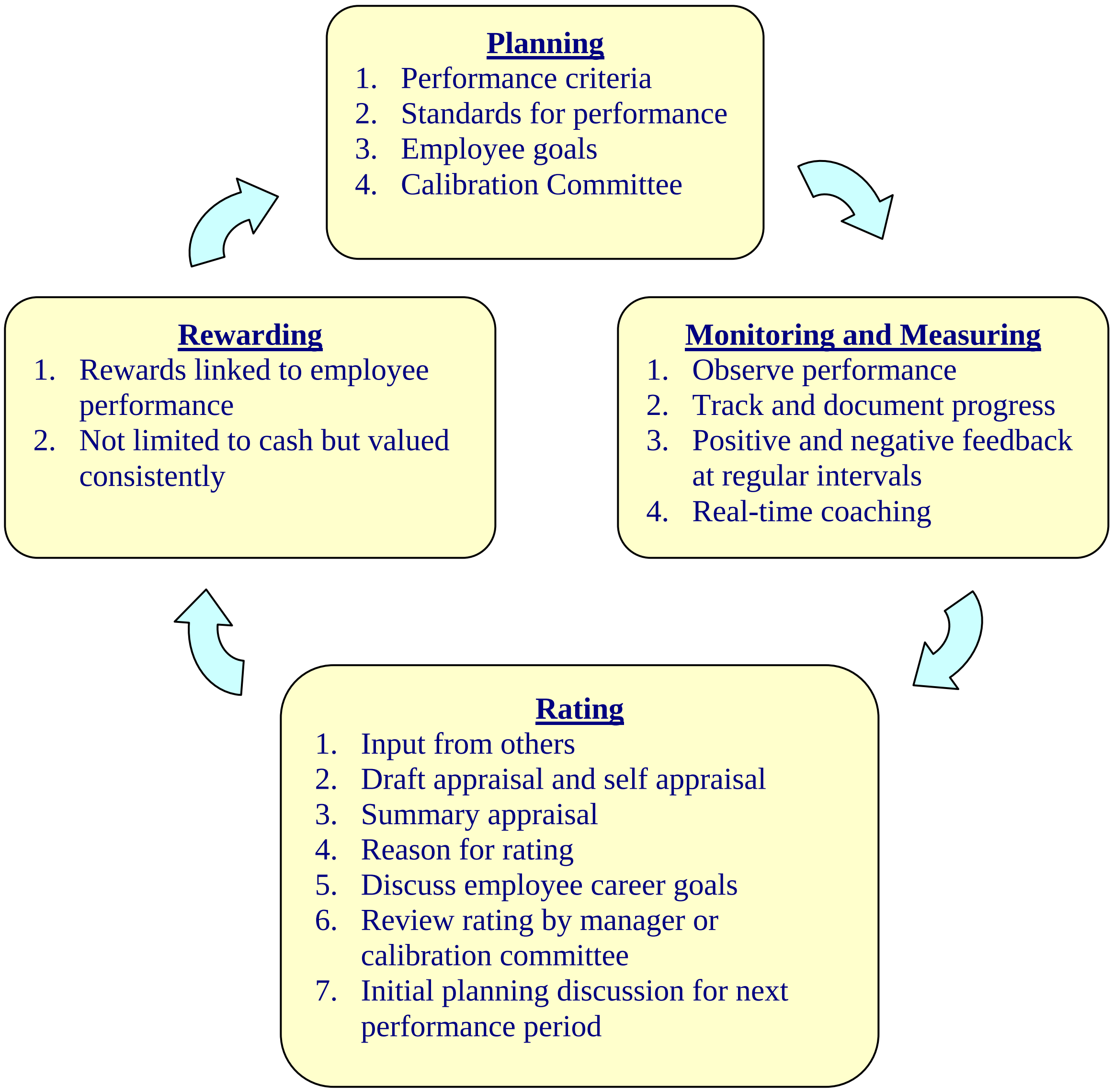
Although Louisiana's performance management system has elements of best practices, it could be further developed and improved by implementing pay for performance initiatives. As noted earlier, most state employees receive an annual merit increase of 4% each year. This merit is supposed to reward good performance. However, an employee who receives a meets expectations rating will receive the same percentage merit increase as the one who receives an outstanding rating, which is not necessarily an incentive to get employees to perform better.

Effective performance management systems should focus primarily on performance planning, ongoing feedback, coaching, emphasizing results, and year-end rewards that reinforce the importance of performance. Exhibit 24 illustrates best practices for PPR systems.

[11] Journal article was published in the *Review of Public Personnel Administration* 2008 and was titled "Broadbanding Trends in the States."

Exhibit 24

Best Practices for PPR Systems



Source: Prepared by legislative auditor's staff based on models from the Government Accountability Office and the IBM Center for the Business of Government.

Louisiana's PPR process already follows best practices for the most part; however, the state's primary performance evaluation currently does not directly link rewards to employee performance. Pay for performance has historically been used in the private sector but is now being used by several states in an effort to improve agency performance and productivity. According to DSCS research, six other states have implemented pay for performance. DSCS is planning to implement a pay for performance system by July 2010. This pay for performance system will replace the current flat rate (4%) merit increase with a variable performance adjustment that will be tied to the existing PPR system. Employees will receive different percentage increases based on the ratings they receive.

DSCS has proposed several different options as to what percentages should be assigned to each rating and is in the process of gathering feedback from state agencies and other stakeholders. Options include fixed models that assign either ranges or specific percentages to each PPR rating and flexible models that allow agencies to select their own percentages for each PPR rating. According to DSCS, implementing pay for performance in state agencies will save the state approximately $1.7 million over a three-year period.[12]

To help ensure that pay for performance is successful, there are several challenges that should be addressed. These challenges include strengthening employee confidence in the consistency and objectivity of the PPR process, ensuring that all supervisors who rate employees have relevant training, having adequate funding to fund variable performance adjustments, and linking employee expectations to agency performance. These challenges are discussed below.

<u>Consistency and Objectivity in the Current Performance Evaluation Process</u>

The first challenge involves ensuring that the performance evaluation system is consistent, objective, and based on measurable results. For pay for performance to be successful, employees must have confidence in the credibility of performance management practices. Specifically, employees need to know that their supervisors evaluate employee performance as consistently and objectively as possible. Public comments made at Civil Service Commission hearings indicate that many state employees lack confidence in the current PPR system for this reason.

Although DSCS provides training to classified supervisors on how to write performance expectations and criteria, there is no mechanism in place to evaluate the quality or consistency of performance expectations and comments. As mentioned earlier, DSCS currently reviews a small sample of PPR documentation for compliance issues as a part of its accountability audits and most agencies that review PPRs also review them primarily for compliance issues. However, these reviews do not look at the quality of performance expectations or the consistency of ratings.

To review the consistency of the PPR process, we randomly selected and reviewed 30 employee records with the same job title from three regional offices in one state agency. For the most part, we found that supervisors wrote consistent, although generic, performance expectations. However, these expectations were rarely individualized for employees. According to the DSCS PPR manual, individualized expectations are an important tool for providing agreed-upon criteria to judge performance. Although the use of generic expectations related to job titles is appropriate, it is also important to include individual expectations based on the skill sets of individual employees.

[12] This estimate is based on historical data on PPR ratings.

We also found that the majority of performance comments used to justify employee performance ratings did not follow the guidelines provided by DSCS in its PPR course manual. According to the PPR course manual, supervisors should provide well-written comments that describe the performance over the last year including examples or descriptions of the employee's behavior to illustrate the rating. The manual also states that written, accurate, and specific comments are necessary for effective communication and as a means of justifying contested ratings.

Exhibit 25 provides a list of observations documented in our review and a brief description of each.

Exhibit 25

Problems Identified in LLA PPR File Review

Observation	Definition
Comments Contradict Rating	The rating supervisor used performance comments that contradicted the numeric rating assigned. For example, the rating supervisor stated "Your performance met expectations" but assigned the employee a rating of 4 which corresponds to "Exceeds Expectations."
Insufficient or Irrelevant Comments	The rating supervisor did not provide comments; the comments were not detailed; or the comments were unrelated to the performance expectations. For example, the rating supervisor commented "You communicate well" in a section that dealt with employee judgment and problem-solving skills.
Identical Ratings and Comments Year to Year	The same or different rating supervisor used identical wording for performance comments and assigned the same numeric rating for the employee's PPR each year. In these cases, it appears that the rating supervisor simply copied the employee's rating document from the previous year and changed the dates.
Identical Comments with Different Ratings Year to Year	The same or different rating supervisor used identical wording for performance comments but assigned different numeric PPR ratings each year.
Similar Comments Used to Support Different Ratings Year to Year ("Meets" vs. "Exceeds")	The same or different rating supervisors used performance comments that suggest the employee's performance has been consistent year to year; however, the rating supervisor assigned a different overall PPR rating each year. For example, the employee received an overall "Meets Expectations" one year and the next year receives an overall "Exceeds Expectations" for the same level of performance. In these cases, it appears that rating supervisors are not consistent in their use of comments year to year to describe the same level of performance.

Source: Developed by legislative auditor's staff based on observations documented during the file review.

Of the 30 employee records reviewed, 26 (87%) of the records resulted in a total of 46 observations identified regarding the quality and consistency of PPR performance comments. The most common observations were "Insufficient or Irrelevant Comments" and "Comments Contradict Rating". However, all of the scenarios described above pose a significant challenge to DSCS's proposed pay for performance system. In addition to damaging the credibility of the PPR system, these inconsistent comments could provide dissatisfied employees with legal grounds to contest PPR ratings. For example, with the increased importance of PPR ratings, employees may question how similar comments can warrant both a 4% and a 6% performance adjustment.

According to DSCS, it is developing a methodology to review PPR documentation for consistency and quality issues. DSCS plans to review for unsupported and extreme ratings, inconsistent comments, and vague performance expectations. However, it is important to note that the PPR process is primarily the responsibility of agency management. Although DSCS may develop a methodology to review PPR documentation for consistency and quality, it reviews only a sample of PPR documentation. To improve consistency and quality of the PPR process, agency management should use the tools developed by DSCS to implement its own formal PPR review process.

Ensuring All Employees Are Rated

All state employees do not receive performance evaluations. Because civil service rules do not apply to unclassified employees, they are not required to participate in the PPR process. Although some state agencies said that they do evaluate their unclassified employees, this process is generally informal and not routinely performed. As a result, approximately 16% of employees in state agencies are not evaluated. House Bill 508 in the 2009 Regular Session would have required the Governor's Office to develop a performance evaluation for certain unclassified employees. However, this legislation was not passed.

Not only are unclassified employees exempt from receiving formal evaluations, but DSCS is not authorized by law to enforce consequences for unclassified supervisors who do not comply with civil service rules for evaluating their classified subordinates. As stated previously, not all supervisors rate classified employees in compliance with civil service rules. One of the reasons for this is that many supervisors are unclassified and not required to participate in mandatory training on civil service rules. Although DSCS has offered training to unclassified supervisory employees, DSCS cannot require that unclassified supervisors participate in the training. However, since many unclassified supervisors supervise classified employees, it is important that unclassified employees be trained on the PPR process. Similarly, while DSCS has implemented a new rule to address classified supervisors' accountability for the PPR process, DSCS cannot mandate similar rules for unclassified supervisors.

The legislature has recognized this issue as a problem and recently implemented legislation related to unclassified supervisors and PPRs. Act 377 of the 2009 Regular Session now requires mandatory training on civil service rules for certain unclassified supervisors in the upper level of agency management. Act 377 also ties compensation increases for all unclassified supervisors who directly supervise classified employees to the completion of PPRs. The act requires that agency management must certify that unclassified supervisors are in compliance with the PPR requirement. These changes are aimed at increasing unclassified management accountability for the PPR process. However, this act does not give DSCS explicit authority to monitor for agency compliance nor does it require that agency management report on its compliance. As a result, there is no centralized oversight to ensure that all unclassified supervisors complete civil service training and conduct PPRs on their employees.

Funding Limitations

According to DSCS research, two states with pay for performance initiatives have not been able to implement it because of lack of funding. However, with the exception of this year, our state generally appropriates funds for annual merit increases. This pattern should not change with pay for performance since agencies will be awarding variable salary adjustments instead of merit increases. Awarding variable salary adjustments would simply require agencies to divide up the funds normally reserved for merits to employees based on their performance ratings.

Agencies have also noted that awarding variable adjustments will be hard for agencies to budget for. One way to help budget for these adjustments is for agencies to use a focused rating date. Using a focused rating date means that everyone is evaluated on the same date every year. Currently, most agencies are using the employee's anniversary date as the date to rate the employee. However, two agencies (DOTD and DOR) have recently changed to using a focused rating date. Although rating every employee at the same time each year requires an increased workload for supervisors, the focused-date rating allows supervisors to better evaluate each individual's performance relative to the performance of fellow team members, both as a group and individually. Using a focused rating date will also help agencies better plan and manage the process because they can divide up a finite amount of funds based on actual performance.

Linking Employee Expectations to Agency Performance

Linking measurable employee expectations to agency goals helps individuals understand the connection between the employee's daily activities and the agency's success. Linking expectations means that agencies should try to create a "line of sight" that shows how individual responsibilities contribute to organizational goals. Employee expectations should be developed in conjunction with the employee and be measurable if possible. In addition, the employee and supervisor should discuss how each expectation will be monitored and measured. Developing both measurable outcomes that are mutually agreed upon and an assessment/monitoring methodology will help decrease the subjectivity of the actual performance appraisal.

DSCS has developed an alternative PPR form that encourages agencies to create this link. This form allows agencies to individualize employee expectations based on the agency's strategic plan. However, this form is only being used on a limited scale by a few state agencies. Although the alternate form requires supervisors to spend more time individualizing performance expectations, it would help establish measurable outcomes which can be used to support not only the performance appraisal but also other activities such as workforce planning and performance and/or outcome-based budgeting.

> **Recommendation 18:** DSCS should determine if job titles and/or job levels could be combined or condensed further. Combining job titles would allow agencies more flexibility in moving or promoting employees.
>
> **Summary of Management's Response:** DSCS agrees with this recommendation and states that they have recently eliminated a number of low-usage titles, reducing the number of active job titles to approximately 1,300. They are also currently discussing

piloting expansions of job banding beyond the existing dual career and career progression groups with several agencies.

Matter for Legislative Concern: The legislature should consider enacting legislation that would provide DSCS with the authority to monitor agency compliance with the PPR requirements of Act 377. The legislature should also consider including a requirement that agencies report to DSCS on their compliance.

Matter for Legislative Concern: The legislature should consider developing a performance evaluation process or mandating that state agencies use a similar PPR process to formally and consistently evaluate the performance of all unclassified employees. The legislature should also consider including a requirement that agencies report this information to DSCS for inclusion in the DSCS annual PPR report.

Recommendation 19: DSCS should consider making the focused rating date and the alternative PPR form mandatory for agencies.

Summary of Management's Response: DSCS agrees with this recommendation and states that they will partner with agencies that have already chosen the use the options of focused rating dates and the alternative PPR form to analyze the results and develop a statewide plan accordingly.

Recommendation 20: DSCS should continue to develop a methodology to review the quality and consistency of PPR documentation and encourage state agencies to incorporate it in their own formal review of PPR documentation.

Summary of Management's Response: DSCS agrees with this recommendation and states that they are currently working on the design of an enhanced training curriculum to further develop and improve the performance management skills of state supervisors and managers.

APPENDIX A: MANAGEMENT'S RESPONSE

A.2

Shannon S. Templet
Director

State of Louisiana
DEPARTMENT OF STATE CIVIL SERVICE
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November 6, 2009

Mr. Steve Theriot, CPA
Louisiana Legislative Auditor
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

We appreciate the opportunity to respond to this performance audit report. The Department of State Civil Service strives to provide a progressive, effective human resource management system for the classified service of the executive branch of state government. Our system was ranked eighth highest among all fifty states by the Pew Center on the States in 2008. Our mandatory training program for supervisors was chosen as the 2008 Program of the Year by the National Association of Government Training and Development. We are proud of our past achievements but are eager to pursue additional enhancements to make our system even more effective for Louisiana's taxpayers. In keeping with that pursuit of continual improvement, we welcome the recommendations presented in this report.

Since this study was conducted, we have already taken a number of actions consistent with the recommendations, as described below.

Current Actions Taken

- Recommendation 2: *"DSCS may want to consider expanding its use of dual career ladder positions..."*
  We recently increased the maximum participation levels in existing Dual Career Ladders by 33%. We will continue to study the effectiveness of this program to identify potential areas for further expansion.

- Recommendations 4 & 5: *" DSCS should continue to develop the capabilities of the LA Careers system... continue to develop and provide additional training to agencies..."*
  Since implementing LA Careers on February 16, 2009, we have provided several additional system tools to help agencies maximize efficiency. The new recruiting system is successfully attracting larger numbers of qualified candidates for state jobs. To enable agencies to rapidly screen applicants for high volume jobs, we've created a set of

standard automated assessment tools that agencies can use or customize to immediately identify the most qualified candidates for their positions.

We are currently working with three agencies who have chosen to pilot the Manager Workflow feature of LA Careers. This feature enables the agencies to streamline their internal processes by giving more direct access and control to the hiring managers. This feature reduces the time to hire by decentralizing the hiring process within the agency.

In addition to our bi-weekly LA Careers training and agency on-site training, we are also now offering bi-weekly User Webinars that enable agencies to speak directly with our staff and other users to work through challenges that occasionally arise and to share and discuss best practices.

- <u>Recommendation 6</u>: *"DSCS should generate exception reports related to special pay mechanisms..."*
  Our Data Integrity Unit is now producing bi-weekly exception reports auditing basic pay records for all state employees in ISIS HR.

- <u>Recommendation 7</u> : *"DSCS should consider capturing electronic data on the outcomes of its allocation audits..."*
  In September, we enhanced our "NewTrax" computer system to begin capturing this data. This will enable us to better monitor and evaluate outcomes in this area.

- <u>Recommendation 18:</u> *"DSCS should determine if job titles and/or job levels could be combined or condensed further..."*
  We are continuing to pursue greater efficiencies through the consolidation of job titles and levels. We have recently eliminated a number of low-usage titles, reducing the number of active job titles in use by the twenty major agencies to approximately 1300. We are currently discussing piloting expansions of job banding beyond the existing Dual Career and Career Progression Group programs with several agencies.

In addition to continuing the above efforts, we will also review and pursue the other recommendations included in this report.

Future Actions Planned

- <u>Recommendations 1, 8, 9, 10, 13, 14, 15, and 16</u> suggest a variety of enhancements to the ISIS-HR payroll/personnel system. We will work with the Division of Administration to pursue the possibility of system enhancements and the development of further user requirements and guidelines. We will also work with the state agencies that use other payroll/personnel systems, which represent approximately 30% of the executive branch workforce, to pursue similar enhancements.

- <u>Recommendations 3, 4, 5, 8, 11, 12 and 17</u> direct us to continue to provide training and consultation to agencies to develop wider and more effective use of the management tools currently available to them. We will actively work to support and encourage agencies in the further development of their human resource management practices.

- Recommendations 19 and 20: *"DSCS should consider making the focused rating date and the alternative PPR form mandatory for agencies. DSCS should continue to review the quality and consistency of PPR documentation and encourage state agencies to incorporate it in their own formal review of PPR documentation."*

  We will partner with the agencies that have already chosen to use the options of focused rating dates and the alternative PPR form to analyze the results for their agencies and develop a statewide plan accordingly. We are currently working on the design of an enhanced training curriculum, incorporating expanded use of e-learning solutions to further develop and improve the performance management skills of state supervisors and managers. We hope to deploy this expanded training in 2010.

Again, we appreciate the opportunity to respond to this report. We commend your staff for the thoroughness of the analysis presented. We find the recommendations extremely helpful.

Sincerely,

Shannon Templet

Shannon Templet
Director

APPENDIX B: NUMBER OF CLASSIFIED EMPLOYEES BY LEVEL OF WORK

Level of Work	Definition	Total Number of Classified Employees	Percentage
Level 1 - Entry	This level includes basic or trainee responsibilities. Usually a limited number of duties are assigned and/or duties are performed under close supervision.	3,980	9.80%
Level 2 - Experienced	At this level, the full range of duties typically associated with a job is assigned and employees perform under general supervision.	12,269	30.21%
Level 3 - Advanced	Advanced tasks and duties are assigned and performed independently with minimum of supervision. Some tasks may not require approval by management before decisions are implemented.	13,914	34.26%
Level 4 - Dual Career Ladder	This non-supervisory level receives higher pay than traditional non-supervisory jobs. Jobs at this level require the performance of higher level, more complex duties and possession of advanced, specialized skills.	367	0.90%
Level 5 - Program Manager	Allocations at this level are usually found in a headquarters office and process the authority to review and approve policies or decisions made by field staff. This level typically does not have direct supervisory authority; however, duties include planning, implementing, and evaluating program goals and results.	1,269	3.12%
Subtotal		**31,799**	**78.29%**
Level 6 - Supervisor	Jobs with this level of work must directly supervise subordinates and includes several of the more tangible supervisory tasks such as signing and approving leave, signing PPR documents, countersigning or verbally authorizing important decisions of their staff, serving on interview selection panels to fill vacancies, etc.	5,514	13.58%
Level 7 - Manager	This level of work emphasizes policy development, setting objectives as well as planning, implementing, controlling, and evaluating functions and staff. Managerial levels focus on achieving results through other staff. These positions are typically second line supervisors.	2,356	5.80%

Level of Work	Definition	Total Number of Classified Employees	Percentage
Level 8 - Administrator	Administrators spend a substantial percentage of time spent in long range planning, budgetary matters, responding to legislative inquiries and complaints, human resources issues, etc. Administrators are among the highest classified levels in an organization. Typically, they report to an unclassified executive, deputy assistant secretary or undersecretary, elected official, or a commission. Often, administrators are directly over multiple sections and/or managers.	937	2.31%
Level 9 - Executive	Executive level positions are almost exclusively unclassified, appointed, or elected. They include department secretaries, deputy secretaries, undersecretaries, assistant secretaries or their equivalents (vice-presidents or directors). Classified executive level jobs include deputy assistant secretaries and deputy undersecretaries.	7	0.02%
Subtotal		**8,814**	**21.71%**

Note: This data only includes ISIS classified employees and is data as of March 2009, not June 30, 2009, as in some of the other exhibits.
Source: Prepared by legislative auditor's staff using ISIS/HR data and information provided by the DSCS staff.

APPENDIX C: ACCOUNTABILITY AUDIT RESULTS BY AGENCY

Agency	Agency Total Compliance Score for PPR Planning	Agency Total Compliance Score for PPR Rating
CRT	96.97%	100.00%
DAF	67.74%	82.61%
DED	50.00%	100.00%
DEQ	70.00%	91.30%
DHH	69.58%	89.44%
DNR	89.47%	100.00%
DOA	76.00%	100.00%
DOC	77.57%	95.98%
DOE	75.57%	90.91%
DOI	68.57%	75.00%
DOR	41.86%	88.67%
SOS	65.63%	90.48%
DOT	53.85%	81.82%
DOTD	68.57%	95.83%
DPS	58.70%	82.79%
CSA	60.87%	95.03%
DSS	87.67%	98.02%
DVA	78.72%	95.00%
Governor’s Office	87.67%	98.36%
LWC	34.21%	74.07%
PSC	45.00%	78.57%
WLF	83.87%	100.00%
Statewide Average	**68.55%**	**91.09%**

Note: DOA and the Governor’s Office are not combined in this exhibit because of the way the data was captured.
Source: Prepared by legislative auditor’s staff using DSCS accountability audit report cards.

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APPENDIX D: SPECIAL PAY MECHANISMS BY AGENCY FISCAL YEAR 2009

Agency	Incentive Pay	Optional Pay	Advanced Degree	Individual Pay Adj.	Special Entrance Rates	Extra-ordinary Qualifications	Total by Agency	% of Employees Awarded
CRT	0	30	0	0	25	35	90	**8.89%**
DAF	0	9	0	2	0	7	18	**1.35%**
DEQ	19	25	0	0	1	22	67	**5.51%**
DHH	0	254	0	63	1,362	319	1,998	**13.26%**
DNR	0	27	0	0	58	15	100	**16.88%**
DOE*	0	5,023	0	5	164	44	5,236	**44.01%**
DOI	0	11	0	0	0	16	27	**9.47%**
DOR	0	16	1	4	23	38	82	**8.52%**
SOS	0	13	0	0	14	26	53	**5.84%**
DOT	0	3	0	0	0	6	9	**8.25%**
DOTD	0	100	1	1	396	58	556	**11.18%**
DOC	0	23	32	15	1,890	46	2,006	**23.29%**
DPS	1	34	0	15	433	53	536	**11.83%**
CSA	0	25	2	1	21	25	74	**25.48%**
DSS	0	25	28	2	430	48	533	**10.15%**
DVA	0	12	0	0	174	47	233	**26.73%**
Executive	16	79	2	6	176	71	350	**9.49%**
LED	2	3	0	0	2	5	12	**8.51%**
Lt. Gov.**	0	13	0	0	0	1	14	**10.34%**
LWC	0	0	0	1	36	13	50	**4.75%**
PSC	0	0	0	0	1	2	3	**3.37%**
WLF	0	46	0	0	47	18	111	**11.85%**
Total by Pay Mechanism	**38**	**5,771**	**66**	**115**	**5,253**	**915**	**12,158**	**15.28%**

* These were paid to temporary teachers for additional duties.
**These were paid to one employee multiple times for additional duties.
Source: Prepared by legislative auditor's staff using data from ISIS/HR.

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