



**REPORT OF
THE
STATE AUDITOR**

**Department of Personnel
Performance Audit**

May 2001

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Members of the Legislative Audit Committee:

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

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

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**STATE OF COLORADO
OFFICE OF THE STATE AUDITOR**

REPORT SUMMARY

**J. DAVID BARBA, CPA
State Auditor**

**Department of Personnel
Performance Audit
May 2001**

Authority, Purpose, and Scope

This audit was conducted under the authority of Section 24-50-103.5, C.R.S., which requires the Office of the State Auditor to conduct a performance audit of the Department of Personnel and the State Personnel Board every four years. This audit was conducted according to generally accepted government auditing standards. Audit work was performed from December 2000 through April 2001.

The purpose of the audit, based upon the statutory mandates of Section 24-50-103.5, C.R.S., was to review the operations of the Department of Personnel and the State Personnel Board as they relate to statutory concerns. The statute lists several issues to be considered in the audit. Those issues include:

- The effectiveness of the Department and the Board in filling job vacancies.
- The effectiveness of Department staffing levels.
- The effectiveness of the Department in implementing incentive systems to reward and encourage excellence in public service, particularly in middle and top management levels.
- The efficiency of the Department and the Board in dealing with appeals filed by state employees.
- The effectiveness of the Department and the Board as perceived by executive directors and the General Assembly.
- The extent to which the Board has adopted rules and regulations, procedures, or practices that enhance or impede the efficiency or economy of state government.
- The extent to which the Department and the Board have operated in the public interest.

One method we used to address the above issues was surveying state agency and higher education institution staff throughout the State. In addition, we determined the implementation status of recommendations from our 1997 statutorily required audit.

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

This report contains findings and eight recommendations for improving the state personnel system. We would like to acknowledge the efforts and assistance extended by the management and staff at the Human Resource Services Division and the State Personnel Board. The following summary provides highlights of the audit comments, recommendations, and responses contained in the report.

Oversight of the State Personnel System

The Department of Personnel/General Support Services is responsible for providing the necessary directives and oversight for the management of the state personnel system. This includes providing leadership in the areas of policy and operation of the state personnel system as well as providing consultant services to executive branch agencies and higher education institutions. We analyzed the Department's oversight of the state personnel system and found:

- The human resource personnel at state agencies and higher education institutions do not receive the training and technical assistance necessary for them to effectively and efficiently manage their personnel systems.
- The Department has not audited the human resource functions at 45 state agencies and higher education institutions for at least seven years. The Department has only completed four audits since our 1997 performance audit of the Department.
- The Department should further decentralize the selection process.
- The value of the Applicant Data System continues to be questionable.

We recommend that the Department improve its oversight of the state personnel system. Specifically, the Department should (1) provide comprehensive, practical, and solution-based training and technical assistance to all human resource personnel; (2) use a risk-based approach to develop and implement a plan for auditing state agencies and higher education institutions; (3) require all centralized state agencies and higher education institutions become decentralized to the fullest extent possible; and (4) reprogram or terminate the connections between the Applicant Data System and EMPL so that both systems function separately.

Incentive Programs

We evaluated the Department's oversight of incentive award programs. According to statute, a 1996 Executive Order, and personnel procedures, the Department is responsible for reviewing and approving state agency and higher education institution incentive programs. We found that:

- The Department does not know which agencies and institutions have developed and implemented incentive award programs or the types and amounts of incentives that have been awarded.
- The Department does not require agencies and institutions to develop or submit plans regarding their incentive programs. Additionally, the Department does not have any documentation regarding agency and institution incentive programs.
- The Department is not complying with statute, the Executive Order, or its own procedures.

We recommend the Department improve its oversight of state incentive programs by ensuring statutes, procedures, and the 1996 Executive Order are complied with and/or seek to repeal existing statutes that are no longer viable.

Appeals

We examined the Board's and the Department's roles in the appeals process. Each office, as defined by statute, has specific jurisdiction over certain types of appeals. We found the following:

- The Board has made improvements in the timeliness of its hearings and appeals process. The Board's hearings and decisions were timely in almost all of the cases we reviewed.
- Our survey results indicate the Board could improve its customer service. Overall, survey respondents rated the timeliness and effectiveness of the Board and the services it provides lower than they did in 1997.
- The Board needs to better communicate its training program to human resource personnel at state agencies and higher education institutions. According to our survey results, many agency and institution personnel are unaware that the Board provides training.
- The Department handles appeals in a timely manner. For all of the cases we reviewed, the Department issued a decision within the appropriate time frame.

We recommend the Board (1) review and analyze our survey results to determine concerns and trends; (2) develop an action plan that identifies key areas for improvement; and (3) ensure employees are aware of the Board's training program by notifying all personnel administrators of the types of training that are available.

Colorado State Employee Assistance Program

We reviewed the Colorado State Employee Assistance Program (CSEAP) and found:

- The Department has not identified the costs and benefits of the program.
- CSEAP is not specifically authorized in statute.
- The Department has not developed an adequate and equitable funding mechanism for CSEAP. As a result, the Department will not generate sufficient revenue in Fiscal Year 2001 to support the program.

We recommend the Department better manage the Colorado State Employee Assistance Program by (1) analyzing the costs and benefits of the program; (2) proposing, if the program is found to be beneficial, legislation to support the operation of the program; and (3) developing an equitable funding structure.

Implementation of Prior Audit Recommendations

In November 1997 the Colorado Office of the State Auditor issued a statutorily required audit report of the operations of the Department of Personnel and the State Personnel Board. The report contained 12 recommendations to the Department. The Department agreed with nine of the recommendations and partially agreed with the other three recommendations. The report also contained six recommendations to the Board. The Board agreed with two of the recommendations and partially agreed with the remaining four recommendations.

We found that the Department has taken steps to address some of the recommendations. However, many of the issues identified in the 1997 audit are still of concern today. For example, in 1997 the Department was not in compliance with statutory requirements and the 1996 Executive Order related to incentive programs. We found the Department is still not complying with statutes, the Executive Order, or its own procedures regarding employee incentive programs. The Board has implemented all of the recommendations.

The Department and the Board agree or partially agree with our recommendations. Responses can be found in the Recommendation Locator on pages 5 through 6 of this report.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	14	Provide a clearinghouse technique that can be accessed for assistance; provide comprehensive, practical, and solution-based training that interprets personnel rules and procedures related to the selection process; explain the options available for screening, examining, and selecting applicants; and describe the options available for hiring temporary employees.	Department of Personnel	Agree	6/30/02
2	19	Use a risk-based approach to identify areas for audit; allocate sufficient staff to the audit unit; provide feedback to agencies on audit findings; require status updates on audit recommendations; use the Personnel Improvement Survey to collect information on personnel processes; and provide feedback on survey results.	Department of Personnel	Agree	Fully staff program and examine options by 12/1/01 Establish schedule for cyclical review by 7/1/01
3	24	Require all centralized state agencies and higher education institutions to become decentralized to the fullest extent possible, with emphasis on the selection function.	Department of Personnel	Agree	Ongoing
4	27	Emphasize that using the Applicant Data System for selection purposes is not mandatory; and reprogram or terminate the connections between the Applicant Data System and EMPL so that both systems function separately.	Department of Personnel	Partially Agree	Ongoing
5	32	Improve oversight of state incentive programs by ensuring statutes, procedures, and the Executive Order are complied with and/or seek to repeal existing statutes that are no longer viable.	Department of Personnel	Agree	6/1/02

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
6	38	Review the analysis of our survey results to determine concerns and trends; develop an action plan that identifies key areas for improvement and provides specific solutions to noted problems.	State Personnel Board	Agree	a. <u>Review Analysis</u> — December 2002 b. <u>Develop action plan</u> — Ongoing
7	40	Ensure employees are aware of the Board’s training program by notifying personnel administrators of the types of training offered.	State Personnel Board	Agree	<u>Determine and establish curriculum</u> — July 2002 or sooner based on need. <u>Strengthen training partnerships</u> — Ongoing. <u>Improved use of media</u> — December 2001
8	52	Analyze the costs and benefits of the Colorado State Employee Assistance Program; if the program is found to be beneficial, propose legislation to support the program; and develop an equitable funding structure.	Department of Personnel	Partially Agree	6/30/02

Description of the State Personnel System

Background

The Department of Personnel/General Support Services is responsible for providing a sound, comprehensive, and uniform personnel system for state employees. According to Section 24-50-101(3)(a), C.R.S.:

It is the purpose of the state personnel system, as a merit system, to assure that a well-qualified work force is serving the residents of Colorado, that all segments of its population have an equal opportunity for entry into state employment, that recruitment be from qualified individuals from appropriate sources, and that, after fair and open competition, selection be on the basis of job-related ability and quality of performance.

Two of the Department's units are responsible for administering the state personnel system. Within the Department, the Human Resource Services Division and the State Personnel Board are responsible for managing and overseeing personnel and human resource issues related to classified state employees. Classified employees are part of the State's personnel system and must adhere to the state constitutional and statutory provisions related to this system as well as personnel rules and procedures. During Fiscal Year 2000 the State had about 32,000 classified employees.

Human Resource Services

The purpose of the Human Resource Services Division is to develop policies, in cooperation with state agencies and other stakeholders, so that agencies can recruit, hire, and retain workforces best suited to their missions. Human Resource Services is responsible for managing the daily operation of the classified personnel system. The Division provides oversight, training, and consultation services to state agencies and higher education institutions and handles selection and/or classification activities for 13 centralized agencies and institutions. Human Resource Services also oversees the Colorado State Employee Assistance Program (CSEAP), which provides counseling and assistance services to state employees and employers. In addition, Human Resource Services develops and manages the State's compensation plan and risk management activities.

In Fiscal Year 2001 Human Resource Services was appropriated \$44.6 million and 77 FTE. For Fiscal Year 2002 Human Resource Services requested about \$43 million and funding for 70 FTE. The decrease in funding and the number of FTE requested is due to transferring five central payroll staff to the Office of the State Controller and eliminating two positions that had been appropriated for Colorado Peak Performance. Of the \$43 million requested, about \$3.3 million and 50 FTE will be used to provide human resource services to state agencies and higher education institutions and to administer the state personnel system. The remainder will be used to manage the employee benefits program and risk management.

State Personnel Board

The State Personnel Board was created by the State Constitution and consists of five members, three appointed by the Governor and two elected by state employees. The Board is supported by five FTE, including a Director, who oversees the daily functions of the Board and acts as an administrative law judge; three additional part-time administrative law judges; a paralegal; and an administrative support person. By statute, the Board is to:

- Hear and resolve disputes involving state employees and agencies in a fair and efficient manner.
- Adopt, amend, revise, and repeal rules needed to implement the state personnel system.
- Provide guidance in achieving and maintaining a sound system of human resource management.
- Disseminate information to agencies and employees on decisions, rules, and laws affecting human resource management.

In Fiscal Year 2001 the State Personnel Board was appropriated about \$373,000 and five FTE. For Fiscal Year 2002 the Board requested approximately \$387,000 and funding for five FTE to support the Board.

Oversight of the State Personnel System

Chapter 1

Background

The Department of Personnel, which is headed by the State Personnel Director, is responsible for providing the necessary directives and oversight for the management of the state personnel system. This includes providing leadership in the areas of policy and operation of the state personnel system as well as providing consultant services to executive branch agencies and higher education institutions. As part of our audit we examined some of the Department of Personnel's human resource services roles and responsibilities. According to Section 24-50-103.5, C.R.S., the Office of the State Auditor is required to evaluate:

- The effectiveness of the Department in filling job vacancies.
- The effectiveness of the Department's staffing levels, particularly in view of decentralization.
- The effectiveness of the Department and the State Personnel Board as perceived by executive directors and members of the General Assembly.

The Department Needs to Improve Its Oversight of the State Personnel System

The Human Resource Services Division is responsible for carrying out the daily administration, oversight, and management of the state personnel system. Human resource functions for state agencies and higher education institutions are either centralized or decentralized. That is, Human Resource Services staff perform the personnel-related functions, such as selection and classification, for the centralized agencies and institutions. Agencies and institutions that are decentralized have their own staff perform these functions. The state personnel system operates primarily under a decentralized model.

Currently there are 40 state agencies and higher education institutions that are decentralized and 13 that are centralized. Under a decentralized model, the Department's main focus should be to provide oversight. This should include monitoring the agencies and institutions that perform their own personnel functions and providing the necessary guidance and assistance to ensure they comply with the State Constitution, statutes, and personnel rules and procedures.

The Department Does Not Provide Sufficient Training and Technical Assistance to Human Resource Personnel

We found that human resource personnel at state agencies and higher education institutions do not receive the training and technical assistance necessary for them to effectively and efficiently manage their personnel systems. We identified several areas where many human resource personnel do not seem to be aware of what they can and cannot do within the parameters of the State Constitution, statutes, and the personnel rules and procedures.

We surveyed human resource personnel from state agencies and higher education institutions and asked their opinion of the Department and the services it provides. The survey included questions related to all of the major human resource functions. We received 75 comments that indicate human resource personnel do not understand how to interpret the State Constitution, statutes, or personnel rules and procedures to address their needs related to the hiring process. Specifically, survey comments addressed the following issues and concerns:

- **The "Rule of Three" limits an agency's or institution's ability to hire the most qualified candidate.** The "Rule of Three" is a state constitutional provision that requires agencies and institutions to appoint one of the top three candidates, as measured by competitive tests, to a vacant position. Survey responses from human resource personnel indicated that the three highest-scoring applicants may not necessarily be the best-qualified applicants for the position, but merely the best test-takers. Specific comments included:
 - < "Rule of Three" is much too limiting. Just because a person scores well on a test does not necessarily make that person the best fit for a job.
 - < We would like to see the list expanded to five, sometimes the highest-ranking are not good fits for the positions.

- < Current testing process doesn't always give you good candidates. Testing doesn't measure desire or potential. Tests don't accurately measure abilities.
- < Most private companies use application materials as a screening device and then interview the best candidates. They are not limited to interviewing three individuals.
- < Given the tight competition in the labor market, it would be helpful to not be limited by the "Rule of Three." The top three scores on an exam are not necessarily the most qualified for the position.

The purpose of the "Rule of Three" is to ensure that appointments and promotions to state employment are made on the basis of merit. How well this is accomplished, however, depends on the ability of the testing methods to accurately measure the attributes needed for the vacant position. From their responses, it appears that some human resource personnel do not understand that competitive tests can take many forms including, but not limited to, structured interviews, resume reviews, oral examinations, and core-study and problem-solving examinations. The Department could provide a practical training that demonstrates the different testing methods available for evaluating and ranking applicants to ensure the applicants most qualified for a position rank in the top three.

- **Temporary employment restrictions create inefficiencies and staffing difficulties.** The State Constitution and statutes limit state temporary employment to a period not to exceed six months. The purpose of this provision is to prevent state agencies and higher education institutions from bypassing the personnel system when filling positions. Many human resource personnel, especially from higher education institutions, expressed their frustration with the six-month limitation. Specific comments included:
 - < Six months is too short. It takes a month or two to train [temporary employees] and then they are gone.
 - < It inhibits our efficiency and causes us to create more permanent positions than we need or be creative in trying to get a project done. We work on an academic year, not a six-month basis.
 - < For higher education a time limit of one calendar or academic year would make more sense.

- < There are many times when we have situations that require work beyond six months but are not permanent positions. The six-month limitation causes turnover and re-training that could be avoided.

According to human resource personnel responding to our survey, agencies and institutions often need someone to assist with projects that are temporary, but will last more than six months. In their opinion, there are only two options—to hire and train a series of temporaries or to hire a classified employee. However, there is another option. Agencies and higher education institutions can use personal service contracts for nonpermanent, short-term projects that exceed six months. House Bill 99-1078 authorized the use of personal service contracts in certain circumstances as a way of mitigating the effect of the six-month limitation on temporary employment. From their responses, it does not appear that many human resource personnel are aware of this option. According to Department staff, although they have trained procurement and purchasing personnel on the use of personal service contracts, they have not provided human resource personnel with similar training.

- **The 90-day applicant appeals process limits an agency's or institution's ability to fill positions in a timely manner.** According to Section 24-50-112, C.R.S., an applicant for a state position has the right to appeal the selection and examination process when he or she has an objection to the content or conduct of an examination. In these cases the Department has up to 90 days to issue a decision. In addition, the Department has established procedures that allow applicants to request the State Personnel Director to review an agency's or institution's decision to reject an application for state employment. The Department also has up to 90 days to issue a decision in Director's Review cases. Currently, however, many human resource personnel believe that when an applicant appeals an examination or a rejected application, the 90-day time frame limits their ability to hire someone for the position within a reasonable amount of time. Specific comments included:
 - < Departments are now encouraged to give applicants due process in the rejection of an application not meeting minimum qualifications. This encourages appeals and builds delays in an already cumbersome selection process.
 - < The personnel rules related to the Director's Review of rejected applications have a negative impact. The longer the selection process, the less likely the well-qualified candidates will still be available.

- < The Director can take up to 90 days to make a decision on a rejected applicant's appeal related to an exam. This is too much time when you are trying to fill a vacancy.
- < I think there needs to be much better scrutiny of "meritorious" appeals and quicker turnarounds. The 90-day appeals review makes it difficult to hire someone in a tight economy.

From their responses, it appears that some human resource personnel do not realize they can continue with the selection process while an appeal is being reviewed. They also have the ability to hire someone for the position. The appointment, however, is conditional on the Department's decision. Although the 90-day appeals process may affect the timeliness of the selection process, human resource personnel do not have to "suspend" the hiring process until the Department reaches a decision. Human resource personnel could benefit from a training that explains their options when an applicant appeals an examination or the rejection of an application.

The Department Needs to Improve Its Training and Technical Assistance

Currently the Department provides training to human resource personnel when they are initially hired by the State. For an agency or institution to perform their own selection and classification functions, their human resource personnel must go through the Department's Personnel Certification Program. The purpose of this program is to ensure human resource staff are qualified to administer the state personnel system at the agency or institution. The Department also offers training on federally mandated requirements, such as the Family Medical Leave Act (FMLA) and the Fair Labor Standards Act (FLSA). We found, however, the Department does not provide any additional formalized training once an employee is certified.

In addition, we found the Department may not provide adequate technical assistance. We received 18 responses from the 54 human resource personnel (33 percent) to whom we sent surveys related to the difficulties they have had reaching Department staff when they have questions or concerns. Specific comments included:

- It is hard to find Department employees at their desk. They seem to attend a lot of meetings.

- Nobody is ever there "in person" when you need help. They leave detailed voice messages informing you of their schedule. The bottom line, however, is that you have to bounce back and forth to the operator trying to find someone, or leave messages in several mailboxes to ensure a response.
- As our former contacts have left, we have no idea who to contact if we have a concern to address or a question to ask.
- We do not have a dedicated human resource person. We need help from the Department often. Unfortunately the Department is so short-staffed that it is difficult to get the help we need.

According to Section 24-50-101, C.R.S., the State Personnel Director is responsible for providing the directives and oversight necessary for the management of the State's personnel system. The Director is also responsible for providing consultant services to state agencies and higher education institutions. We found, however, that the Department does not provide sufficient training or technical assistance to human resource personnel for them to effectively and efficiently administer the state personnel system. As a result, the Department cannot ensure that state agencies and higher education institutions are complying with the State Constitution, statutes, and personnel rules and procedures. Human resource personnel would benefit from receiving practical training, including updates on recent changes to the state personnel system. The training should also include specific information on how to work within the guidelines set up by the State Constitution, statutes, and personnel rules and procedures.

Recommendation No. 1:

The Department of Personnel should improve its technical assistance to state agency and higher education institution human resource personnel by providing a clearinghouse technique that human resource personnel can access for assistance when they have personnel-related questions and concerns. In addition, the Department should address agency training needs by providing comprehensive, practical, and solution-based training to all state agency and higher education institution human resource personnel on an annual basis. The training should include, but not be limited to, the following:

- a. Interpreting and clarifying the State Constitution, statutes, and personnel rules and procedures to address agency and institution concerns and needs related to the selection process.

- b. Explaining and providing examples of the variety of options available for screening, examining, and selecting applicants. The explanation should include the different testing options available and how to handle situations where an applicant appeals an examination or the rejection of an application.
- c. Describing and providing examples of the options available for hiring temporary employees, such as using personal service contracts when projects are temporary, but will last more than six months.

Department of Personnel Response:

Agree. The Department will establish a clearinghouse for information requests from agencies. The Division is in the process of filling two critical vacancies that will assist in addressing this need and these staff will be available to answer and coordinate information requests from agencies.

The Department will also utilize the Selection Forum and the HR Network of agency human resources staff to provide ongoing training and technical assistance to agencies on topics such as the State Constitution, statute, and rules interpretation, best practices in the selection function, and in utilizing personal services contracts more effectively for temporary projects lasting more than six months.

The Department Needs to Improve Its Oversight of State Agencies and Higher Education Institutions

Over the years, the Department has increasingly decentralized its personnel services to individual state agencies and higher education institutions. This allows these agencies and institutions to sign agreements with the Department to perform their own personnel services. Some agencies are considered fully decentralized, which means that these agencies and institutions can perform their own selection, classification, and other services without help from the Department. According to Section 24-50-101, C.R.S., the State Personnel Director is responsible for providing post-audit review of each agency's and institution's operation and management of the state personnel system. With so many of the state personnel functions decentralized, it is important that the Department provide

adequate oversight to ensure state agencies and higher education institutions are complying with personnel statutes, rules, and procedures.

One method the Department uses to oversee decentralized agencies and institutions is its Personnel Improvement Program (PIP). PIP consists of two components:

- The Personnel Improvement Survey is distributed annually by the Department to state agencies and higher education institutions. This survey requests information from agencies and institutions on such things as the number of FTE, number of grievances filed, performance evaluations, and leave sharing. The information contained in the survey responses is categorized according to subject matter and forwarded to the relevant sections within the Department. No one in the Department reviews the completed surveys in their entirety.
- The Personnel Improvement Audit is more consultative than compliance-oriented and focuses on identifying best practices. While the Department relies on self-reported data for the survey, Department staff go out to the agencies and institutions and collect and analyze their own data for the audits.

Forty-Five State Agencies and Higher Education Institutions Have Not Been Audited for at Least Seven Years

Overall, we found that most state agencies and higher education institutions have not been audited for a significant period of time. In our 1997 audit of the Department there were 22 state agencies and higher education institutions that had not been audited since 1991. Since 1997 the Department has only completed four audits. All four audits were performed in 1998. In addition, the Department began an audit of the Department of Human Services in 1999. As of May 2001, however, the Department had not completed the final report for the audit. As the following table shows, 45 of the 53 state agencies and higher education institutions have not been audited for at least seven years.

History of Audits Performed by the Department of Personnel	
Year	Total Number of Agencies and Institutions Audited
1984	1
1987	1
1990	1
1991	15
1992	16
1993	5
1994	6
1998	4
2000	0
2001	0
Started, but not completed	2
Never audited	2
Total	53
Source: Office of the State Auditor's analysis of the Department of Personnel data.	

The Department Needs to Allocate Sufficient Staff and Develop a Plan for Auditing State Agencies and Higher Education Institutions

In our 1997 audit of the Department we found the Department had not devoted a sufficient number of staff to the audit function. At that time there were two staff who spent about half of their time on audits. Therefore, we recommended that the Department devote more resources to its role as a consultant, facilitator, and oversight body for the personnel system. During our current audit we found the Department has not increased the number of staff assigned to audits. Although there are still two staff devoted to conducting audits, neither of these individuals spend all of their time on audits.

In addition, the Department has not developed an audit plan or schedule. Staff have stated they would like to audit all state agencies and higher education institutions on a five-year cycle. The Department, however, has no record of the amount of time it took to perform prior audits. It needs this information before it can determine if a five-year cycle is reasonable. On the basis of its current staffing levels, if the Department were to audit all

53 agencies and institutions every five years, it would have to complete 11 audits each year. As mentioned previously, however, the Department has only completed four audits during the past four years, or an average of one audit per year. Therefore, the Department is currently auditing on a 53-year cycle.

The Department needs to develop a plan for auditing agencies and institutions and allocate a sufficient number of staff to implement the plan. The Department should use a risk-based approach when developing the plan. That is, the Department should evaluate all of the state agencies and higher education institutions and, based on certain risk factors, determine how often each one should be audited. Areas that could indicate higher risk include high turnover in human resource management personnel, problems identified through the Personnel Improvement Survey, size of the agency or institution, number of grievances filed, work environment, and the number and type of positions filled.

The Department Is Not Aware of How State Agencies and Higher Education Institutions Administer Their Personnel Systems

Without proper oversight, the Department cannot ensure that state agencies and higher education institutions are complying with the State Constitution, statutes, and personnel rules and procedures. The Department's oversight function includes being aware of and understanding how state agencies and higher education institutions administer their personnel systems.

According to Section 24-50-145(3), C.R.S., agencies and institutions are required to submit written statements to the State Personnel Director describing any human resource innovation and management processes they have implemented. The purpose of this provision is to allow agencies and institutions flexibility when administering their personnel systems, but at the same time ensure their processes comply with personnel statutes, rules, and procedures. This provision went into effect in May 2000. At the time of our audit, however, the Department had not received statements from any of the state agencies or institutions. In addition, Department staff had not contacted human resource personnel at the agencies and institutions to request the information. As a result, the Department cannot ensure that state agencies' and higher education institutions' personnel systems are consistent with the state personnel system.

Recommendation No. 2:

The Department of Personnel needs to improve its oversight of the state personnel system by:

- a. Using a risk-based approach to identify critical areas for audit and by developing and implementing a plan for auditing state agencies and higher education institutions.
- b. Allocating a sufficient number of staff to the audit unit to complete audits according to the schedule established in (a).
- c. Providing timely feedback to state agencies and higher education institutions on audit findings.
- d. Requiring state agencies and higher education institutions to provide status updates on the implementation of audit recommendations.
- e. Using the Personnel Improvement Survey to collect information that details processes for administering the state personnel system, including processes for employee recruitment, selection, classification, promotion, and dispute resolution.
- f. Reviewing the results of the Personnel Improvement Survey to identify problem areas and best practices, and providing feedback.

Department of Personnel Response:

Agree. The Department is committed to fully staffing the oversight function. The Department will also explore the possibility of convening a working group of agency human resource staff to assist us in this effort.

The Department is in the process of identifying the different types of reviews and establishing a schedule for ongoing, cyclical reviews, including developing a risk-based schedule to ensure that agencies needing review the most will be audited first.

The Department will examine the Personnel Improvement Survey to see if data collection needs to be expanded. The Department will also improve feedback to

agencies regarding the Personnel Improvement Survey results and also to those agencies who have recently received an audit by staff.

In addition, the Department is examining all of its auditing functions to determine if a more integrated audit process that includes not only human resources but financial and other functions as appropriate would be beneficial and advisable.

The Department Should Further Decentralize the Selection Process

As mentioned previously, the Department continues to provide classification and/or selection services for 13 centralized state agencies and higher education institutions. Classification and selection activities are decentralized for the other 40 state agencies and higher education institutions.

We evaluated the efficiency with which the Department filled vacant positions for centralized agencies and institutions and compared it with the efficiency with which decentralized agencies and institutions filled their own positions. We selected a sample of 32 job vacancies from both centralized and decentralized agencies and institutions. Our sample included frequently filled and announced positions. Frequently filled positions are positions that are found in most agencies or institutions and require general qualifications. They include positions such as administrative assistant, custodian, and accounting technician. Announced positions are more specific to a particular agency or institution and typically have more advanced requirements. They include positions such as auditor, tax examiner, and budget analyst. For each of the job vacancies in our sample we determined the length of time from the date the request to fill the vacancy came to the personnel administrator to the date the position was filled.

Decentralized Agencies and Institutions Fill Positions Faster Than Centralized Agencies and Institutions

For the 32 positions in our sample we found the Department took longer to fill positions for centralized agencies and institutions than decentralized agencies and institutions took to fill their own positions. On average, it took the Department 10 calendar days longer to fill positions for the centralized agencies and institutions. In two cases we found that it took the Department almost 13 weeks to compile a list of eligible referrals for centralized

agencies and institutions. In one of these cases there were only three applicants who met the minimum qualifications for the position and the Department's evaluation consisted of a review of the applications. There was another case where it took the Department almost five weeks to pull a list of eligible referrals from the Applicant Data System.

We also found problems with missing data for some vacancies at both centralized and decentralized agencies and institutions. Specifically, the Department was unable to locate any information for three of the vacancies in our sample from the centralized agencies and institutions. In addition, the Department could not locate the hire date for two other vacancies. According to the Department's own policies, all of this information should have been entered into the Applicant Data System at the time the vacancies were filled. Three of the decentralized agencies were also unable to locate information for three of the vacancies in our sample.

Overall, we found that state agencies and higher education institutions are able to perform their own selection activities more efficiently and effectively than the Department can do for them. Staff within an agency or institution have a better understanding of their own hiring needs than someone from the Department. In addition, it does not appear that filling positions at centralized agencies and institutions should be such a time-consuming process. During our audit we found that a relatively small percentage of the State's vacancies are at centralized agencies and institutions. Of the approximately 8,000 classified positions filled during Fiscal Year 2000, only 84, or about 1 percent, of those positions were filled centrally by the Department. This translates into an average of 7.6 vacancies filled for each centralized agency and institution.

We also found that all but one of the centralized agencies and higher education institutions already have staff who perform some human resource functions. The one agency that does not have a human resource person on staff did not fill any vacancies in Fiscal Year 2000 and only has a few classified employees. Therefore, these agencies and institutions may not have to hire additional staff to handle the selection function. The following table compares the number of vacancies filled in Fiscal Year 2000 for the centralized agencies and institutions with the number of human resource personnel already on staff at these agencies and institutions.

Centralized State Agencies and Higher Education Institutions: Number of Vacancies Filled During Fiscal Year 2000		
Agency or Institution	Number of Vacancies Filled	Human Resource Staff
State Colleges	0	1
Colorado Commission on Higher Education	0	1
Private Occupational Schools Division	0	1
Colorado Historical Society	6	1
Council on the Arts	2	2
Office of Innovation Technology	0	0
Treasury	8	2
Mesa State College	21	4
Adams State College	9	4
Western State College	17	2
University of Southern Colorado	21	3
Colorado Student Loan Program	na*	4
Fort Lewis State College	na*	2
Total	84	27
<p>Source: Office of the State Auditor's analysis of vacancies filled during Fiscal Year 2000 and the number of human resource personnel on staff at each agency and institution. *The Department does not perform selection services for these agencies and institutions.</p>		

The Department Has the Authority to Delegate All Personnel Functions

Over the years, the Department has increasingly decentralized its personnel functions to the individual state agencies and higher education institutions. Since our 1997 audit an additional five agencies and institutions have become decentralized. We believe the remaining 13 centralized agencies and institutions should also become decentralized, at least with respect to the selection function. From our survey results it appears that most agencies and institutions agree that human resource functions should be decentralized. As the following table shows, on average, survey respondents believe the current division of responsibilities for selection and classification is too centralized and they would prefer more decentralization.

Survey Responses Related to Decentralization and Centralization			
Question	Average Rating		
	Personnel Administrators	Executive Directors	Higher Ed. Presidents
How would you describe the current division of responsibilities for selection between your department/institution and the Department of Personnel? <i>(1 = Too Centralized; 5 = Too Decentralized)</i>	2.9	2.8	2.0
What would be your preference for the division of responsibilities for selection between your department/institution and the Department of Personnel? <i>(1 = Fully Centralized; 5 = Fully Decentralized)</i>	4.4	4.5	4.4
How would you describe the current division of responsibilities for classification between your department/institution and the Department of Personnel? <i>(1 = Too Centralized; 5 = Too Decentralized)</i>	2.9	2.7	2.1
What would be your preference for the division of responsibilities for classification between your department/institution and the Department of Personnel? <i>(1 = Fully Centralized; 5 = Fully Decentralized)</i>	4.3	4.3	4.4
Source: Office of the State Auditor's analysis of survey responses.			

Specific survey comments included:

- I prefer decentralization with accountability. Individual agencies should have more responsibilities but with more accountability. The Department should be the enforcer.
- I feel we could perform selection and classification processes locally. Audits from the Department could be routinely conducted to determine compliance. This would expedite functions locally.
- Selection should be decentralized. Each individual agency should be able to test their own applicants. It would speed up the process. The Department should also check to see that agencies follow the rules by auditing each agency every so often.

According to Section 24-50-101(3), C.R.S., "the heads of principal departments and presidents of colleges and universities shall be responsible and accountable for the actual operation and management of the state personnel system for their respective departments, colleges, or universities." This implies that state agencies and higher education institutions have the responsibility for operating their own personnel systems. As mentioned previously, the Department is responsible for providing the necessary directives and oversight for the management of the state personnel system.

In our 1997 audit of the Department we had similar findings related to decentralization. At that time we recommended the Department continue to decentralize personnel functions until all functions had been delegated to the individual state agencies and higher education institutions. The Department agreed that the overall management and operation of human resource systems is best performed at the agency and institution level. Statutes give the Department the authority to delegate personnel functions to the individual state agencies and higher education institutions and have them be responsible for operating their own human resource systems. In addition, since all but one of the centralized agencies and institutions already have human resource personnel on staff, they may not have to increase their FTE to handle these functions.

Decentralizing the remaining centralized state agencies and higher education institutions will result in increased efficiency and effectiveness within the state personnel system. In addition, if the Department delegates these functions to agencies and institutions, it should free up the 1.5 FTE the Department currently has devoted to handling the personnel functions for centralized agencies and institutions. This would give the Department the opportunity to reassign these staff to other functions, such as audit and training, where they are needed.

Recommendation No. 3:

The Department should require all centralized state agencies and higher education institutions to become certified and decentralized to the fullest extent possible, with emphasis on the selection function. The Department should provide the necessary guidance and assistance during the transition.

Department of Personnel Response:

Agree. The Department's interpretation of Section 24-50-101 (3), C.R.S., is that the statute allows the Department to decentralize human resource functions but does not demand that human resource functions be decentralized to state agencies.

The Department has decentralized five state agencies since the 1997 audit. However, it is important to note that some of the agencies that are still centralized have only one (generally part-time) staff to provide the spectrum of human resource services to their agency, which may not be the primary assignment. Consequently, further decentralization of the selection or classification functions to those agencies may not be practical or advisable. However, where feasible and advisable, the Department will continue to decentralize human resources functions in the remaining 13 agencies.

The Department will explore the possibility of encouraging some of the agencies still centralized to work with decentralized agencies to develop a pooled arrangement whereby decentralized agency staff might be able to assist those agencies not yet decentralized with their human resource functions.

The Value of the Applicant Data System Continues to Be Questionable

The Applicant Data System (ADS) was implemented to assist state agencies and higher education institutions in the selection process by providing them with the ability to track applicant information and position vacancies, match applicants to vacancies, schedule and score examinations, and develop position referral lists. When selecting applicants, agencies and institutions are supposed to go through the following process. When an individual applies for either a frequently filled or announced position, human resource personnel are supposed to enter the applicant's identifying information into ADS. Once an applicant takes an exam, the exam responses should be entered into ADS to be scored. ADS then ranks applicants based on their exam scores. ADS allows all agencies and institutions to generate a ranked list of applicants for either further testing or possible employment. Once an applicant is selected for a position, the agency or institution should enter the date of hire into ADS.

In many cases agencies and institutions are not using ADS as intended. As a result, we found problems with the information contained in ADS. Specifically, we found the following:

- **Many agencies and institutions do not use ADS for selection purposes because they find the system difficult and time-consuming.** We received numerous comments on our survey that addressed this issue. Specific comments included:

- < ADS is too complicated, it is not intuitive enough, and is cumbersome to use. It takes 10 minutes and 100 keystrokes to switch programs.
- < ADS has too many flaws. It is slow when making revisions which makes it difficult to use.
- < Using ADS is a very cumbersome and time-consuming process. The system is antiquated.
- < These systems are antiquated, cumbersome, and not user-friendly.
- < The system is difficult to use and is inconsistent.

According to the Department, although it recommends that agencies and institutions use ADS for selection purposes, its usage is not mandatory. We found, however, there are some agencies and institutions that do not realize they are not required to use ADS for selection. Therefore, these agencies and institutions enter information for all of their applicants into the system. This can be a very time-consuming process that is not necessary.

- **The information contained in ADS is not complete or accurate.** Because some agencies and institutions do not use ADS for selection purposes, they do not enter information for all of their applicants into the system. As discussed below, agencies and institutions are required to enter information for the applicant they hire into ADS in order for that person to be paid. According to the Department, it uses the information in ADS to produce summary reports for the Governor, the General Assembly, or at agency request. Because agencies and institutions do not consistently enter applicant information into the system, however, it is likely that any reports run from ADS will not be complete or accurate. The Department was unable to provide us with copies of reports generated from ADS that have been requested and produced within the past few years.

In Order for New Employees to Be Paid, Their Data Must Be Entered Into ADS

In addition to ADS, the Department also maintains the EMPL system. This system tracks the position history of both classified and nonclassified employees from their date of hire. The information in EMPL is then transferred to the Colorado Personnel Payroll System (CPPS) and used to produce employee payroll checks. The way the ADS and EMPL

systems are currently designed, agencies and institutions must enter information for the individual they hire into ADS before they can enter that individual into EMPL and subsequently into CPPS. Although agencies and institutions are not required to use ADS for selection purposes, they are required to enter information into ADS for the individual hired in order for that person to be paid. Without this requirement, many agencies and institutions could completely eliminate any interaction with ADS, which could save them time and resources.

ADS' Value to the Department, State Agencies, and Higher Education Institutions Is Questionable

Because of the questionable value of ADS, the Department needs to ensure that state agencies and higher education institutions are not using the system unnecessarily. The Department should ensure that all agencies and institutions are aware they do not have to use ADS for selection purposes unless they find it to be useful. In addition, the Department should take the necessary steps to terminate the connection between ADS and EMPL.

Recommendation No. 4:

The Department of Personnel should:

- a. Emphasize to human resource personnel in all state agencies and higher education institutions that using the Applicant Data System for selection purposes is not mandatory.
- b. Reprogram or terminate the connections between the Applicant Data System and EMPL so that both systems function separately.

Department of Personnel Response:

Partially Agree. While it is feasible to emphasize to agencies and higher education institutions that the use of the Applicant Data System (ADS) is not mandatory, this could produce negative outcomes system-wide. These outcomes would include a degradation of the timeliness and level of accuracy of reports produced by the system for its users or for the use of others with legitimate requests for summary data. For example, before ADS, requests for system-wide information required a telephone survey of every decentralized agency. Such a survey used several

professional employees, each calling multiple agencies, waiting for responses, and then necessitated one person to summarize the data manually to accomplish what a few keystrokes and a few seconds of ADS processing time now produce. Many such reports pertaining to job applicants, vacancy lists, appointments or referrals for the state personnel system are available either for a specific agency or across all user agencies.

It is important to note that the ADS is the critical automated system to allow the Department to monitor agency statewide selection activities. For example, a random sample of applicant demographic information in ADS usually reveals that some persons are in the system with more than one Social Security Number (SSN). When that occurs, individuals may have test scores recorded under the wrong SSNs. This prevents them from being considered for jobs using that test. System monitoring is crucial to ongoing quality assurance efforts, which also assist the Department in identifying agency training needs.

Subsequent to the 1997 audit, ADS users were polled regarding ADS and they overwhelmingly stated that there was a need to continue the system. Some of the primary benefits cited for continuing use were the speed and accuracy of the scoring methods and the reduction of duplication of effort that occurred before the system was automated. Agencies now share test score information, so that multiple agencies are not administering the same exam to the same applicants several times within a short period of time. Access to an existing demographic record saves many keystrokes of duplicated data entry effort. On-line referral information has streamlined the referral process and saves several days of delay that occurred when the process was performed manually. The ADS system may be readily modified as user needs change and enhancements are suggested. Since the 1997 audit, 65 requested modifications have been made.

Without a new and integrated Human Resources Information System the Department has to continue to operate and utilize the ADS in that it is the only means by which the Department can monitor agency selection activity. ADS is also the only means of providing statewide selection data. Consequently, the Department feels that it cannot sever the ADS/EMPL link unless the decision is made to forego fulfillment of statewide selection data requests. These information requests are made by state agencies, the Governor's Office, members of the General Assembly, and the Joint Budget Committee. These requestors may not realize the system from which the data is drawn.

Services to State Employees

Chapter 2

Background

In addition to providing services to state agencies and higher education institutions, the Department of Personnel is also responsible for providing services to state employees. Specifically, the Human Resource Services Division oversees all major statewide human resource programs and systems, including employee benefits, risk management, job evaluation and compensation, employee recruitment and selection, consulting and training, personnel procedures development and interpretation, and other services and programs that support these functions. The State Personnel Board is responsible for resolving disputes involving state employees and agencies and institutions in a manner that is fair, efficient, and understandable for all parties. The Board is also responsible for establishing rules that protect and recognize merit as the basis for state employment while balancing management's need for discretion and flexibility.

As part of our audit we are required by statute to review the administration and operation of the Department's and the Board's performance in the following areas:

- The effectiveness of the Department in implementing incentive systems to reward and encourage excellence in public service, particularly in middle and top management levels.
- The extent to which the Department and the Board have recommended statutory changes to the General Assembly that would benefit the public as opposed to the persons they regulate.
- The efficiency of the Department and the Board in dealing with appeals filed by state employees.
- The effectiveness of the Department and the Board as perceived by executive directors of other departments and members of the General Assembly.

The Department of Personnel Is Responsible for Reviewing and Approving Incentive Plans

State agencies and higher education institutions can use monetary and nonmonetary incentive awards to acknowledge noteworthy contributions by state employees. According to a 1996 Executive Order, employee recognition often leads to improved overall performance and effectiveness of state government. The Executive Order directs each state agency and higher education institution to develop its own incentive award program, with assistance and review from the Department of Personnel. The purpose of incentive programs should be to reward and recognize employees in order to motivate and retain them. In addition, each agency and institution should report annually to the Department on program results and the incentives awarded.

Under the Executive Order, agencies may award monetary incentives ranging from \$25 to \$1,000. Additionally, nonmonetary incentives, such as gift certificates, parking privileges, flextime, or paid administrative leave may be awarded to state employees for notable service. Each state agency and higher education institution is given some degree of flexibility to design its own program to fit the needs and requests of its employees. According to Governor Owens' administration, the 1996 Executive Order is still in effect. It has not been amended in any way, and the Department as well as all other state agencies and higher education institutions should be complying with the Order.

In addition to the 1996 Executive Order, there are several statutes that pertain to incentive awards. According to Section 24-30-801, C.R.S., the State should encourage employees to develop new ideas for improving the economy and efficiency of state government. The statute authorizes the Incentive Award Suggestion System, which is supposed to be under the direction and supervision of an Incentive Award Suggestion System Board. The System allows the State to purchase innovative ideas from state employees. The Board is required to evaluate all suggestions submitted by employees and approve and recommend those suggestions that will produce economies or improvements to the state system. The Board should also assist agencies in the implementation of such ideas and maintain a file of all suggestions. Our review found that an Incentive Award Suggestion System Board has never been established. Therefore, the Incentive Award Suggestion System has never been implemented as intended by statute.

The Department has also established procedures which provide that agencies and institutions may grant cash or noncash incentive awards in recognition of special

accomplishments or contributions by state employees. The procedures specify that state agencies and institutions must develop a plan outlining their award program and communicate this information to their staff on an ongoing basis and to the Department when requested. Responses to our survey indicate that only a few agencies and institutions have developed and implemented an incentive award program and none have submitted a plan to the Department.

The Department Does Not Know Which Agencies or Institutions Have Incentive Award Programs

According to the Department, it does not know which agencies and institutions have developed and implemented incentive award programs. The Department was unable to provide us with any information regarding the number of agencies and institutions that have incentive programs or the types and amounts of incentives that have been awarded. At the time of our 1997 audit the Department had documentation to show that 11 state agencies and 4 higher education institutions had developed incentive plans. Department staff, however, no longer collect this same type of documentation. Although some agencies or institutions may have developed incentive award plans, they have not submitted their plans to the Department for review and the Department has no knowledge of these plans.

By failing to require state agencies and higher education institutions to submit incentive award plans for review and approval, the Department has not complied with the Executive Order, statutes, or its own procedures. We found the same problems in our 1997 audit of the Department. In 1997 we recommended that the Department oversee the incentive plan process by working with the Governor's Office to ensure the provisions of the Executive Order and statutes were carried out. The Department agreed with the recommendation and stated that it would monitor the incentive plans that were in place and serve as a conduit and coordinator between the agencies. As discussed in Chapter 4, we found the Department has not implemented this recommendation.

Statistics Show That Incentive Programs Could Benefit the State

By not having incentive programs in every agency and higher education institution, the State is missing out on an important recruitment and retention tool for future and current employees. According to the Department, the State as a whole showed a dramatic increase in turnover in Fiscal Year 1999-2000 as compared to Fiscal Year 1998-99. The overall turnover rate in Fiscal Year 1999-2000 was 12.4 percent, compared with 8.2 percent in the prior year. In the Department's Needs Assessment Survey, one reason employees cited for why they left state employment was that they did not feel appreciated

and their employers did not recognize the contribution they had made to the State. According to another study conducted by the Department, agencies and institutions have found that incentives such as flextime, training, and promotional opportunities have been successful in helping to retain desirable employees.

According to the Department's Needs Assessment Survey, state agencies and higher education institutions have also found it difficult to recruit qualified individuals. The Department has found that one of Colorado's greatest strengths for attracting qualified applicants is good benefits. Section 24-50-104(1)(a)(I), C.R.S., states, "It is the policy of the State, in recruiting and retaining a qualified and competent workforce, to provide prevailing total compensation to officers and employees in the state personnel system." Total compensation could include incentive awards.

The Department Should Devote Additional Resources to Incentive Programs

Over the past several years, the Department has devoted a large portion of its time and resources to developing the Pay for Performance System and has not focused on incentive programs. The Department informed us that it assumed Pay for Performance would encompass their requirements related to incentive programs. The Department also stated that it does not have plans to devote time or resources to incentive programs in the future. According to staff, it is not the Department's responsibility to ensure that state agencies and higher education institutions comply with the Executive Order, statutes, or personnel procedures. It is the Department's position that agencies are responsible for developing and implementing their own incentive award programs and the Department will provide assistance when requested. By failing to ensure that state agencies and higher education institutions develop and implement incentive award programs, the State is missing out on an important recruitment and retention tool and the Department is not complying with statutes, the Executive Order, and its own procedures.

Recommendation No. 5:

The Department of Personnel should improve its oversight of state incentive programs by ensuring statutes, procedures, and the 1996 Governor's Executive Order are complied with and/or seek to repeal existing statutes, such as the Incentive Award Suggestion System Board, and any other requirements that are no longer viable.

Department of Personnel Response:

Agree. While the Department acknowledges that an incentive award system of some form is an important component of employee recruitment and retention, it also acknowledges that the existing statutes, the personnel rules, and the Executive Order regarding employee incentives need review and integration. Therefore, the Department will initiate efforts to seek legislative changes in the 2002 Legislative Session to repeal CRS 24-30 section 8 as well as modify and update the existing Executive Order.

In conjunction with the above-mentioned efforts, the Department will also initiate a detailed review of the concept of Gainsharing, including what would be necessary to implement some of the complex components of a program, such as cost accounting and fund savings distribution.

It is important to note that the Department recently reviewed and revised rules and procedures regarding incentive reward programs. The Department will also develop additional guidance to agencies regarding the director's rules. The Department also annually reviews employee commission rewards for lottery and state collections unit employees. This commission reward system is a form of employee incentive. There are also a number of work-life options available as incentives for state employees and the Department will explore additional ways to raise awareness of these options.

The Board and the Department Are Responsible for Handling Appeals

According to Section 24-50-103.5, C.R.S., the Office of the State Auditor is required to examine the efficiency of the State Personnel Board and the Department in dealing with appeals filed by state employees and applicants for state employment. During our audit we examined the Board's and the Department's roles in the appeals process. As defined by statute, each office has specific jurisdiction over certain types of appeals.

The Personnel Board Handles a Majority of the State Personnel System's Appeals

The State Personnel Board is responsible for reviewing and issuing decisions in the following types of actions:

- Appeals of actions affecting the pay, status, or tenure of a state employee.
- Petitions for review of final agency decisions issued during the grievance process.
- Appeals of the selection process when discrimination is alleged.
- Requests by state agencies and higher education institutions for residency waivers during the recruiting process.
- Requests for declaratory orders (requests for the Board to make a decision on how they would rule on a particular issue).

The following table shows the breakdown of the types of appeals filed with the Board during Fiscal Year 2000 and through January of Fiscal Year 2001. As the table shows, pay, status, or tenure cases and petitions for review on grievances make up a majority of the Board's caseload.

State Personnel Board Caseload Fiscal Years 2000 and 2001 (Through January 2001)			
Type of Case	Fiscal Year 2000	Fiscal Year 2001	Total
Pay, Status, or Tenure	154	63	217
Petitions for Review in Grievances	110	61	171
Selection Process	14	5	19
Residency Waivers	8	4	12
Declaratory Orders	3	0	3
Total	289	133	422
Source: Office of the State Auditor's analysis of State Personnel Board data.			

Appeals of Actions Affecting Pay, Status, or Tenure

Pay, status, or tenure appeals are cases where an agency's or higher education institution's disciplinary actions result in a decrease to an employee's base pay, an employee's suspension, or an employee's termination. In these types of cases the State Constitution guarantees employees the right to a hearing. After hearing evidence in a case, an administrative law judge (ALJ) issues an initial decision. Either party to the case has the right to appeal the ALJ's decision to the Board. The Board will then issue a final order in each case. Final Board orders can be appealed to the Colorado Court of Appeals and possibly to the Colorado Supreme Court.

Petitions for Review of Final Agency Decisions in Grievance Cases

Grievances can be brought by employees against their employer for issues related to working conditions, agency policies, rules, or regulations. Employees must provide written notice of a grievance to his or her immediate supervisor. If the grievance cannot be settled with the immediate supervisor, the process progresses to the next level of management. The process continues until the agency's or institution's appointing authority issues a final decision. Once the final decision is issued, the employee has the right to petition the Board to review the decision. In petitions for review, the employee is not entitled to a hearing before the Board. Instead, the employee may petition the Board for a hearing. The ALJ will review information provided by the agency or institution and the employee and issue a preliminary recommendation on whether a hearing should be granted or denied. The Board then reviews the ALJ's preliminary recommendation and decides whether to grant the hearing.

The Board Has Made Improvements in the Timeliness of the Appeals Process

By statute, the Board has a duty to provide fair and timely resolution of the cases before it. Specifically, according to Section 24-50-125.4, C.R.S. and the personnel rules, the Board must hold hearings in pay, status, or tenure cases within 45 days of receiving the appeal. The hearing may be continued once for 45 days if "good cause" is shown. The hearing, however, must commence within 90 days from the date the appeal is filed with the Board. After completion of the hearing, the ALJ has 45 days to issue a decision.

We reviewed 21 pay, status, or tenure cases the Board received during Fiscal Year 2000 and through January of Fiscal Year 2001. Overall, the Board has improved the timeliness of its hearings and decisions. Of the 21 cases reviewed, only 4 actually had a hearing. The hearings for all four cases commenced within the statutory time requirements. Although hearings did not actually take place for the other 17 cases, the Board had scheduled hearings within the 45-day time requirement. In addition, in the four cases that had a hearing, the ALJs issued their decisions within the 45-day time requirement.

We also reviewed 16 petitions for review the Board received during Fiscal Year 2000 and through January of Fiscal Year 2001. Neither statutes nor personnel rules have established time frames for issuing preliminary recommendations for petitions for review in grievance cases. The Board, however, has established its own internal policy to process these cases and issue preliminary recommendations within 180 days of their receipt. We found that for 14 of the 16 cases (88 percent) reviewed, the ALJ issued a preliminary recommendation within the 180-day time frame. According to the Board, two preliminary recommendations were not timely due to the complexity of the issues being appealed and the number of other decisions the ALJ was required to issue to meet statutory deadlines.

Survey Results Indicate the Board Could Still Make Improvements

Although the Board has taken action on the recommendations in our 1997 audit, survey responses indicate there is still room for improvement. Overall, survey respondents rated the timeliness and effectiveness of the Board and the services it provides lower than they did in 1997. On average, members of the General Assembly rated the Board's performance 2.1 on a scale of 1 to 5, with 1 being "Very Ineffective" or "Never Timely" (see Appendix for complete responses). As the following table shows, during this audit the Board also received lower ratings from personnel administrators on its grievance and appeals process than it received in 1997.

Personnel Administrator Responses Personnel Board's Grievance and Appeals Process		
Question	Average Rating	
	1997	2001
How effective is the Personnel Board in addressing grievances? <i>(1 = Very Ineffective; 5 = Very Effective)</i>	3.7	2.7
How timely is the Personnel Board in addressing grievances? <i>(1 = Never Timely; 5 = Always Timely)</i>	3.9	3.1
How effective is the Personnel Board in addressing appeals of actions affecting pay, tenure, and status? <i>(1 = Very Ineffective; 5 = Very Effective)</i>	3.3	3.1
How timely is the Personnel Board in addressing appeals of actions affecting pay, tenure, and status? <i>(1 = Never Timely; 5 = Always Timely)</i>	3.5	3.1
During the appeals process, how effective is the Personnel Board in making your department/institution aware of its pre-hearing settlement/mediation program? <i>(1 = Very Ineffective; 5 = Very Effective)</i>	3.2	3.0
If your department/institution has participated in the Personnel Board's pre-hearing settlement/mediation process, are you satisfied with the process? <i>(1 = Not Satisfied; 5 = Very Satisfied)</i>	3.6	3.1
How would you rate the Personnel Board's ability to operate within the time frames of appeals detailed in statute? <i>(1 = Never Timely; 5 = Always Timely)</i>	3.5	3.4
Source: Office of the State Auditor's analysis of survey responses.		

Specific survey comments included:

- The Board operates within the time frames, but the process is difficult. Because managers and appointing authorities' decisions can be overturned, managers are very hesitant to make decisions in relation to performance issues.
- In approximately seven years working with the Personnel Board I'm appalled at all the chaos that surrounds the grievance and appeals process. Staff in this area are sometimes rude and unhelpful.

- The Board always meets its deadlines. However, the deadlines are really long. It seems to take forever.

The Board could improve its services to state agencies, higher education institutions, and state employees by using our survey results to identify areas for improvement. Once the Board has reviewed our survey responses, it needs to communicate the results to staff and develop an action plan. This plan should identify key areas for improvement and should include specific solutions to the problems noted in the survey.

Recommendation No. 6:

The State Personnel Board should improve its services to state agencies, higher education institutions, and state employees by:

- a. Reviewing the analysis of our survey results to determine concerns and trends.
- b. Developing an action plan that identifies key areas for improvement and provides specific solutions to noted problems.

State Personnel Board Response:

Agree. Over the past four years, the Board has focused on fulfilling the 1997 performance audit recommendations. It is clear from this performance audit that the Board has been able to fulfill the previous recommendations. However, it is also clear from the survey responses that sectors of the personnel community disagree as to the Board's responsiveness to their issues and that a variety of misperceptions exist. For example, despite promulgating an entirely new set of rules which provide for agency flexibility, stakeholders perceive the Board rules to be inflexible. Despite clearly identifying Board Rules with "R's" and Director's Procedures with "P's", some confusion exists as to which entity is responsible for promulgating regulations. Disagreement exists between the stakeholders as to whether or not employment disputes are resolved timely and quickly. It would also appear that stakeholders remain uninformed about Board actions despite the Board's web-site which provides copies of agendas, minutes, cases, and board orders.

In reviewing the numerical averages from the audit surveys, a significant variance exists between averages of executive directors, human resource administrators, and employee organizations. With regard to some issues, such as Training and

Board Rules, the numerical ratings fail to reflect some of the sample comments. It is also clear that Executive Directors and employee organizations, based on their numerical responses, are more pleased with the Board program than human resource administrators. The variance in responses mandates a detailed analysis of the survey results.

- a. In order to fully interpret the survey results, the Board will focus on analyzing the survey results and identifying concerns and trends. In order to do so, a two-pronged approach will be applied. First, the Board will review the survey and responses over the first half of FY02 during its public board meetings. Second, it will be incumbent upon the Board to meet with the various stakeholders identified in the survey and explore the basis for their responses. Such meetings will help identify legitimate issues and ferret out misperceptions. Overall, this process should be completed no later than December 2003. Given budgetary concerns, this process will most likely occur through inviting stakeholders to monthly board meetings to address the specific issues, and perhaps limited travel along the Front Range to visit stakeholders. Other surveying techniques may also be employed utilizing the state media system (*Stateline*, *The Advisor*, agency newsletters, etc.).
- b. Upon completion of reviewing the survey results, and meeting with stakeholders to address trends and issues, the Board will (1) develop a short-term plan to help address such trends and issues with specific goals; and (2) will act to redress any issues which can be immediately resolved. Based upon the sample comments and survey results, some issues inherent to the personnel system may not be able to be resolved, but possible solutions will be identified. Given the Board's relationship with the Department of Personnel, it would also be beneficial if the Board and Department partnered, along with other stakeholders, in developing solutions.

The Board Needs to Better Communicate Its Training Program

The Personnel Board offers training to employees of state agencies and higher education institutions related to the grievance and appeals process. All of the Board's training sessions are offered by request and are free to the participants. According to the Board, over the past few years it has provided about 12 different courses. These training courses

were provided to three agencies, the Colorado Bar Association, Board members, and the public. The training sessions covered issues such as:

- Progressive Discipline
- Rule-making and Litigation Before the State Personnel Board
- Practice Before the State Personnel Board: An Administrative Law Judge's Perspective
- An Initial Decision: How Decisions are Made and Insights Into Making Decisions
- Avoiding the Pitfalls: Grievances in the State Personnel System

As mentioned previously, during the audit we surveyed personnel administrators and asked their opinion of the Board's training program. Many of the survey respondents stated they were unaware the Board provided training. According to the Board's Director, he primarily markets the training program through "word of mouth." He discusses the training program in various articles, at Board meetings and in meeting minutes, and at state personnel-related conferences. This marketing approach, however, does not seem to adequately notify state employees of this training option. More participation in the Board's training program could improve awareness and understanding of the grievance and appeals process and result in fewer grievances and appeals filed. Therefore, the Board should take steps to ensure that all state agency and higher education personnel are familiar with its training program.

Recommendation No. 7:

The State Personnel Board should ensure employees of state agencies and higher education institutions are aware of the Board's training program by notifying all personnel administrators of the types of training that are offered.

State Personnel Board Response:

Agree. The Board's current mission statement is:

To resolve disputes involving state employees and agencies in a manner that is fair, efficient, and understandable for all parties; to establish policies and rules that protect and recognize merit as the basis for state employment while balancing management's need for discretion and flexibility; and *to provide guidance in achieving and maintaining a sound, comprehensive and uniform system of human resource management through the rules*

adopted, the decisions issued in individual cases, and communication and training.

To date, training has been provided primarily when requested. A majority of training requests originate from the Department of Personnel/General Support Services, a few other large agencies, and two institutions of higher education. Such training is currently provided by the Board's Director at no charge. In the past, the Board has relied upon its Meeting Minutes to indicate when and where training has occurred or will occur. Sample trainings have been provided to the Board during public meetings in order to ensure that the Board approves of the training provided and to expose attendees to the opportunity for training.

In order to further facilitate the Board's mission, and this recommendation, the Board will take a number of additional measures to "advertise" and provide available training, including assessing what types of training agencies and employees desire; establishing a curriculum in order to provide a variety of training courses; fostering stronger partnerships with other agencies such as the Department of Law and GSS to allow greater exposure and joint/combined training; utilizing Board staff to provide training; and using various forms of state media, including the Board's web-site, *Stateline*, and agencies' internal newsletters, to communicate training opportunities.

The Department of Personnel Also Hears Appeals

The Executive Director of the Department of Personnel is responsible for hearing appeals involving the administration of the state personnel system, including appeals of position allocations, examinations, and the selection process when discrimination is not alleged (Director's Reviews). At the time of the 1997 audit, staff in the Executive Director's Office were responsible for reviewing these appeals. Since that time, however, the Executive Director has delegated his authority to the Director of the Human Resource Services Division. Staff within Human Resource Services are now responsible for these reviews. The following table provides a breakdown of the types of cases appealed to the Department during Fiscal Year 2000 and through February of Fiscal Year 2001.

Department of Personnel Caseload Fiscal Years 2000 and 2001 (Through February 2001)			
Type of Case	Fiscal Year 2000	Fiscal Year 2001	Total
Position Allocation	14	3	17
Examination	20	9	29
Director's Review of Selection Process	5	25	30
Total	39	37	76
Source: Office of the State Auditor's analysis of Department of Personnel data.			

Statutes and the personnel rules govern the process for reviewing these cases and the relevant time frames associated with the reviews. By statute, individuals have the right to appeal agency or institution actions related to position allocations and examinations. In these cases both the agency or institution and the individual filing the appeal are required to submit position statements. Human Resource Services' staff review both position statements to determine if the agency's or higher education institution's action was arbitrary, capricious, or contrary to rule or law, and then prepare a written decision. The decision is forwarded to the Director of Human Resource Services for final review and approval. Director decisions are appealable to the courts.

Personnel rules also give applicants the right to request a Director's Review of an agency's or institution's decision to reject an application for employment. In these cases Human Resource Services' staff review and compare the applicant's rejection letter, the application materials, the job announcement, the minimum qualifications for the position, and the agency's or institution's explanation for why the application was rejected. Once staff have completed their review and determined if the agency's or institution's actions were arbitrary, capricious, or contrary to rule or law, they prepare a written decision, which is forwarded to the Executive Director's Office for final review and approval.

The Department Handles Appeals in a Timely Manner

By statute, the Department is responsible for reviewing and issuing decisions for position allocation and examination appeals within 90 days from the date the appeal is filed.

According to Sections 24-50-104 and 24-50-112, C.R.S., if the Director fails to issue a decision within the 90-day time frame, the agency's or institution's decision will be final. In the 1997 audit we found that the Department did not always meet the 90-day time requirement for issuing decisions. During the current audit, we reviewed five position allocation appeals and eight examination appeals that the Department received during Fiscal Year 2000 and through February of Fiscal Year 2001. We found the Department issued a decision in each of the 13 cases within the 90-day time requirement. In all 13 cases the final agency decision was upheld.

The Department must adhere to the same 90-day time frame when processing Director's Review cases. According to the personnel rules, the Director must issue a written report of findings within 90 days from the receipt of the request or the agency's initial decision will be final. We reviewed seven Director's Review cases that the Department received during Fiscal Year 2000 and through February of Fiscal Year 2001. We found the Department issued a decision for all seven cases within the 90-day time requirement. The final agency decision was upheld in all seven cases.

The Colorado State Employee Assistance Program

Chapter 3

Background

The Colorado State Employee Assistance Program (CSEAP) provides confidential counseling services to all state employees and their family members, ages 15 and older, for personal or work-related problems. Problems may include difficulties with marital issues, anger management, domestic violence, and substance abuse. CSEAP also provides consultation services to state supervisors and managers for issues related to workplace conflict resolution, problem employees, productivity and morale issues, crisis situations, violence in the workplace, and substance abuse problems. In addition, CSEAP offers workshops and classes to state agencies and higher education institutions that are related to such issues as mental health, substance abuse, and anger management, and that are generally tailored to the specific needs of the agencies or institutions and their employees. CSEAP also works with the Colorado State Employee Credit Union to collect food and money to distribute to state employees in need.

Employees requesting CSEAP services may speak to a counselor in person or on the phone. Individuals may receive up to six counseling sessions at no charge to the individual. At the end of the sixth session, if the CSEAP counselor believes the individual needs additional clinical assistance, the counselor may refer the individual to his or her health care provider. CSEAP currently has five counselors on staff (4.5 FTE) who provide services to individuals statewide. All five counselors are state employees. Although CSEAP's main office is located in Denver, staff also travel to offices in Grand Junction, Pueblo, and Colorado Springs. In addition, CSEAP contracts with a counselor to provide services to individuals in Greeley and Sterling. A toll-free number is available for individuals located outside of the Denver-metro area.

While CSEAP is not specifically authorized in statute, the Department believes that statutes give it the authority to operate such a program. According to the Department, its authority comes from Section 24-50-602(1)(b), C.R.S., which provides that "the state has the

responsibility to recognize and protect the state's investment in each non-temporary employee by promoting and preserving good health among state employees."

About 4 Percent of the State's Employees Received Services From CSEAP in Fiscal Year 2000

In Fiscal Year 2000 about 4 percent of the State's 77,560 employees (includes classified and nonclassified employees) received CSEAP services. Specifically, 1,759 employees received counseling services and 1,845 employees and/or agencies received workplace conflict resolution or group facilitation training. As the following table shows, the Judicial Department and its employees received the largest percentage of CSEAP services during Fiscal Year 2000. Higher education institutions received the sixth largest percentage of services, or 8 percent of the total amount of services provided.

CSEAP Services Provided During Fiscal Year 2000				
Department	Employees	Training Contact¹	Total	Percent of Total
Agriculture	13	7	20	0.5%
Air National Guard	18	10	28	0.8%
Army National Guard	14	0	14	0.4%
Corrections	321	41	362	9.9%
Education	38	20	58	1.6%
Personnel/General Support Services	129	344	473	12.9%
General Assembly	2	0	2	0.1%
Governor's Office	3	0	3	0.1%
Health Care Policy & Financing	7	2	9	0.2%
Higher Education	200	96	296	8.1%
Human Services	267	166	433	11.8%
Judicial	133	659	792	21.6%
Labor & Employment	44	8	52	1.4%
Law	12	41	53	1.4%
Local Affairs	10	0	10	0.3%
Military Affairs	11	0	11	0.3%
Natural Resources	63	6	69	1.9%
Public Health & Environment	28	0	77	2.1%
Public Safety	77	4	32	0.9%
Regulatory Agencies	38	12	50	1.4%
Revenue	82	0	82	2.2%
Secretary of State	7	2	9	0.2%
State Compensation Insurance	26	0	26	0.7%
Student Loan Program	7	0	7	0.2%
Transportation	186	367	553	15.1%
Treasurer	2	0	2	0.1%
Wildlife	21	60	81	2.2%
Unspecified	0	0	61 ²	1.7%
Total	1759	1845	3665	100.0%

Source: Office of the State Auditor's analysis of CSEAP data for Fiscal Year 2000.
¹This includes employee and agency contacts.
²The Department was unable to determine if these contacts were with an employee, state agency, or higher education institution.

The Department Needs to Conduct a Cost-Benefit Analysis of CSEAP

The Department has not compared the cost of CSEAP with the benefit it provides. The Department has attempted to determine the impact CSEAP has on the individuals who have used its services. To date, however, the Department has been unable to place a value on this impact and the benefit it provides to the State. The Department has only been able to provide an estimate of cost savings in terms of the cost-per-unit or cost-per-employee compared with the national averages for employee assistance programs.

During Fiscal Year 2000 the Department contracted with the University of Colorado, Center for Community Development and Design, to evaluate CSEAP. The purpose of this evaluation was to compare CSEAP's costs to the costs of other employee assistance programs. According to the study, CSEAP's costs are either lower than or comparable to the costs of other states' employee assistance programs, whether they are provided by a private contractor or by state employees. The study, however, did not compare the benefit of the program with the cost of the program.

Although the Department has not been able to determine the dollar benefits CSEAP provides to the State and its employees, responses to our survey indicate that agency representatives believe its services are beneficial. As part of our audit we surveyed personnel administrators, executive directors, and presidents of higher education institutions and asked them to rate CSEAP and the services it provides. Overall, the survey ratings were positive. The following table shows the average ratings provided by survey respondents:

Colorado State Employee Assistance Program Average Ratings by Survey Respondents			
Question	Personnel Administrators	Executive Directors	Higher Education Presidents
Familiarity with CSEAP <i>(1 = Not familiar; 5 = Very familiar)</i>	4.1	4.0	3.9
Services provided by CSEAP <i>(1 = Not helpful; 5 = Very helpful)</i>	4.1	4.6	3.1
Benefit of CSEAP in terms of cost <i>(1 = Not beneficial; 5 = Very beneficial)</i>	3.9	4.2	2.8
Source: Office of the State Auditor's analysis of survey responses.			

In addition to the ratings listed above, survey participants provided the following responses about the quality of CSEAP's services:

- We love CSEAP. It is an essential resource in today's busy world. We wholeheartedly support them and will pay any fee they deem appropriate.
- Our agency has called upon CSEAP to assist many times and found them to be extremely responsive to our needs.
- CSEAP is an excellent program. State employees are very fortunate to have the services of such a high-quality program.

CSEAP and Health Insurance Plans Provide Some of the Same Services

As discussed later in this chapter, CSEAP is partially funded by a \$.50/ per month fee charged to employees who subscribe to one of the State's health plans. Employees, however, may not know they are being charged for these services and that CSEAP could be used as an alternative to their health care provider. Although some of the services provided by CSEAP are also provided by health care providers, with CSEAP, individuals do not have to pay a co-pay for the services. In some cases employees may pay to see a counselor through their health care provider without knowing that they have already paid for the same or similar assistance through CSEAP. In other cases employees may need services that are not available through their health care provider, but are available through CSEAP. Employees should know what services they are paying for and how to access those services.

According to the Department, if enough employees elect to use CSEAP for mental health services instead of using their state health care provider, this may lower the rates the State negotiates with the health insurance providers. If true, this would be one way the Department could determine the benefit CSEAP services provide to employees and the State. Currently the Department does not have the data to support this claim. Other ways the Department might be able to measure the benefit of the program would be to analyze the costs associated with absenteeism, turnover, disciplinary actions and dismissals, work-related accidents, and workers' compensation claims, all of which may occur when employees experience personal or work-related problems. The Department needs to determine the overall benefit CSEAP provides to employees and to the State and compare those benefits with the program's costs.

The Department Needs to Develop an Adequate and Equitable Funding Mechanism for CSEAP

CSEAP is a cash-funded program that relies on external sources of revenue to support its operations. That is, CSEAP must collect enough revenue through fees to cover its expenditures. When expenditures increase, the fees must also increase. In Fiscal Year 2001, however, we estimate CSEAP's expenditures will exceed its revenues by about \$86,000. While the Department estimates its Fiscal Year 2001 expenditures will be \$406,600, we estimate its revenues will be \$320,600.

CSEAP receives funding from the following two sources:

- **State employees.** The Department charges each state employee who subscribes to one of the state health insurance plans \$.50/ per month.
- **State agencies and higher education institutions.** The Department asks for an annual contribution of \$4.50 per employee from state agencies and higher education institutions.

We identified several problems related to CSEAP's current funding mechanism, which have resulted in CSEAP's failure to collect almost \$500,000 in revenue. These problems include:

- **CSEAP does not require all employees to pay for services.** Currently all state employees, whether classified or nonclassified, temporary or permanent, are eligible to receive CSEAP services. Those employees that do not subscribe to one of the State's health plans, however, do not contribute to CSEAP's funding because the \$.50 fee is deducted from employee paychecks along with the health insurance premium. On average, approximately 30,000 of the State's 77,560 state employees (includes both classified and non-classified employees) are on one of the State's health plans. Therefore, almost 48,000 state employees who are eligible to receive CSEAP services do not pay for the services.
- **Not all state agencies and higher education institutions pay \$4.50 for the per employee fee.** According to the Department, payment of the fee is optional. The Department determines the number of individuals employed at state agencies and higher education institutions as of July each year. Some agencies and higher education institutions, however, are unwilling to pay for temporary, part-time, or seasonal employees. Therefore, the Department negotiates with agency and

institution staff the number of employees for which they are willing to pay. The Department then uses this number to calculate the amount billed. Finally, the Department does not bill many higher education institutions because they either have their own employee assistance programs or because they offer office space to CSEAP in place of being assessed the fee.

We reviewed the Department's billing records to determine how many state agencies and higher education institutions pay \$4.50 for the per employee fee. As the following table shows, we found that in Fiscal Year 2000 a majority of the higher education institutions either did not pay their bill or were never billed at all. The higher education institutions that either were not billed or did not pay the full amount billed represent almost 37,000 employees. The state agencies that were not billed or did not pay the full amount billed represent almost 600 employees.

Agency and Institution Payment History for Fiscal Year 2000						
Payment History	State Agencies		Higher Education Institutions		Total	
	Number	Percent	Number	Percent	Number	Percent
Paid in Full	27	87%	6	18%	33	52%
Partially Paid	2	7%	5	15%	7	11%
Never Paid	1	3%	8	24%	9	14%
Partially Billed	0	0%	1	3%	1	1%
Never Billed	1	3%	13	40%	14	22%
Total	31	100%	33	100%	64	100%

Source: Office of the State Auditor's analysis of Department data.
Note: CSEAP provides services to and bills some state agencies that are not included in the State's classified system, such as the Judicial Department and Legislative agencies. Therefore, the total number of agencies and institutions in this table is higher than the number of agencies and institutions for which the Department provides personnel services.

The Department Should Propose Legislation to Support CSEAP

As previously mentioned, CSEAP is not specifically authorized in statute. If the Department determines that CSEAP is beneficial to the State and its employees, it should propose legislation to authorize and support the program. The legislation should include provisions detailing which state employees are eligible for CSEAP services. In addition, the Department should propose a new funding approach for CSEAP to ensure the program is fully funded by employees eligible to receive services and by state agencies and higher education institutions.

Recommendation No. 8:

The Department of Personnel should better manage the Colorado State Employee Assistance Program by:

- a. Analyzing the costs and the benefits of the program, including an assessment of the other options currently available to state employees.
- b. Seeking, if the program is found to be beneficial, specific statutory authorization from the General Assembly for operation of the program.
- c. Developing an equitable funding structure that requires all state agencies and higher education institutions and state employees eligible to receive services, to pay for the services. This should be included as part of the proposed legislation.

Department of Personnel Response:

Partially Agree.

- a. The Department acknowledges the need for analysis of the benefits of CSEAP as well as the costs. CSEAP continues to explore ways to do a cost/benefit analysis and has for several years.

In an effort to show outcome and impact of services, CSEAP initiated a statewide consortium of governmental and private sector EAP's to collaborate on the design and implementation of a new EAP outcome measurement tool. At that time, there were no EAP measurement tools available for use in the United States. Therefore, CSEAP engaged the Center for Community Development and Design to evaluate the program and to design a scientifically

valid measurement tool. CSEAP staff began using this tool in February 2000. CSEAP is committed to pursuing ways to show the value of the program, including ways to compare costs to benefits.

The Department believes that even without a cost/benefit analysis, CSEAP is extremely beneficial to the state and its employees. During the course of this audit, audit staff conducted a survey of personnel administrators, executive directors and presidents of higher education institutions. The overall ratings were very positive. The results indicated that those who responded considered the services provided by CSEAP helpful to very helpful. The benefits of the CSEAP program in terms of cost were rated as beneficial to very beneficial.

- b. Based on the following statutory excerpts, the Department contends that existing statutes give the Director authority to operate an employee assistance program and, as such, no additional statutory authority is necessary:

CRS 24-50-602 (1)(a) states, "It is declared that the purpose of this part 6 is as follows: a) To enable the state to attract and retain qualified employees by providing group benefits similar to those commonly provided in private industry."

CSEAP staff surveyed the Colorado Business Group on Health, which is a coalition of 13 large employers in Colorado, of which the state is a member, and except for PERA, 12 of the 13 companies provide an employee assistance program for their employees. (These are companies that include Coors, Storage Tech, New Century Energies, Johns Manville, UNIPAC, VICORP, AT&T Broadband, TIAA CREF, Qwest, City and County of Denver, University of Colorado and PERA.) Also, the survey results of a Mountain States Employer Council (MSEC) Colorado Health and Welfare Plans published 3/22/00 indicated that 52% of the Colorado employers responding to the survey offered an employee assistance program for their employees. The Department consequently believes that offering an employee assistance program to state employees is providing group benefits similar to those commonly provided in private industry.

Section 24-50-602 (1)(b) C.R.S., states, "To recognize and protect the state's investment in each nontemporary employee by promoting and preserving good health among state employees;"

The Department is required by current statutes to determine and procure appropriate group benefits for state employees in order to promote and preserve good health among employees and enhance the cost-effectiveness of the state's considerable investment in its workforce. Pursuant to that duty, the Director has determined that an EAP is an effective component of a comprehensive employee health plan.

CRS 24-50-603 (9) states, " Group benefit plans means any group benefit coverages contracted for or administered by the director, including but not limited to medical, dental, life, and disability benefits.

The Department has defined CSEAP as a group benefit plan.

CRS 24-50-603(11) states, "Medical benefits includes, but is not limited to... mental health and substance abuse services..."

CSEAP provides many types of services including both mental health and substance abuse services.

Finally, it is important to note that the state has offered CSEAP as a benefit to employees since 1981, using the above-mentioned statutes as its enabling basis. The Department continues to believe that the existing statutes empower it to continue to provide this critical service to both the state and state employees.

- c. The Department will research alternative funding methodologies and attempt to implement an alternative funding scenario that addresses the need to charge all state agencies and employees who are eligible for services by June 30, 2002.
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Implementation of Prior Audit Recommendations

Chapter 4

Background

In November 1997 the Office of the State Auditor issued a statutorily required audit report of the operations of the Department of Personnel and the State Personnel Board. The report contained 12 recommendations to the Department and 6 recommendations to the Board. The Department agreed with nine of the recommendations and partially agreed with three of the recommendations. The Board agreed with two of the recommendations and partially agreed with four of the recommendations.

The following is a summary of the November 1997 narrative, the audit recommendations, the Department's and Board's responses, and our evaluation of the actions taken to date. We found that although the Department has taken steps to address some of the recommendations, many have only been partially implemented. The State Personnel Board, however, has made great improvements and has implemented all six recommendations from our 1997 report.

The Department Needs to Improve Its Oversight of the State Personnel System

In our 1997 report we found the Department did not take adequate measures to encourage agencies to become decentralized. The Department's position was that it did not have the authority to force agencies to become decentralized. We found, however, the Department had the authority to delegate personnel duties to individual agencies according to statute. Additionally, we found the Department had not devoted adequate staff to provide oversight and consulting services to state agencies and higher education institutions.

Recommendation No. 1 (November 1997):

The Department of Personnel should:

- a. Further decentralize the personnel functions until all duties have been delegated to individual state agencies.
- b. Devote more resources to its role as a consultant, facilitator, and oversight body for the personnel system.

Department of Personnel Response (November 1997):

- a. Agree. The Department concurs that the overall management and operation of human resource systems is best performed at the agency level, however the statutes do not require decentralized operation of the state personnel system. It is important to note that three agencies (the Colorado School of Mines, the Department of Education, and the Department of Military Affairs) have chosen to become decentralized in their human resources functions since the last audit in 1993. At least three more agencies will become decentralized in the current fiscal year (the Department of Law, the Colorado Student Loan Program, and Mesa State College, and the classification work for the Department of Public Safety). We will continue to strongly encourage agencies to become decentralized in their human resource delivery systems and do whatever we can to build that capacity at the agency level in our role as consultants to the state's human resource community. We also agree with the recommended options on how to do this found in Chapter One of the audit report; i.e. re-prioritization of workload, "piggy-backing" personnel functions with other state agencies, and as a last option, requesting additional FTE.
- b. Agree. The strategic direction of the Division of Human Resources since the merger of the Departments of Administration and Personnel has been to be a resource and consultant to the agencies in the area of human resources. The Division's mission statement and strategic goals are in keeping with this philosophy:

HRS Mission Statement:

Enable state agencies to accomplish their mission by: developing systems to attract, develop, motivate and retain the best and brightest employees; providing leadership and consultation in human resource management while providing protection of state assets.

HRS Strategic Goals:

1. streamline and/or simplify processes, rules and statutes,
2. predict and/or respond to the changing business needs of the State,
3. build strategic partnerships that enable agencies to become self-reliant and accountable, and allow HRS to serve as a resource to agencies,
4. facilitate information flow between HRS and customers, provide ongoing services to state agencies as necessary.

In keeping with this mission statement and strategic goals, the Division of HRS has initiated projects to implement a performance management system in state government and has also initiated a process to radically reduce the number of and complexity of personnel rules currently in existence. We feel that Colorado Peak Performance and the rules prototype projects will provide agencies with the tools and the flexibility to manage the human resources needs at the agency level. These two projects are only two examples of "best practices" that represent ways in which HRS can best serve state agencies in its role as human resource consultants and information "brokers" in order to empower the agencies to meet the challenges of the next century.

**Office of the State Auditor's Evaluation of Actions Taken
(March 2001):**

This recommendation has been partially implemented. Since the time of our 1997 audit, five agencies have decentralized their human resource functions. There are currently 40 state agencies and higher education institutions that are decentralized and 13 that are centralized. According to staff, the Department has made an effort to encourage the centralized agencies and institutions to become decentralized. The Department was able to provide documentation to show that it has made some efforts. These efforts, however, were not made until January 2001. As discussed in Chapter 1, we believe the 13 centralized agencies and institutions are capable of performing their own selection functions. Therefore, the Department should ensure that all centralized agencies and institutions become decentralized to the fullest extent possible, especially with respect to the selection function.

In addition, we found the Department devotes fewer resources to its role as a consultant and oversight body for the personnel system than it did in 1997. As discussed in Chapter 1, there are currently two staff assigned to audit decentralized agencies and institutions and review Personnel Improvement Surveys. One of the two staff devotes half of her time to training an intern on how to perform the human resource functions for the centralized agencies. The other staff person has only

recently been hired by the Department. As a result, the Department has not devoted sufficient resources to auditing decentralized agencies and higher education institutions or reviewing Personnel Improvement Surveys. In the 1997 audit we found there were seven staff persons who performed audits of decentralized agencies and higher education institutions and handled personnel functions for the centralized agencies. Although the number of decentralized agencies and higher education institutions has increased since the last audit, the Department is now devoting fewer resources to auditing those agencies and institutions. Overall, we found the Department is still providing limited oversight to decentralized agencies.

The Department Should Address Continuing Problems With the Core Classes

In the 1997 audit we recommended that the Department implement the Selection System Coding Task Force's recommendations for changes to the selection process. At that time we found issues related to the Department's implementation of New Directions. New Directions was supposed to streamline the application process and allow for the continuous acceptance of applications for state employment. The changes associated with New Directions, however, did not address the issues agencies had with the applicant pool for core classes. The core classes represent 23 entry-level, high turnover clerical, accounting, custodial, nursing, security, and maintenance positions. Agencies believed the tests administered for core classes did not provide an accurate representation of the applicant's abilities and/or skills. We suggested that individual agencies administer their own tests in order to more accurately assess applicant qualifications.

Recommendation No. 2 (November 1997):

The Department of Personnel should implement the recommendations of the Selection System Coding Task Force by February 1, 1998, but should also address the continuing problems with the core classes. This could be accomplished by:

- a. Eliminating the concept of core classes including the proposed checkoff application and continuous acceptance of applications for these positions. The Department should implement the same selection processes for these classes as for all other job classes and allow decentralized state agencies to conduct examinations for these classes.

- b. Working with agencies to develop their own testing procedures for these core classes to ensure that applicants are in fact agency-qualified for the position. As part of this process, the Department should reassess the value of the general abilities tests.

Department of Personnel Response (November 1997):

- a. Partially agree. While we agree with the audit recommendation to implement the recommendations of the Selection System Coding Task Force by February 1, 1998 and were planning to do so, it is important to note that we do not agree with the recommendation to immediately eliminate the concept of core classes, including the proposed check-off application and continuous acceptance of applications for the core class position vacancies. For the core twenty-three classes (out of 930 classes) described in the audit report, the check-off application will be used, beginning 2/1/98. This is in accordance with an expressed need identified by the agencies.

Additionally, we will evaluate the effectiveness of the new announcement and application process changes by 3/1/99 and will develop and implement future changes as business needs dictate.

- b. Agree. HRS staff will continue to provide professional consultation to agency users seeking assistance in developing sound testing procedures for any job class. This is in keeping with our role as human resources consultants to the agencies. It is important to note that state agencies already determine their own examination plans for all job classes, both core and non-core and are not limited to any specific examination plan by HRS. We will reassess the value and efficacy of general abilities tests in screening job applicants, and will make a decision about the efficacy of continued use of the two tests in question by June 30, 1998.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

The Department has partially implemented this recommendation. We found the Department implemented the changes recommended by the Selection System Task Force. In its 1997 response the Department indicated that it did not support eliminating the concept of core classes. In response to our recommendation, however, the Department sent a customer service survey to personnel administrators asking for their opinion. Because the survey response rate was low, the Department conducted focus groups to determine if there was interest in eliminating the concept of core

classes. The focus groups included representatives from the Department and human resource personnel from state agencies and higher education institutions. The results showed that the focus groups did not support eliminating core classes.

In response to the second part of the recommendation, the Department evaluated its general abilities test (Differential Aptitude Test) and found that it still serves as an important tool in the selection process. According to the Department, staff do provide consulting services to human resource personnel related to testing procedures. As discussed in Chapter 1, however, we found during our current review that many agencies and institutions have not developed their own testing procedures for core classes. In fact, many human resource personnel do not seem to be aware that they can administer their own tests for these positions.

The Department Should Reevaluate the Continued Existence of the Applicant Data System

In the 1997 audit we found that the Applicant Data System (ADS) system was difficult to use and did not contain accurate information. ADS links state agencies and higher education institutions and allows them to access information about job applicants across the State. We found, however, that the Department did not monitor agencies to ensure that information about all applicants was entered into the system.

Recommendation No. 3 (November 1997):

The Department of Personnel should reevaluate the reasons for the continued existence of the Applicant Data System. This assessment should include an evaluation of what the system is used for and whether such duties can be accomplished in another manner.

Department of Personnel Response (November 1997):

Agree. As part of the evaluation of the selection process changes, the various types of agency uses of the Applicant Data System continue to be assessed. Currently, the Applicant Data System is used for tracking and sharing information about job applicants, job vacancies, and applicant test scores. Agencies use the system to schedule and score tests quickly and accurately, to provide test scores to applicants, and to make on-line position referrals. Job announcement information is published and

available to all state user agencies and to all Job Service Centers throughout the state. One exciting development in this context is that job vacancy information will be available on the Internet by December 1, 1997, enabling agencies and individuals to obtain information about state job vacancies from the Internet.

It is important, however, to place this recommendation in the context of a larger issue. Technology changes and the ever-increasing complexity of human resource systems are driving the need for fully-integrated systems that empower agencies on both a macro and micro level. A fully-integrated human resources information system that would include all components of the human resource arena is critical as this state moves into the next century. A plan that integrates selection and recruitment, employee and position tracking, and payroll activities is critical to the successful operation of any modern human resources information system. While we agree that it is important to re-evaluate the efficacy of the continued operation of the Applicant Data System, more compelling is the need to re-evaluate all HR information systems in anticipation of integrating all of the disparate human resources information systems now in existence within the state.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been partially implemented. Since the 1997 audit the Department evaluated the continued existence of the Applicant Data System (ADS) through user input as well as focus group surveys. The majority of survey responses were favorable and did not indicate modifications to the system were needed. Therefore, the Department continued to use ADS. During our current review we also interviewed and surveyed state agency and higher education institution personnel and asked their opinion of ADS. The majority of responses were negative and questioned the usefulness of ADS. For instance, many agencies had issues with the excessive time required for data entry and questioned the reliability and age of the system.

As discussed in Chapter 1, we also found that the value of ADS continues to be questionable. Many agencies and institutions do not enter information for all applicants into ADS. Therefore, the information in ADS is not complete or accurate and may provide little benefit to the Department or the State. As a result, the Department should inform human resource personnel that they are not required to use ADS for selection, but may do so if they find it to be a useful tool. In addition, the Department needs to either reprogram or terminate the connections between ADS and EMPL so that both systems function separately.

The Department Should Ensure Agencies Develop Incentive Award Programs

In the 1997 audit we found the Department was not complying with statutory or Executive Order requirements related to incentive programs for state employees. The Department's position was that each agency is responsible for developing and administering its own incentive plan. We determined, however, the Department was responsible for overseeing the implementation of incentive plans.

Recommendation No. 4 (November 1997):

The Department of Personnel should oversee the incentive plan process by working with the Governor's Office and the cabinet to ensure that the provisions of the statute and the Executive Order are carried out.

Department of Personnel Response (November 1997):

Agree. We see the incentive award program as an important tool to motivate employees. Ideas and incentive programs generated at the agency level can serve as a "testing ground" as we develop implementation of Colorado Peak Performance (CPP) throughout the state. Although we do not see it as the role of the Department to "ensure" implementation of incentive plans in place at state agencies, we will monitor the plans that are in place and will serve as a conduit and coordinator between the agencies so that successes, good ideas and other pertinent information can be promoted and shared between agencies.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has not been implemented. In the 1997 audit we recommended that the Department oversee the incentive plan process and ensure the provisions of the 1996 Executive Order were carried out. We found the Department did not follow through on either of these provisions. As discussed in Chapter 2, the Department does not oversee the incentive plan process and does not ensure that agencies and institutions are complying with the Executive Order. We found the Department does not know which state agencies or higher education institutions have incentive programs or how much has been given out in incentive awards. According to the Department, it has no plans to devote additional time to this issue in the future.

The Department Should Seek Legislative Support to Expand the Rule of Three

In our 1997 audit we found that the "Rule of Three" hindered the selection process. The "Rule of Three" is a state constitutional provision that requires state agencies and higher education institutions to appoint one of the top three candidates, as measured by competitive tests, to a vacant position. Human resource personnel commented in their survey responses that the "Rule of Three" limited their ability to hire the best-qualified individual. Additionally, we found that improved testing methods could be used to select better candidates and provide an alternative to constitutional changes to the "Rule of Three." We concluded that the Department should assist agencies in developing examinations which better determine an applicant's abilities.

Recommendation No. 5 (November 1997):

The Department of Personnel should seek legislative support for a change to the Constitution to expand the current Rule of Three to allow agencies to appoint a person from a larger referral list.

Department of Personnel Response (November 1997):

Agree. We do not agree that our role is to seek but rather to guide and assist in the formulation of constructive constitutional changes. While proposals to change personnel system-related portions of the State Constitution have failed in the past, we strongly believe that changes to the Rule of Three are both desirable and necessary as we transition into the next century. The Rule of Three represents only a portion of changes and modifications to the Constitution that we feel are necessary and prudent. We feel that some principles should be included in the Constitution, some should be moved to statute, and some should be deleted from the Constitution. Staff from the Department have testified before committees of the General Assembly to this effect in the past. We will continue to work toward and support these efforts in the future. A brief description of our stance in this regard follows:

Principles To Be Included in the Constitution:

1. employees should be hired based on their abilities to serve the state.
2. applicants and employees should receive fair and equitable treatment.
3. employees should receive competitive and equitable compensation.
4. employees should be retained based on their ability to support the state in

accomplishing its business mission.

5. there should be appropriate due process related to personnel issues.
6. there should be a definition of "appointing authority."
7. state employees are presumed to be in the classified system except as currently specified in the Constitution.

Provisions Proposed To Be Eliminated From the Constitution:

1. the concept of career "for life" appointments should be eliminated.
2. the requirement for mandatory tests should be eliminated. However, the State needs to remain true to the principles of merit and fitness by giving agencies discretion to use a broad range of assessment tools to measure merit and fitness.

Provisions Proposed To Be Moved From the Constitution To Statute:

1. residency should be required upon appointment but not upon application for employment.
2. the concept of ranked eligible lists should be eliminated and the Rule of Three should be broadened or eliminated.
3. establishment of requirements for probationary periods and establishment of a certification process should be provided in statute rather than by Constitution.
4. the six-month limitation on temporary appointments should be eliminated to allow for temporary appointments for a specific project for a finite period of time.
5. the establishment of the State Personnel Board and the creation of the Department of Personnel should be provided in statute rather than by Constitution.

**Office of the State Auditor's Evaluation of Actions Taken
(March 2001):**

This recommendation has been implemented. The Department agreed that changes to the "Rule of Three" were necessary. The Department presented options to Governor Owens' transition team regarding suggested legislative changes to both statute and the State Constitution. In addition, the Department supported House Bill 99-1076, which makes the examination process more flexible. With the passage of this Bill, agencies and institutions can now use competitive examinations or other objective measures of competence to determine the three highest-ranking applicants.

Recommendation No. 6 (November 1997):

The Department of Personnel should assist agencies in developing more appropriate testing methods and examinations which better measure an applicant's ability to do a job.

Department of Personnel Response (November 1997):

Agree. As more agencies become decentralized in the performance of their human resources functions, it is incumbent on the Department to better fulfill its mission as a resource and consultant to agencies' human resource efforts. We plan on serving as a consultant and clearinghouse for innovative ideas and practices that state agencies and other employers are already using to perform their duties.

One such idea that was recently piloted with great success at the Department of Human Services was a series of one-day "Recruiting Blitzes." the Department of Human Services had a need to recruit several hundred employees to fully staff new facilities in the Division of Youth Corrections. Human resources staff at the Department of Human Services, in partnership with the Department of Personnel's Division of Human Resource Services and with local community agencies and job service centers, established a process to advertise one-day recruitment "blitzes" where it was possible for an individual state job applicant to: apply for a particular job, be tested, have an appropriate background check performed, be interviewed, and receive a job offer in the same day. Response was overwhelming and the Division of Youth Corrections was able to fully staff its new facilities by the time the facilities were ready to open. We feel that the human resources community within state agencies has many such innovative ideas and see ourselves as a resource and conduit for those ideas and innovative ways of doing things in order to share them with all state agencies.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been partially implemented. As mentioned in the previous recommendation, the Department supported the passage of House Bill 99-1076, which expanded the definition of examination and allows agencies and institutions more flexibility when testing applicants. The Department, however, was unable to provide documentation to show they have consulted with human resource staff on testing methods. As mentioned in Chapter 1, survey responses indicate that some human resource personnel are unaware they have the opportunity to adapt their own testing methods to better measure an applicant's ability to do a job. We found it is the

Department's responsibility to educate human resource personnel on their testing options as well as help them develop tests that will provide them with sufficient information to make appropriate hiring decisions.

The Department Should Seek Constitutional Changes to Temporary Employment Provisions

In our 1997 audit we found that state agencies and higher education institutions believed the state constitutional provisions related to temporary employment created inefficiencies and staffing difficulties. Agency and institution personnel commented that the six-month limitation on temporary employment hindered their ability to fill short-term, nonpermanent positions. We noted that personal service contracts were an alternative for agencies with short-term staffing needs. We found, however, that some agencies were not aware of this option.

Recommendation No. 7 (November 1997):

The Department of Personnel should seek legislative support for a constitutional change to provide flexibility in temporary employment. This could include allowing an individual to complete work on time-specific temporary projects that exceed six months.

Department of Personnel Response (November 1997):

Agree. We do not agree that our role is to seek but rather to guide and assist in the formulation of constructive constitutional changes. However, as delineated in our response to Recommendation 5 we think that the six-month limitation on temporary appointments should be eliminated from the Constitution and reconstituted in statute to allow temporary appointments for a specific project for a finite period of time with no mention of the six-month limitation.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been implemented. The Department presented options to Governor Owens' transition team regarding suggested legislative changes to statutes and the State Constitution regarding temporary employment. In addition, the

Department supported House Bill 99-1078, which addressed the use of personal service contracts as a way of mitigating the effect of temporary employment.

Recommendation No. 8 (November 1997):

The Department of Personnel should educate and advise agencies in developing personal services contracts for nonpermanent, short-term projects and grants.

Department of Personnel Response (November 1997):

Agree. Because of the constitutional provisions limiting temporary employment with the state to six months within a twelve month period, without a constitutional change, state employment is not the answer for addressing non-permanent, short-term needs for personal services. However, the provisions of HB 93-1212 provide a legal alternative, the engagement of contractors to provide personal services in these instances.

Department staff assigned to execute the provisions of HB 1212 have made extensive efforts to make consumers aware of this option. Efforts have included formation of a statewide contract improvement task force, providing extensive free training, offering consulting services and publishing a newsletter. These program services have been delivered mainly to department contract, fiscal, and procurement staff. Based on the survey results it appears that this information is not consistently reaching human resource staff and management within these departments. Program staff will renew its efforts to outreach to this portion of customers and deliver the information needed for them to capitalize on contracting options.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been partially implemented. As mentioned previously, the Department supported the passage of House Bill 99-1078, which allows the use of personal service contracts for temporary projects that exceed six months. In addition, the Department provided training related to personal service contracts to contract, fiscal, and procurement staff at state agencies and higher education institutions. It appears, however, that a majority of personnel administrators are still unaware of the rules and options surrounding personal service contracts. In its 1997 response the Department stated that it would focus its efforts on educating human resource personnel. We found during our current review that this has not happened. The

Department still needs to educate and advise human resource personnel of their options for temporary employment and personal service needs.

The Department Needs to Continue Its Implementation of the Rules Prototype

In our 1997 audit we found the personnel rules and procedures were cumbersome. At the time of the audit the Department was in the process of developing a rules prototype. The purpose of the prototype was to reduce administrative details and enhance agency flexibility when making decisions. We recommended that the Department continue implementing the rules prototype and incorporate rules and procedures for Colorado Peak Performance into the prototype.

Recommendation No. 9 (November 1997):

The Department of Personnel should continue to work for the planned implementation of its rules prototype on July 1, 1998. As part of the implementation process, the Department should seek early and ongoing legal analysis to minimize potential problems. The Department should also seek to incorporate rules and procedures for Colorado Peak Performance into the prototype as soon as possible.

Department of Personnel Response (November 1997):

Partially agree. We recognize the need for legal review prior to initiation of the rulemaking process for the rules prototype. However, a detailed review of the prototype while it is still in the developmental stage before rulemaking review would add unnecessary legal expenses to the Department's already-tight legal services appropriation. We will, instead, seek legal guidance regarding broad principles involved in the overall prototype draft to the extent that the review is cost-effective.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been implemented. The Department implemented the rules prototype on July 2, 1998. We found that the Department sought legal counsel from the Attorney General's Office throughout the process. In addition, we found the new rules and procedures initially included provisions related to Colorado Peak Performance. The Department, however, has replaced the rules and procedures

related to Colorado Peak Performance with new rules and procedures for the Pay for Performance system.

The Department Should Encourage Compliance With Personal Service Contract Requirements

According to statute, the State Personnel Director must review personal service contracts to ensure they are appropriate. In our 1997 audit we found there were several state agencies and higher education institutions that failed to obtain the State Personnel Director's approval of their personal service contracts. The Department stated that it intended to conduct peer reviews of agency contracting practices to ensure the agencies were complying with requirements for personal service contracts.

Recommendation No. 10 (November 1997):

The Department of Personnel should provide assistance and education to agencies to encourage compliance with the statutory requirement for Director review of personal services contracts.

Department of Personnel Response (November 1997):

Partially agree. The core tasks for the program within the Department of Personnel that provides services pursuant to HB 1212 are consulting, training and education. Program staff perform these functions as an individual program and in conjunction with other staff within the Department charged with contract review and procurement duties. A statewide network has been established to assist staff in other departments to better perform their functions. This network consists of the core group and an advisory group who constantly interact to improve processes and exchange information. The core group called the Central Approvers Task Force (CATF) formed the statewide network, holds quarterly informational meetings, publishes an informational newsletter, implements system improvements, and provides training and consulting both jointly and separately. While we do not see it as the role of the Department to "ensure" that other Departments comply with the provisions of HB 1212, we will commit to providing training, consulting and system improvement to enable departments to reach this goal.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been implemented. The Department provided documentation to show that it has taken steps to educate state agencies and higher education institutions on the statutory requirement for Director review of personal service contracts. According to Department staff, it is not aware of any agencies or institutions that are not complying with the review requirements.

The Board Should Improve the Timeliness of Its Appeals Process

In our 1997 audit we found the State Personnel Board frequently used telephone commencements to meet its statutory time requirements for hearings. Statute states that hearings must be held within 90 days of receiving an appeal. Due to a heavy caseload, the Board utilized telephone commencements to comply with the 90-day time requirement. We found, however, the telephone commencements were not of value because no substantive evidence was heard during the commencement. Although the Board technically met the time requirements, it did not meet the statutory intent. We found that telephone commencements could be of value if they were used to start the hearing and present initial evidence for both parties. Additionally, we found that rules required both parties to attempt to resolve appeals prior to the hearing. We found that if the Board required parties to participate in settlement conferences prior to hearing, it might reduce their caseload and assist them in meeting time requirements for hearings.

Recommendation No. 11 (November 1997):

The State Personnel Board should improve the timeliness of its appeals process by:

- a. Using telephone commencements, not only to put the preliminary issues of the case on record, but also to begin hearing evidence. Telephone commencements should not be used by the Board for mere technical compliance or to alleviate overcrowded hearing dockets.
- b. Requiring parties to appeals to participate in the settlement process. This could decrease the number of hearings that Administrative Law Judges are required to hear while increasing the timeliness of those hearings.

State Personnel Board Response (November 1997):

- a. Partially agree. Concerns were raised that out of the 33 cases which were reviewed, 5 of which went to hearing, 4 of the 5 cases were commenced via the telephone commencement process.

In response, the Board by statute is required to commence a hearing on any particular matter within 45 days, with an additional 45 days continuance available for "good cause." This being the case, and the fact that the Board currently has 1.5 FTEs dedicated to administrative law judges with a case load projection for Fiscal Year 1998 of over 300 cases, telephone commencements are necessary in order to allow the parties to begin the hearing process. During a telephone commencement, the parties are advised of the statutory language compelling cases to be commenced. The parties then, on the record, acknowledge that the telephone commencement proceeding allows compliance with the statutory time line. In addition, telephone commencements provide an opportunity for preliminary issues and motions to be ruled upon. However, the Board does not have a policy which mandates to each administrative law judge ("ALJ") how such a commencement should be conducted. To do so would be to interfere with the ALJ's ability to conduct a hearing and Section 24-4-105, C.R.S. However, to address concerns with regard to the number of cases on the docket, the Board revised its staff structure on July 1, 1997 in such a way that the Board Director is to dedicate 50% of his time to hearing appeals. As a result, with 1.5 FTE being dedicated to administrative law judges hearing appeals, reliance on telephone commencements should be reduced.

Another element involving telephone commencements must be noted. While the Board must balance its caseload with the statutory time frames and ALJ availability, it must also be noted that the parties very often are not available for commencement of an evidentiary hearing. In other words, the parties and their counsel cannot schedule the matters for hearing within the 90-day deadline primarily because their dockets are full or as a result of ongoing discovery in the particular appeal.

- b. Partially agree. With regard to the settlement process, the issue is raised as to whether or not participation in the settlement process should be mandatory. The Board's current rules mandate that the parties *attempt* to settle matters. However, it does *not mandate* that the parties use the Board's process. There are a number of reasons for the current policy. First of all, the Board should not mandate that parties utilize its settlement process if there are other means of resolving disputes

(i.e., informal settlement discussions between counsel, mediation, arbitration, etc.). Also, because of the expedited time lines dictated by statute, to impose settlement conferences on every case would act to "clog" the docket. It would prevent cases from going to hearing more timely by enveloping ALJ FTE, staff FTE, and by possibly delaying the discovery process. Currently, ALJs have the discretion to order settlement conferences if appropriate for any particular matter. In addition, it can be argued that not every case should have settlement attempted. Facts which precipitate some appeals are such that settlement may not be a viable alternative.

The Board agrees with the recommendation in part and has previously recognized the need to facilitate settlement. As such, the Board is in the process of revising its prehearing orders and settlement program so as to better facilitate timely settlement. In addition, the Board anticipates that as more appeals are heard timely through the increased participation of the Director, parties will explore settlement because the commencement time for hearings will be, in effect, shortened.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been implemented. Since the 1997 audit the Board has revised its policy regarding telephone commencements. The new policy includes limitations on telephone commencements in the administrative law judges' (ALJs) performance evaluations. In order to be considered "fully competent," an ALJ is limited to one telephone commencement per month. ALJs are limited to less than one telephone commencement per month if they are to be considered a "peak performer." These policy changes are consistent with our recommendation that telephone commencements not be used to circumvent statutory time requirements for starting hearings. Hearings have also been more timely because the Board hired an additional ALJ, which has helped to reduce each ALJ's caseload.

Since the 1997 audit the Board has established new rules related to the settlement process. The Board now sends a settlement letter to both parties prior to a hearing, which advises them of the Board's rules related to the settlement and dispute resolution process. According to the new rules, both parties must attempt to resolve an appeal prior to the hearing. In addition, if either party requests a settlement conference, both parties are required to attend.

The Board Should Ensure Case Disposition Reports Are Accurate

In our 1997 audit we found the Board used its Case Disposition Report (CDR) to track the number of cases opened and closed for a series of fiscal years. During the audit we conducted a file review and found the number of open cases listed in the Board's CDR was different from the number of open cases found in the Board's file cabinets. Due to problems with the Board's database, Board staff created the monthly CDR by manually reviewing each case file. The manual review included examining approximately 300 cases each month. Board staff acknowledged the manual review sometimes missed files, which resulted in inaccurate CDR reports.

Recommendation No. 12 (November 1997):

The Board should take steps to ensure that its Case Disposition Reports are as accurate as possible including developing a new method for tracking the information contained in these reports. This would include finding a method of preparing these reports that is more accurate and does not consume professional-level staff time and resources to manually count the number of case files that remain open.

State Personnel Board Response (November 1997):

Partially agree. This issue involves concerns over the accuracy of the Case Disposition Reports which are provided to the Board by staff on a monthly basis. Because of the methodology used in creating the report, errors can occur. In addition, because of the lack of a useful database, significant man hours are spent in generating the report. In response, the Board has recently raised this issue with staff by suggesting that the reports be developed in such a way as to communicate more information (i.e., demographic information regarding pending cases), more efficiently. This matter is currently under review and has been since July 1, 1997. The Board anticipates that the accuracy and usefulness of these internal reports will increase with the development of a new or modified database. While the reports have been utilized for internal purpose, the Board has recently acknowledged the need to have more accurate reports and the need to improve the reports that will allow demographic information regarding particular cases to be developed and distributed as necessary.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been implemented. In Fiscal Year 2000 the Board purchased a new computer system. With the new system, the Board can track open and closed cases automatically. A manual review of case files is no longer required. The new system also allows the Board to produce numerous reports, including open case reports, status reports, and description reports. These reports allow the Board to better and more accurately communicate information to its stakeholders.

The Board Needs to Update Its Current Computer System or Obtain a New System

In our 1997 audit we found the Board had a database system that was designed to manage and track information on its appeals files. Information in the system included the parties to a case, specific details of a case, various deadlines, the outcome or decision made, and case notes made by the ALJ and other Board staff. We found that although staff spent a significant amount of time entering information into the database, the Board rarely used the system for more than looking up a case file number. We also found that Board staff were unaware of how to use the system to produce management reports, such as aging reports, reports documenting trends in the number of cases filed against certain agencies, or tickler reports that could help Board staff to identify cases nearing deadlines. Overall, management was not utilizing valuable information in the database that could have helped the Board more efficiently manage its caseload.

Recommendation No. 13 (November 1997):

The State Personnel Board should determine whether training is available to teach staff to retrieve data from the current database and seek to upgrade its current software and receive training on its use. A second alternative could be for the Board to obtain a new database system.

State Personnel Board Response (November 1997):

Agree. One of the biggest issues confronting the Board, from a performance perspective, is the issue of a useful database. The current database system fails to meet all the needs of the Board. This matter has been a topic of discussion for the past several months, as new Board members have joined the Board and noted the Board's

inability to capture relevant case data. The current database system is a DOS based program which fails to be supported by the current software platforms used by General Support Services. The current system allows for individuals to access the database on a case by case basis, but prevents individuals from retrieving constructive information in the form of management/case tracking reports. The database does not yield information efficiently yet drains staff energy and time by compelling data entry. Part of the challenge associated with this issue is the issue of either modifying the current database or obtaining a new database. Currently, under either scenario, the Board does not have staff to design and maintain any database. Nevertheless, the current database system fails to be "user friendly," prevents the efficient entry of data, and fails to provide any useful reports. This matter is currently under review and has been since July 1, 1997. The Board is in the process of evaluating: (1) its database needs, (2) the economic and FTE resources associated with maintaining an efficient database, and (3) developing a schedule for revising or implementing a new database.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been implemented. The Board obtained a new computer system in Fiscal Year 2000. The new computer system is capable of producing numerous management reports that provide valuable information to both the Board and other state agencies and higher education institutions. We reviewed some of these reports and found them to be useful. In addition, Board staff have been trained on how to use the new system and its capabilities.

The Board Should Revise Its Current Filing Practices

In our 1997 audit we found several issues with the Board's filing practices. We found the Board had no policy for checking files in and out. This made it difficult to locate files and resulted in wasted time and effort for both staff of our office and the Board. We also found that the Board did not always require the same documentation in every case file. Specifically, the Board did not require that a copy of settlement agreements be included in all appeals files that were settled. Without a settlement agreement in each case file, we found that two potential problems could arise: (1) the Board could not effectively document that a case was settled, and (2) the files contained inconsistent information that could be pertinent if a case were ever reopened. Additionally, we found that the Board did not always consolidate files in a consistent manner.

Recommendation No. 14 (November 1997):

The State Personnel Board should revise its current filing practices by:

- a. Making it easier to locate all files. This could include a sign-out sheet for files and documenting and marking all boxes of files for archiving.
- b. Requiring that settlement agreements are included in all applicable case files.
- c. Implementing consistent practices for the consolidation of multiple appeal filings by an individual.

State Personnel Board Response (November 1997):

- a. Partially agree. Current Board staff consists of 5 FTEs and six individuals. All staff are physically located in the same area, on the same floor, of the same building. As a result, given the staff's size and physical proximity to one another, there has not been a need to implement a specific system for "checking out" files. To implement a formal tracking system for case files on a daily basis would only serve to create tasks for staff. However, in order to address any ongoing concerns, the Board can research a system which will permit the tracking of case files, while in the office, on a regular basis. The implementation of an upgraded database system may alleviate concerns regarding case file location given that the database, if efficiently utilized, can constantly be updated so as to reflect which staff member is currently utilizing a particular file.

In terms of archiving closed files, because of the limited FTE for the Board, we do not have staff always available for developing and implementing a comprehensive archiving system. In addition, since the file space is limited, there is a need to archive documents quickly to allow for more space. However, given the issues raised, the Board can take steps to improve its archiving system as well as improve the logistics of keeping track of particular open case files.

- b. Partially agree. With regard to requiring that settlement agreements be included in all applicable case files, the Board currently relies upon its administrative law judges to determine whether or not to dismiss a case and whether or not a copy of a settlement agreement is necessary in order to allow dismissal. Such decisions are within the discretion of the administrative law judges pursuant to the State Administrative Procedure Act. The exercise of such discretion can cause each individual case file to contain different types of pleadings reflecting the settlement

of a case. For instance, one case file may include a copy of a settlement agreement and an accompanying order, or a case file may have merely one party's motion to dismiss the case because it has been settled with no response from the other party and the accompanying order of dismissal. In each of these examples, an administrative law judge appropriately exercises discretion as to what is needed to document whether or not a case has been settled. Subsequently, a review of the pleadings in any particular file will document that settlement of a matter is the reason for dismissal.

- c. Partially agree. With regard to implementing specific methods for consolidating cases, the Board currently refers to the Colorado Rules of Civil Procedure ("C.R.C.P."), Rule 42 and C.R.C.P Practice Standards and Local Court Rules, Rule 121 Section 1-8. These rules of civil procedure, as adopted in this state, and by the Board to the extent practicable, describe the means of consolidating cases. The Board abides by these rules. The rules provide exceptions for the means in which a case is consolidated. On occasion, and pursuant to rule, the Board has made exceptions in the normal process of consolidating cases. Concurrently, the Board acknowledges that whatever method is used for the consolidation of appeals, the files should accurately reflect the means of consolidation.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been implemented. During our current review we found the Board has changed its filing system for both open and closed cases. All open cases are now maintained in filing cabinets located in the Board's supply room. Staff are required to sign and insert a checkout card in place of a file when it is removed. In addition, the Board puts closed case files in archive boxes that are labeled with an assigned number. The Board's paralegal maintains a database that lists each closed case number and the number of the archive box in which the file is located. Board staff had no difficulty locating either open or closed case files for our file review.

In its response to our 1997 recommendation, the Board did not agree with our recommendation that it require settlement agreements to be included in case files. According to the Board, the Administrative Procedures Act gives ALJs the discretion to decide when it is appropriate to include a settlement agreement in a case file. Our current review found the Board's actions are appropriate with regard to including settlement agreements in case files. As long as both parties agree that a settlement has been reached and the case file has documentation to prove it, we found it is not necessary to include a copy of the actual settlement agreement in the file. Finally,

during our file review we found the Board's method for consolidating cases was appropriate. The consolidated files reviewed contained sufficient documentation to explain why and how the files had been consolidated.

The Board Should Track Trends in the Number and Types of Appeals Filed Against Various Agencies

In our 1997 audit we reviewed a list of appeals filed for the past two fiscal years and found a few agencies accounted for a majority of the appeals cases filed with the Board. Specifically, we found that three agencies accounted for 70 percent of all new appeals filed. Although the Board realized that some agencies were parties in most of the appeals, Board staff did not perform any trend analysis to identify problem agencies or trends in the types of appeals filed. The Board had also made no attempt to have problem agencies targeted for more training in the disciplinary process. We found that additional training at problem agencies may help reduce the number of appeals filed against those agencies. A reduced number of appeals could improve the efficiency of the Board and its customer service.

Recommendation No. 15 (November 1997):

The State Personnel Board should begin tracking trends in the number and types of appeals filed against various agencies and share this information with the Department of Personnel.

State Personnel Board Response (November 1997):

Agree. With the development of the new/updated database, the Board should be able to track trends in the number and types of appeals filed with the Board, and should be able to easily share this information annually with the Department of Personnel.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been implemented. As explained previously, the Board's new computer system is capable of producing demographic reports. These reports track trends in the number and types of appeals filed against various agencies. We

reviewed these reports and found they contained the type of information we thought could be useful to stakeholders. In Fiscal Year 2001 the Board provided copies of these reports to state agencies, the Department of Personnel, and the Governor.

Recommendation No. 16 (November 1997):

The Department of Personnel should target training regarding disciplinary actions, grievances, and the appeals process for these problem agencies identified by the State Personnel Board.

Department of Personnel Response (November 1997):

Agree. It is important to note that Division of Human Resources and Personnel Board staff are currently training agency staff regarding how to avoid "common mistakes" that are made by agency appointing authorities in dealing with performance and disciplinary action issues.

As described in the Board response to Recommendation 15, the development of a new/updated database will allow the Board to track appeal case data. Once that database is operational, the Department of Personnel will work with State Personnel Board staff to identify areas where training at the agency level will directly address the problem areas within the control of agency managers and supervisors. Once those problems areas are identified, HRS staff will assist the agencies in ensuring that appropriate training is delivered to those agencies.

Office of the State Auditor's Evaluation of Actions Taken (March 2001):

This recommendation has been partially implemented. We found the Department has provided some training to the Department of Transportation related to the grievance and appeals process. The Board's reports, however, show that the Departments of Corrections and Human Services typically have the largest number of appeals filed against them. According to Department staff, both of these agencies have their own in-house training programs and have used these instead of receiving training from the Department. On the basis of Board statistics, however, these in-house training programs have not been successful in reducing the number of appeals filed against the Departments of Corrections and Human Services. In the future the Department should review the Board's statistics related to the number and types of appeals filed by agency. The Department should use this information to identify problem agencies and

institutions and target these agencies and institutions for additional training on the grievance and appeals process.

The Department and the Board Need to Evaluate the Impact Colorado Peak Performance Will Have on the Appeals Caseload

In our 1997 audit we found that although the Department and the Board anticipated an increased number of disputes with the implementation of Colorado Peak Performance, neither had developed a plan for handling the additional appeals. At the time of our review the decision had not been made whether the Department or the Board would handle a majority of these disputes. Therefore, we recommended that both the Department and the Board evaluate the impact Colorado Peak Performance could have on their appeals caseload and how they would handle any increases.

Recommendation No. 17 (November 1997):

The State Personnel Board should evaluate the potential impact of the implementation of Colorado Peak Performance on its caseload and take appropriate action to prepare itself to accommodate that impact.

State Personnel Board Response (November 1997):

Partially agree. The Board has participated with the development of Colorado Peak Performance ("CPP") in a number of areas. Board staff has participated in the numerous committees formed to analyze the various issues associated with CPP, including dispute resolution. In addition, a Board member participated on the Design team for CPP. By participating in the development and implementation of CPP, the Board and its staff is very aware of the potential impact CPP may have on the Board and the number of appeals filed with the Board. However, it is unclear at this time as to which, if any, government entities may be involved with employee issues and CPP. It is possible that the Board will not have jurisdiction over certain CPP issues. It is also possible that the Board will only be one participant in any formal means of resolving CPP disputes. That being said, no matter the debates on Board jurisdiction, it is fair to assume that the Board will receive an increase in the number of appeals and grievances brought before it with the systematic implementation of CPP. With only a

few agencies implementing CPP for Fiscal Year 1999, and subsequent agencies implementing CPP in the next few years, Fiscal Year 1999 will provide an opportunity for the Board, as well as Department of Personnel, to more accurately determine and measure the impact of CPP on disputes. Such staggered implementation of CPP will also allow practices and procedures to be refined prior to all classified state employees being subject to CPP.

**Office of the State Auditor's Evaluation of Actions Taken
(March 2001):**

This recommendation has been implemented. Although Colorado Peak Performance has been abolished, the State plans to implement a new Pay for Performance system in Fiscal Year 2002. Disputes are also expected to arise from this new system. The Board, however, does not anticipate a significant increase in its caseload, because under the personnel rules, the Department will be responsible for hearing a majority of the appeals related to Pay for Performance. The Board will only hear those appeals where discrimination is alleged. In addition, during the interim period between Colorado Peak Performance and Pay for Performance, the Board has been responsible for hearing all cases with planning and evaluation disputes. According to the Board, these cases have not had a significant impact on its caseload.

Recommendation No. 18 (November 1997):

The Executive Director's Office should evaluate the potential impacts of Colorado Peak Performance on its caseload and take appropriate action to accommodate that impact.

Department of Personnel Response (November 1997):

Agree. Subsequent to the initiation of this audit, the CPP Core Committee made recommendations regarding implementation of a dispute resolution process in the context of the performance-based pay system. The head of the Director's Appeal Unit will now assemble an internal focus group to assess potential impacts to the existing appeals caseload and will develop and implement changes to current processes as necessary. Because the final outline of the nature of the dispute resolution process is not finalized, potential staffing impacts cannot be assessed at this time. We anticipate having those assessments completed by June 30, 1998. Impacts based on actual data will be assessed by 6/30/99.

**Office of the State Auditor's Evaluation of Actions Taken
(March 2001):**

This recommendation has been partially implemented. According to the Department, since Colorado Peak Performance was abolished, this recommendation is no longer valid. We disagree. We believe disputes will also result from the new Pay for Performance system, which is expected to be implemented within the next few years. According to the Department, although it does not believe its appeals caseload will increase when Pay for Performance is implemented, it plans to have two staff spend part of their time handling these appeals. Currently these two staff positions are vacant. Under the new personnel rules, however, the Department will be responsible for handling a majority of the appeals associated with Pay for Performance. Therefore, the Department still needs to evaluate the impact Pay for Performance will have on its appeals caseload and determine if two staff will be sufficient to handle the appeals in a timely manner.

Appendix

Survey Results

Background

Section 24-50-103.5, C.R.S., requires the Office of the State Auditor to conduct a performance audit of the state personnel system and the Personnel Board every four years. The audit must include a review and evaluation of:

The effectiveness of the Department and the Board as perceived by executive directors of other departments of state government and members of the General Assembly.

Survey Methodology

To assess the effectiveness of the Department of Personnel and the State Personnel Board as perceived by outside entities, we surveyed personnel administrators, executive directors, presidents of higher education institutions, members of the General Assembly, and employee organizations. Specifically, we sent the following:

- A survey to 54 personnel administrators at state agencies and higher education institutions.
- An abbreviated version of the above survey to 18 executive directors of state agencies and 27 presidents of higher education institutions.
- A survey to 49 members of the General Assembly, including members of the Government, Veterans, and Military Relations Committees; the Appropriations Committees; and the Business, Labor, and Finance Committees.
- A survey to 6 employee organizations.

In general, we used the same surveys and methodology as in our 1997 audit in order to compare the results. Some changes were made to the 2001 survey to include issues relevant at the time. The surveys covered the following personnel-related issues:

- Examination Process
- Technical Support
- Training
- Rules and Procedures
- Personal Service Contracts

- Pay for Performance System
- Classification, Review, and Staffing
- Grievance and Appeals Process
- Centralization / Decentralization
- Statutory Requirements
- Constitutional Provisions
- Incentive Programs
- Colorado State Employee Assistance Program (CSEAP)
- Computer Systems

We included both close- and open-ended questions on all of the surveys. Respondents rated close-ended questions on a scale of 1 to 5, with 5 being the best (e.g., very effective, very satisfied, very useful, etc.). For analysis purposes, we calculated the average rating for each of the close-ended questions. In the following tables, we provide the 1997 and 2001 average ratings.

Survey Response Rate

The response rate to our surveys varied greatly depending on the participant type. One factor possibly affecting the response rate for executive directors, presidents of higher education institutions, and General Assembly members is the fact that the General Assembly was in session during the audit. At the time of the 1997 audit the General Assembly was not in session. The following response rate was noted for each survey administered:

- 48 of 54 personnel administrators responded to the survey for a response rate of 89 percent.
- 21 of 45 executive directors/presidents responded to the survey for a response rate of 47 percent.
- 9 of 49 General Assembly oversight committee members responded to the survey for a response rate of 18 percent.
- 4 of 6 employee organizations responded to the survey for a response rate of 67 percent.

Summary of Results

Various survey data are used throughout this report as supporting data for issues identified as part of this audit. A complete listing of survey results is summarized in this appendix in the following charts:

- Chart A: Personnel Administrator survey results.
- Chart B: Executive Director and President of Higher Education Institution survey results.
- Chart C: General Assembly oversight committee member survey results.
- Chart D: Employee Organization survey results.

Chart A Personnel Administrators

Examination Process		
Question	1997	2001
1) How would you rate the Department of Personnel's performance in developing and/or assisting with the development of examinations for employment? (1 = Very Ineffective; 5 = Very Effective)	2.8	3.2
2) How would you rate the Department of Personnel's performance in administering examinations (e.g., notifying applicants, ensuring materials and facilities are ready, proctoring examinations, etc.) (1 = Very Ineffective; 5 = Very Effective)	3.6	3.6
3) How would you rate the timeliness with which the Department of Personnel completes the examination process? (1 = Never Timely; 5 = Always Timely)	2.8	3.7
4) How would you rate the frequency of general use examinations given by the Department of Personnel? (1 = Very Infrequently; 5 = Very Frequently)	3.2	3.8

Sample comments related to the examination process:

- We do not believe that post-examination notification is done efficiently.
- Exam development has not been a priority for DOP. There has been some movement in this area over the last year, but not much.
- General use testing is well done. Written, objective test development is lacking.
- DOP needs to create written objective exams for all (most) frequently used classes. Currently DOP takes 6-8 months to develop an exam. Who can wait 6-8 months? Response time is unbelievably slow.
- It would be helpful to have additional written, objective exam choices. It would also be very helpful to have an oral exam "question bank" from which to draw questions for frequently used factors.
- The administration of administrative support exams in outlying areas by DOP would allow candidates from outlying areas the opportunity to test without coming to Denver.
- DOP staff are extremely responsible in this area.
- DOP does not provide applicants with sufficient information when scheduling exams.
- Once a week for the administrative basic test is very timely.

Technical Support		
Question	1997	2001
5) How would you rate the Department of Personnel's performance in providing technical support to your personnel/human resources staff in the area of examinations? (1 = Very Ineffective; 5 = Very Effective)	3.3	3.7
6) How would you rate the Department of Personnel's performance in providing technical support to your personnel/human resources staff in the area of job classification? (1 = Very Ineffective; 5 = Very Effective)	3.7	3.9
7) How would you rate the Department of Personnel's performance in providing technical support to your personnel/human resources staff in the area of applicant selection? (1 = Very Ineffective; 5 = Very Effective)	3.0	3.6
8) How would your rate the Department of Personnel's performance in providing technical support to your personnel/human resources staff in using the Applicant Data System (ADS)? (1 = Very Ineffective; 5 = Very Effective)	3.0	3.2
9) How would you rate the Department of Personnel's performance in providing technical support to your personnel/human resources staff in using EMPL (employee database system)? (1 = Very Ineffective; 5 = Very Effective)	3.8	3.7
10) How would you rate the Department of Personnel's performance in providing technical support to your personnel/human resources staff in using CPPS (central payroll system)? (1 = Very Ineffective; 5 = Very Effective)	4.2	4.2

Sample comments related to technical support:

- Lack of staff available to respond quickly. They are an excellent resource for us and we just wish there were more of them. Recent hirings may help in that area.
- Front-line customer support personnel for systems are helpful but overwhelmed.
- Sometimes the response time is very slow when we contact DOP staff with problems that require a fast response, so we contact human resource staff from other agencies.
- DOP staff excel in this area. Staff members are responsive to all questions and are very timely in handling all concerns.
- On those occasions when technical support has ben sought in these areas, the DOP has always been very helpful and provided timely responses.
- In the area of exams and ADS support we don't know who to call and when we do call, they don't answer.

The Department of Personnel's Training Program		
Question	1997	2000
11) How would you rate the appropriateness of training topics that the Department of Personnel provides to your personnel/human resources staff? (1 = Not Appropriate; 5 = Very Appropriate)	3.1	3.6
12) How would you rate the timeliness of training that the Department of Personnel provides to your personnel/human resources staff? (1 = Not Timely; 5 = Very Timely)	3.0	2.9
13) How would you rate the ability of the Department of Personnel's instructors in training your personnel staff? (1 = Very Ineffective; 5 = Very Effective)	3.3	3.5
14) How would you rate the cost of training in terms of the content of the training? (1 = Very Inappropriate; 5 = Very Appropriate)	2.8	2.9
15) How often do cancellations occur after a training class has been scheduled by the Department of Personnel? (1 = Rarely; 5 = Always)	1.4	2.0

Sample comments related to the Department of Personnel's training program:

- Very little training is offered to human resources staff.
- As a western slope agency we often feel out of the loop. We also have a small training budget and the cost of sessions from DOP puts many opportunities out of our range.
- Sometimes training occurs too late, the process or changes are on the verge of being implemented.
- Training is mostly in terms of HR Networking meetings - not in the classic training classroom setting.
- Have only used once - very satisfactory.
- DOP has a fine training program - we don't use DOP often, however, it is too expensive and too irregular.
- Cost, including transportation, to accommodate something that is required is prohibitive.
- It would be nice to have a general training of what procedures we should implement.
- The types of training offered usually are not in line with our needs. None of the offerings occur in a location closer to us. We always have to go elsewhere for training. When negotiating bringing courses here, it proves too costly or cannot meet our timeframe.

The State Personnel Board's Training Program		
Question	1997	2001
16) How would you rate the appropriateness of training topics that the Personnel Board provides to your department/institution? (1 = Not Appropriate; 5 = Very Appropriate)	na	3.5
17) How would your rate the timeliness of training that the Personnel Board provides to your department/institution? (1 = Not Timely; 5 = Very Timely)	na	3.7
18) How would your rate the ability of the Personnel Board's instructors in training your staff? (1 = Very Ineffective; 5 = Very Effective)	na	3.9

Sample comments related to the State Personnel Board's training program:

- I did not even know that the Board provided training.
- Training from the Board is non-existent.
- No training is provided by the Board.
- I didn't realize they provided training.
- I am only aware of one or two training sessions offered by the Board. Am I missing something?
- Did not know any was offered.
- Not familiar with training provided.
- None is offered.
- Not aware of any training offered by the Board.

Department of Personnel Procedures		
Question	1997	2001
19) How do current Department of Personnel procedures affect your department's/institution's ability to select qualified employees? (1 = Very Negatively; 5 = Very Positively)	2.5	2.9
20) How do current Department of Personnel procedures affect your department's/institution's ability to select employees in a timely manner? (1 = Very Negatively; 5 = Very Positively)	2.5	2.7
21) How do current Department of Personnel procedures affect your department's/institution's ability to dismiss employees for poor performance? (1 = Very Negatively; 5 = Very Positively)	2.4	2.9
22) How do current Department of Personnel procedures affect your department's/institution's ability to promote employees? (1 = Very Negatively; 5 = Very Positively)	3.1	3.2

Sample comments related to Department of Personnel procedures:

- DOP's hands are tied by the Constitution.
- Time lags for advertising, delivery of tests, construction of tests, etc. make the process extremely lengthy.
- Procedures are not the real hindrance to timely selection. Internal controls are the key. Timeliness issues are internal.
- Giving applicants appeal rights on application review is crazy, especially if the appeal process takes up to 90 days to complete.
- Need to be able to refer greater than three applicants to hiring manager - realized this is not a procedure, but would like to see DOP pursue change in rule.
- Departments are now encouraged to give applicants due process in the rejection of an application not meeting minimum qualifications. This encourages appeals and builds delays in an already cumbersome selection process.
- Rules and procedures are quite restrictive and greatly extend the exam process, mainly because of all the appeal processes available to applicants.
- Employees feel it is unfair to have to compete for their own job because of a reclassification.
- The reallocation process is archaic. If you are promoting an employee you are usually not interested in other candidates.

State Personnel Board Rules		
Question	1997	2001
23) How do current Personnel Board rules affect your department's/institution's ability to select qualified employees? (1 = Very Negatively; 5 = Very Positively)	2.5	3.0
24) How do current Personnel Board rules affect your department's/institution's ability to select employees in a timely manner? (1 = Very Negatively; 5 = Very Positively)	2.5	2.6
25) How do current Personnel Board rules affect your department's/institution's ability to dismiss employees for poor performance? (1 = Very Negatively; 5 = Very Positively)	2.4	2.6
26) How do current Personnel Board rules affect your department's/institution's ability to promote employees? (1 = Very Negatively; 5 = Very Positively)	3.1	3.2
27) How responsive is the Personnel Board to making changes in the rules as a result of changes to the statutes? (1 = Not Responsive; 5 = Very Responsive)	3.4	3.5

Sample comments related to State Personnel Board rules:

- Board rules stipulating the use of re-employment lists prior to promotional lists is flawed and impractical.
- Rules as currently written are not clear and concise and allow room for misinterpretation.
- Protection of employee's rights to the detriment of the employer.
- Too long of a selection process. If a qualified person is interested in a job they might not be able to wait 1-2 months financially to be selected for a state job and may accept another position with another company.
- There is a perception that Personnel Board rulings are arbitrary and capricious - never know how Board will rule in a given case.
- In general we are comfortable with state rules pertaining to progressive discipline. In the past, however, it sometimes appeared that the Board had a bias toward employees when reviewing personnel cases.
- We often get complaints that the job evaluation system only takes into account supervisory responsibility in order to promote. We need a dual career track provision that allows for technical expertise - staff authority is too restrictive.
- It is difficult to distinguish what part Personnel Board rules play as opposed to DOP procedures.

Personal Service Contracts		
Question	1997	2001
28) How would you rate your department's/institution's use of personal service contracts? (1 = Never Use; 5 = Always Use)	na	3.4
29) How do state personnel statutes, rules, and policies affect your department's/institution's ability to use personal service contracts? (1 = Very Negatively; 5 = Very Positively)	na	2.8

Sample comments related to personal service contracts:

- Process is time consuming and resource intensive - especially for a small department.
- DOP has always been very responsive when contacted for questions regarding personal service contracts.
- DOP staff are extremely helpful and knowledgeable about this subject.
- We would be more efficient if we could hire temporary services or contract temporary project work rather than hire new classified staff.
- The privatization review is very time-consuming. The staff needs to do a better job integrating their function with the human resource side of things.

Pay for Performance System		
Question	1997	2001
30) Please rate the Department of Personnel's job of involving your department/institution as a stakeholder in the implementation of the new Colorado Performance Pay System? (1 = Not Helpful; 5 = Very Helpful)	3.4	3.0

Sample comments related to Pay for Performance:

- It would be nice if DOP had completed its responsibilities before requiring me to update my plan to reflect those responsibilities.
- Don't implement until 2002.
- Delay it - too much uncertainty has and continues to exist to push implementation on employees.
- Eliminate the Director's procedure requiring z% (maximum performance award) to be set by the Personnel Director. The z% should also be determined by appointing authority as are the x and y rates (mid-level performance awards).
- Delay a year - make final decisions, then implement instead of the other way around.

Classification, Review, and Staffing		
Question	1997	2001
31) How effective is the Department of Personnel in ensuring that class specifications accurately describe the work being done? (1 = Very Ineffective; 5 = Very Effective)	3.1	3.2
32) How helpful was the Department of Personnel's last Performance Improvement Program (PIP) of your department/institution in providing suggestions for improvement? (1 = Not Helpful; 5 = Very Helpful)	2.9	2.6
33) How would you rate the Department of Personnel's staffing levels relative to the services it provides? (1 = Under-Staffed; 5 = Over-Staffed)	2.8	2.2

Sample comments related to classification, review, and staffing:

- Not pleased with person conducting PIP review.
- It is my impression that staffing level is inadequate.
- It's hard to find DOP employees at their desks. They seem to attend a lot of meetings.
- The constitutional role of DOP to oversee and administer the state personnel system has not changed. However, with more managers and fewer front line staff, services have suffered immensely.
- Nobody's ever there "in person" when you need help.
- It takes a number of days to receive responses.
- I have to repeatedly call Personnel to get answers.
- I believe they are understaffed and it causes a delay in their response time to us.
- Services provided and staff are becoming less visible.
- I believe that DOP does an excellent job in assisting agencies. But staff cannot be expected to produce 150% on a daily basis.
- No feedback was provided on PIP.
- They are run ragged. I believe the quality of services would improve if they were adequately staffed.
- No suggestions received from PIP review.

Personnel Board's Grievance and Appeals Process		
Question	1997	2001
34) How effective is the Personnel Board in addressing grievances? (1 = Very Ineffective; 5 = Very Effective)	3.7	2.7
35) How timely is the Personnel Board in addressing grievances? (1 = Never Timely; 5 = Always Timely)	3.9	3.1
36) How effective is the Personnel Board in addressing appeals of actions affecting pay, tenure, and status? (1 = Very Ineffective; 5 = Very Effective)	3.3	3.1
37) How timely is the Personnel Board in addressing appeals of actions affecting pay, tenure, and status? (1 = Never Timely; 5 = Always Timely)	3.5	3.1
38) During the appeals process, how effective is the Personnel Board in making your department/institution aware of its pre-hearing settlement/mediation program? (1 = Very Ineffective; 5 = Very Effective)	3.2	3.0
39) If your department/institution has participated in the Personnel Board's pre-hearing settlement/mediation process, are you satisfied with the process? (1 = Not Satisfied; 5 = Very Satisfied)	3.6	3.1
40) How would you rate the Personnel Board's ability to operate within the time frames of appeals detailed in statute? (1 = Never Timely; 5 = Always Timely)	3.5	3.4

Sample comments related to the State Personnel Board's grievance and appeals process:

- Board sometimes makes unrealistic demands. Mediation should not be mandatory.
- In approximately seven years working with the Personnel Board I'm appalled at all the chaos that surrounds the grievance/appeal processes. Staff in this area are many times rude and unhelpful.
- They operate within the timeframes but the process is difficult. Because managers and appointing authorities' decisions can be overturned managers are very hesitant to make decisions in relation to performance issues.
- Board always meets its deadlines. However, the deadlines are really long. It seems to take forever.

Department of Personnel's Grievance and Appeals Process		
Question	1997	2001
41) How effective is the Department of Personnel in addressing appeals of actions affecting classification? (1 = Very Ineffective; 5 = Very Effective)	3.7	3.6
42) How timely is the Department of Personnel in processing appeals of actions affecting classification? (1 = Never Timely; 5 = Always Timely)	3.9	3.5
43) How effective is the Department of Personnel in addressing appeals of actions affecting selection? (1 = Very Ineffective; 5 = Very Effective)	3.9	3.3
44) How timely is the Department of Personnel in processing appeals of actions affecting selection? (1 = Never Timely; 5 = Always Timely)	4.0	3.2
45) How satisfied are you with the Department of Personnel's investigation of discrimination and whistle blower complaints? (1 = Not Satisfied; 5 = Very Satisfied)	4.0	3.0

Sample comments related to the Department of Personnel's grievance and appeals process:

- Allowing appeals of application rejection after three previous reviews/contacts is a definite step backward.
- Sometimes DOP moves quickly, sometimes it moves slower. There's no consistency.
- Selection should not be appealable.
- 90-day time frame is too long.

Centralization / Decentralization		
Question	1997	2001
46) How would you describe the current division of responsibilities for selection between your department/institution and the Department of Personnel? (1 = Too Centralized; 5 = Too Decentralized)	2.4	2.9
47) What would be your preference for the division of responsibilities for selection between your department/institution and the Department of Personnel? (1 = Fully Centralized; 5 = Fully Decentralized)	4.2	4.4
48) How would you describe the current division of responsibilities for classification between your department/institution and the Department of Personnel? (1 = Too Centralized; 5 = Too Decentralized)	2.3	2.9
49) What would be your preference for the division of responsibilities for classification between your department/institution and the Department of Personnel? (1 = Fully Centralized; 5 = Fully Decentralized)	4.2	4.3

Sample comments related to centralization / decentralization:

- I feel we could perform selection and classification processes locally. Audits from the State could be routinely conducted to determine compliance. This would expedite functions locally.
- Our agency needs to become decentralized. DOP is assisting us in this effort.
- We could be more decentralized if we had more staff and time.
- I think agencies need a contact person in case questions arise or problems occur.
- For classification/compensation services, there is a good balance between DOP and our agency.
- I was delighted a few short years ago to be fully decentralized. Time frames are within our own control.
- Central ADS is more an administrative burden than a help. Should be able to train our own employees in the use of ADS.
- DOP is a very valuable resource in providing guidance.

Statutory Requirements		
Question	1997	2001
50) Please rate how well you believe the state's personnel system meets the following statutory requirements. (1 = Very Ineffective; 5 = Very Effective)		
"To assure that a well-qualified work force is serving the residents of Colorado."	3.2	3.3
"To assure that all segments of its population have an equal opportunity for entry into state employment."	2.9	3.7
"To assure that recruitment be from qualified individuals from appropriate sources."	2.7	3.2

Sample comments related to statutory requirements:

- Remove residency requirements.
- Time requirements make us lose good employees to external private sector.
- This area needs better accountability.
- What is the state doing to market itself as an employer? What resources is the state devoting to recruitment and test development?
- Need better recruiting and marketing strategies.
- I personally believe state jobs are a well-kept secret. Many people never would look on the Internet for a job. Most have no real idea about government jobs. We do not market ourselves very well.

Incentive Programs		
Question	1997	2001
51) How would you rate your department's/institution's use of incentive awards (other than performance pay) as provided in statute (e.g., if an employee makes a suggestion that is implemented by the department and saves the state a certain percentage of money, the employee receives a monetary reward)? (1 = Never Use; 5 = Always Use)	na	1.9
52) How are incentive award programs communicated to employees within your department/institution? (1 = Not Communicated; 2 = Written Communication; 3 = Oral Communication; 4 = Written and Oral Communication)	na	2.3
53) How useful would it be to you to have an Incentive Award Suggestion System Board that evaluates, approves, and recommends employee suggestions? (1 = Not Useful; 5 = Very Useful)	na	2.3
54) How would you rate using incentive awards to motivate and retain employees? (1 = Not Helpful; 5 = Very Helpful)	na	3.6

Sample comments related to incentive programs:

- We do not have incentive awards budgeted at our institution.
- If no money is allocated for this program, there is no sense in trying to get it off the ground.
- We don't find the incentive program appropriate for our employees.
- We do use customer service awards up to \$100 with Division Director approval.
- Have not used an incentive program.
- We don't have budget funds for rewards.
- Incentive awards are only helpful if enough money is available.

CSEAP		
Question	1997	2001
55) How familiar are you and your staff with this program and/or the services it provides? (1 = Not Familiar; 5 = Very Familiar)	na	4.1
56) How would you rate the CSEAP services provided to your department/institution and staff? (1 = Not Helpful; 5 = Very Helpful)	na	4.1
57) How would you rate the benefit of the program in terms of the cost (a voluntary fee assessed to each department/institution of \$4.50 per employee per year)? (1 = Not Beneficial; 5 = Very Beneficial)	na	3.9
58) What is the likelihood that your department/institution would continue to pay the voluntary fee if it were to increase? (1 = Not Likely; 5 = Very Likely)	na	3.2

Sample comments related to CSEAP:

- We love CSEAP. It is an essential resource in today's busy world. We wholeheartedly support them and will pay any fee they deem appropriate.
- This is a plus - benefit. Staff are friendly and cooperative. Results are good.
- We don't have state providers in our area so we have to use our own local system.
- Limited use. We end up subsidizing other agencies at \$4.50 per employee.
- We are very thankful CSEAP is there.
- CSEAP has helped greatly with various workforce problems and tragedies.
- Assessing a fee for other than classified employees who will not avail themselves of CSEAP, especially when there is no local service is far too costly and billing is generating considerable ill-will.

Computer Systems		
Question	1997	2001
59) How do you rate the usefulness of the Department of Personnel's website? (1 = Not Useful; 5 = Very Useful)	na	4.1
60) How reliant is your department/institution on CPPS (the state's payroll system), EMPL (the state's employee database system), and ADS (the Department of Personnel's Applicant Data System)? (1 = Not Reliant; 5 = Very Reliant)	na	4.1
61) How do the current personnel computer systems affect your department's/institution's ability to perform personnel related functions effectively? (1 = Very Negatively; 5 = Very Positively)	na	2.7
62) How well does CPPS serve your needs? (1 = Not Well; 5 = Very Well)	na	3.3
63) How well does EMPL serve your needs? (1 = Not Well; 5 = Very Well)	na	2.8
64) How well does ADS serve your needs? (1 = Not Well; 5 = Very Well)	na	2.4

Sample comments related to the Department's computer systems:

- Training manuals are difficult to learn from. New payroll employees cannot just pick up a manual and fully operate.
- ADS is an antiquated system. Getting new log-ins and getting them to work is difficult.
- ADS is too complicated, not intuitive enough and cumbersome to use.
- CPPS does not provide for extraction of information needed for various reports relative to gender, age, etc.
- The current payroll systems (CPPS, EMPL) are only useful in running payroll, but not for obtaining information needed for government reports.
- We use ADS mostly for scoring exams and for the employee/applicant test history. The systems are antiquated. We would like querying and reporting capabilities.
- We are using ADS as a tracking system. We work around it rather than with it.
- ADS helps us keep track of applicants and enables us to update eligible lists quickly.
- ADS and EMPL are not always accurate or up-to-date.

Chart B

Executive Directors and Presidents of Higher Education Institutions

(Note: The 1997 audit report combined the averages for executive directors and presidents of higher education institutions.)

Rules and Procedures			
Question	2001		
	1997	Executive	Higher Ed
1) How do current Personnel Board rules and Department of Personnel procedures affect your department's/institution's ability to select qualified employees? (1 = Very Negatively; 5 = Very Positively)	2.4	2.8	2.6
2) How do current Personnel Board rules and Department of Personnel procedures affect your department's/institution's ability to select employees in a timely manner? (1 = Very Negatively; 5 = Very Positively)	2.1	2.6	2.1
3) How do current Personnel Board rules and Department of Personnel procedures affect your department's/institution's ability to dismiss employees for poor performance? (1 = Very Negatively; 5 = Very Positively)	2.0	2.6	1.9
4) How do current Personnel Board rules and Department of Personnel procedures affect your department's/institution's ability to promote employees? (1 = Very Negatively; 5 = Very Positively)	3.4	2.8	2.9
5) How responsive is the Personnel Board to making changes in the rules as a result of changes to the statutes? (1 = Not Responsive; 5 = Very Responsive)	3.2	3.3	2.8

Sample comments related to State Personnel Board rules and Department of Personnel procedures:

- Although the procedures are meant to ensure selection is based on merit and fitness, sometimes the strict requirements regarding minimum qualifications prevent us from hiring an individual with exceptional and transferable skills.
- The classifications make it difficult to use promotion as an award. In many cases individuals cannot be promoted without giving them supervisory responsibility.
- The system discourages constructive supervision and promotes destructive documentation.
- As employees grow in their jobs we should be able to expand their job description and compensate them accordingly. Instead, we have to commence a months-long process of advertising a "promotion" and requiring the employee to compete for their own job.

Personal Service Contracts			
Question	1997	2001	
		Executive	Higher Ed
6) How would you rate your department's/institution's use of personal service contracts? (1 = Never Use; 5 = Always Use)	na	3.4	2.8
7) How do state personnel statutes, rules, and policies affect your department's/institution's ability to use personal service contracts? (1 = Very Negatively; 5 = Very Positively)	na	2.8	2.6

Sample comments related to personal service contracts:

- Rules, statutes, and policies inhibit efficiencies by using temporary labor or services when it is not practical to create a permanent position.
- The waiver process is very cumbersome and time consuming. It is not cost-effective for small dollar amounts.
- In this job market, contracts may be the only way to compete.

Pay for Performance System			
Question	1997	2001	
		Executive	Higher Ed
8) Please rate the Department of Personnel's job of involving your department/institution as a stakeholder in the implementation of the new Colorado Performance Pay System? (1 = Not Helpful; 5 = Very Helpful)	3.6	3.0	2.7

Sample comments related to the pay for performance system:

- The state has required training for a state-imposed pay system, but has not provided us with the budgetary means to perform the training.
- Finalize prior to implementing, as opposed to rushing ahead with implementation in the middle of the planned year.
- Although DOP allowed stakeholder input, the new system is still too cumbersome and has too much regulation.

Personnel Board's Grievance and Appeals Process			
Question	1997	2001	
		Executive	Higher Ed
9) How effective is the Personnel Board in addressing issues related to residency waivers? (1 = Very Ineffective; 5 = Very Effective)	na	4.3	3.0
10) How effective is the Personnel Board in addressing grievances? (1 = Very Ineffective; 5 = Very Effective)	3.2	3.0	3.0
11) How timely is the Personnel Board in addressing grievances? (1 = Never Timely; 5 = Always Timely)	3.1	4.3	2.8
12) How effective is the Personnel Board in addressing appeals of actions affecting pay, tenure, and status? (1 = Very Ineffective; 5 = Very Effective)	2.8	3.3	3.0
13) How timely is the Personnel Board in addressing appeals of actions affecting pay, tenure, and status? (1 = Never Timely; 5 = Always Timely)	2.8	4.3	2.6
14) During the appeals process, how effective is the Personnel Board in making your department/institution aware of its pre-hearing settlement/mediation program? (1 = Very Ineffective; 5 = Very Effective)	3.5	4.0	2.2
15) If your department/institution has participated in the Personnel Board's pre-hearing settlement/mediation process, are you satisfied with the process? (1 = Not Satisfied; 5 = Very Satisfied)	3.3	3.0	3.5
16) How would you rate the Personnel Board's ability to operate within the time frames of appeals detailed in statute? (1 = Never Timely; 5 = Always Timely)	3.6	4.7	3.5

Sample comments related to the Personnel Board's grievance and appeals process:

- Residency waivers take too much time to be effective.
- There is a perception that the Board's decisions are arbitrary and capricious.

Department of Personnel's Appeals Process			
Question	1997	2001	
		Executive	Higher Ed
17) How effective is the Department of Personnel in addressing appeals of actions affecting classification? (1 = Very Ineffective; 5 = Very Effective)	3.5	4.0	3.0
18) How timely is the Department of Personnel in processing appeals of actions affecting classification? (1 = Never Timely; 5 = Always Timely)	3.5	3.3	3.3
19) How effective is the Department of Personnel in addressing appeals of actions affecting selection? (1 = Very Ineffective; 5 = Very Effective)	3.6	4.7	3.6
20) How timely is the Department of Personnel in processing appeals of actions affecting selection? (1 = Never Timely; 5 = Always Timely)	3.8	4.0	3.4
21) How satisfied are you with the Department of Personnel's investigation of discrimination and whistle blower complaints? (1 = Not Satisfied; 5 = Very Satisfied)	3.4	4.0	4.3

Sample comments related to the Department of Personnel's appeals process:

- I am very pleased with whistle blower complaints.
- They generally interpret classifications in the most narrow way possible.
- The DOP acted quickly and appropriately while investigating a complaint against an employee.

Centralization/Decentralization			
Question	1997	2001	
		Executive	Higher Ed
22) How would you describe the current division of responsibilities for selection between your department/institution and the Department of Personnel? (1 = Too Centralized; 5 = Too Decentralized)	2.3	2.8	2.0
23) What would be your preference for the division of responsibilities for selection between your department/institution and the Department of Personnel? (1 = Fully Centralized; 5 = Fully Decentralized)	4.6	4.5	4.4
24) How would you describe the current division of responsibilities for classification between your department/institution and the Department of Personnel? (1 = Too Centralized; 5 = Too Decentralized)	2.2	2.7	2.1
25) What would be your preference for the division of responsibilities for classification between your department/institution and the Department of Personnel? (1 = Fully Centralized; 5 = Fully Decentralized)	4.4	4.3	4.4

Sample comments related to centralization / decentralization:

- The centralization is not really the problem. The Department is in chaos, slow, and very restrictive.
- We should be able to adapt or use different methods of evaluating candidates besides standardized tests.
- Activities performed by DOP staff are better performed by agency staff - advertising, creating the applicant pool.
- Very supportive of maintaining our decentralized structure and relationship. Our department is fully decentralized which allows us to achieve the flexibility and quick turnaround that is not given within a centralized system.
- I would like to be able to have a system that is responsive to the needs of my department and at the same time relieves us from the burdens of trying to run our own internal personnel system. What I have now is a system that is unresponsive, impedes us from operating effectively and burdens us with administrative work we do not have the expertise to perform properly.

Statutory Requirements			
Question	1997	2001	
		Executive	Higher Ed
26) Please rate how well you believe the state's personnel system meets the following statutory requirements. (1 = Very Ineffective; 5 = Very Effective)			
"To assure that a well-qualified work force is serving the residents of Colorado."	2.7	3.0	2.3
"To assure that all segments of its population have an equal opportunity for entry into state employment."	3.1	4.2	3.4
"To assure that recruitment be from qualified individuals from appropriate sources."	2.6	2.7	2.6

Sample comments related to statutory requirements:

- Overall, the intent of the system is appropriate, but there are problems with how the system tries to achieve its intent.
- The system assumes that discretion in hiring, compensation, etc. will be abused and therefore, such discretion is so restricted that it inhibits the exercise of good judgment and discourages effective management.
- The system is so inflexible it is hard to see how I can be identifying the best qualified applicants.
- Qualified can mean more than passing a standardized test.

Incentive Programs			
Question	1997	2001	
		Executive	Higher Ed
27) How would you rate your department's/institution's use of incentive awards (other than performance pay) as provided in statute (e.g., if an employee makes a suggestion that is implemented by the department and saves the state a certain percentage of money, the employee receives a monetary reward)? (1 = Never Use; 5 = Always Use)	na	1.7	1.6
28) How are incentive award programs communicated to employees within your department/institution? (1 = Not Communicated; 2 = Written Communication; 3 = Oral Communication; 4 = Written and Oral Communication)	na	2.0	2.7
29) How useful would it be to you to have an Incentive Award Suggestion System Board that evaluates, approves, and recommends employee suggestions? (1 = Not Useful; 5 = Very Useful)	na	2.2	1.3
30) How would you rate using incentive awards to motivate and retain employees? (1 = Not Helpful; 5 = Very Helpful)	na	2.2	3.4

Sample comments related to incentive programs:

- Our budgeting process does not currently include an incentive award program.
- We have staff awards for overall performance once a year, but have never given a "gain sharing" type of award.
- We do not have appropriate funding to implement any extra programs.
- Offering incentives may become an expectation that leads to grievances and refusal to perform anything other than their job description.
- I would rather have employees who are committed to high standards motivated by our overall vision and the way we treat our employees, than have employees who need incentive awards offered before they are willing to make suggestions.
- This department has an incentive program that is highly used and promoted.
- Do not use because no money is available.

CSEAP			
Question	1997	2001	
		Executive Directors	Higher Ed Presidents
31) How familiar are you and your staff with this program and/or the services it provides? (1 = Not Familiar; 5 = Very Familiar)	na	4.0	3.9
32) How would you rate the CSEAP services provided to your department/institution and staff? (1 = Not Helpful; 5 = Very Helpful)	na	4.6	3.1
33) How would you rate the benefit of the program in terms of the cost (a voluntary fee assessed to each department/institution of \$4.50 per employee per year)? (1 = Not Beneficial; 5 = Very Beneficial)	na	4.2	2.8
34) What is the likelihood that your department/institution would continue to pay the voluntary fee if it were to increase? (1 = Not Likely; 5 = Very Likely)	na	4.0	2.2

Sample comments related to CSEAP:

- Our agency has called upon CSEAP to assist many times and found them to be extremely responsive to our needs.
- We would like to support CSEAP, however, our budget is always tight.
- CSEAP is an excellent program. State employees are very fortunate to have the services of such a high quality program.

Computer Systems			
Question	1997	2001	
		Executive	Higher Ed
35) How reliant is your department/institution on CPPS (the state's payroll system), EMPL (the state's employee database system), and ADS (the Department of Personnel's Applicant Data System)? (1 = Not Reliant; 5 = Very Reliant)	na	4.7	2.9
36)How do the current personnel computer systems affect your department's/institution's ability to perform personnel related functions effectively? (1 = Very Negatively; 5 = Very Positively)	na	2.3	2.5
37) How well does CPPS serve your needs? (1 = Not Well; 5 = Very Well)	na	2.8	2.5
38) How well does EMPL serve your needs? (1 = Not Well; 5 = Very Well)	na	2.7	1.8
39) How well does ADS serve your need? (1 = Not Well; 5 = Very Well)	na	2.8	2.5

Sample comments related to the Department's computer systems:

- Systems are antiquated and not compatible with our internal position control and accounting systems.
- The systems are difficult to use and are inconsistent.
- We are on our own payroll/personnel system, but we are required to maintain DOP's systems also. Dual entry is cumbersome and not very efficient.
- The CPPS and EMPL systems are outdated and do not interface with our current timekeeping systems.

Chart C

General Assembly Oversight Committee Members

(**Note:** The 1997 audit report looked at the percent of committee members rating the Department as effective or ineffective for the following factors.)

Oversight Committee Members' Survey Responses			
Question	1997		2001
	Effective	Ineffective	Average
1) How effective is the Department of Personnel in administering the state personnel system? (1 = Very Ineffective; 5 = Very Effective)	58%	13%	2.6
2) How would you describe the effectiveness of the Department of Personnel's appeals process? (1 = Very Ineffective; 5 = Very Effective)	21%	13%	2.7
3) How would you rate your overall satisfaction with the Department of Personnel's implementation of the performance pay system and any other incentive programs? (1 = Very Ineffective; 5 = Very Effective)	na	na	2.2
4) How would you describe the Personnel Board's effectiveness in creating a sound, comprehensive, and uniform system of personnel management through the issuance of rules? (1 = Very Ineffective; 5 = Very Effective)	na	na	2.4
5) How would you rate the Personnel Board's responsiveness to making changes in the rules as a result of changes to the statutes? (1 = Very Ineffective; 5 = Very Effective)	na	na	2.5
6) How would you rate the timeliness of the Personnel Board's appeals process? (1 = Never Timely; 5 = Always Timely)	na	na	1.3
7) How would you rate the effectiveness of the Personnel Board's appeals process? (1 = Very Ineffective; 5 = Very Effective)	29%	29%	2.0
8) How would you rate the timeliness of the Personnel Board's grievance process? (1 = Never Timely; 5 = Always Timely)	na	na	1.8
9) How would you rate the effectiveness of the Personnel Board's grievance process? (1 = Very Ineffective; 5 = Very Effective)	29%	29%	2.3

Statutory Requirements				
Question	1997		2001	
10) Do you believe the state personnel system ensures that a well-qualified work force is serving the residents of Colorado?	Yes 12	No 9	Yes 2	No 3
11) Do you believe the state personnel system ensures that all segments of its population have an equal opportunity for entry into state employment?	Yes 15	No 5	Yes 4	No 1
12) Do you believe the state personnel system ensures that qualified individuals are recruited from appropriate sources for available positions?	Yes 11	No 6	Yes 2	No 2

Sample comments:

- When we are limited to only three applicants, we do not always get the best people. Some people do not do their best on a test.
- The temporary employment restrictions have a negative effect on the personnel system.
- Individual agencies should have more input in hiring.
- The recruitment process takes so long that the employee has been hired by someone.
- Decentralization has led to inconsistent application of procedures.
- Each individual agency should be able to test their own applicants.
- I prefer decentralization with accountability. Individual agencies should have more responsibilities, but with more accountability. DOP should be the enforcer.
- Centralized procedures, such as testing, may be beneficial. However, departments should retain interviewing and selection.
- DOP's communication has improved, but it is still lacking. DOP's oversight - fair.
- Communications are stretched and oversight is difficult.
- DOP should not be encouraging agencies to contract for services.
- CSEAP ought to be funded.
- CSEAP is a benefit and should be funded. All employees should pay.
- The main problem with the personnel system is that it is outdated for the job market of today. The system is too slow as the private industry is hiring long before we can interview those same applicants.

Chart D Employee Organizations

Employee Organization Survey Responses	
Question	2001 Average
1) How effective is the Department of Personnel in administering the state personnel system? (1 = Very Ineffective; 5 = Very Effective)	2.8
2) How effective is the Department of Personnel's appeals process, if applicable? (1 = Very Ineffective; 5 = Very Effective)	2.3
3) How would you describe the timeliness of the Personnel Board's appeals process, if applicable? (1 = Never Timely; 5 = Always Timely)	4.0
4) How would you describe the effectiveness of the Personnel Board's appeals process, if applicable? (1 = Very Ineffective; 5 = Very Effective)	3.8
5) How would you describe the timeliness of the Personnel Board's grievance process, if applicable? (1 = Never Timely; 5 = Always Timely)	3.8
6) How would you describe the effectiveness of the Personnel Board's grievance process, if applicable? (1 = Very Ineffective; 5 = Very Effective)	3.5
7) Do you believe the state personnel system ensures that a well-qualified work force is serving the residents of Colorado?	Yes - 1 No - 1 Yes and No - 2
8) Do you believe the state personnel system ensures that all segments of its population have an equal opportunity for entry into state government?	Yes - 2 No - 0 Yes and No - 2
9) Do you believe the state personnel system ensures that qualified individuals are recruited from appropriate sources for available positions?	Yes - 2 No - 1 Yes and No - 1

(Note: The 1997 audit did not survey employee organizations.)

Sample comments:

- There seems to be too much patronage at upper level management. The rules seem to be enforced only when it benefits them.
- They have a good web-site so people all over the state can apply for jobs.
- I do not believe the "system" ensures effective recruitment. The effectiveness of the recruitment process is really the result of individual managers and human resource professional's actions.
- The Department is in a state of denial. Pay for performance will be difficult, if not impossible, to implement without major changes at administrative levels.
- Our union refers state employees to CSEAP for particular issues/problems. CSEAP has always been helpful and allowed employees to find appropriate and professional resolutions. They often help those in need during difficult times.
- There would be a global benefit if DOP were to include employee unions/organizations in the discussions and development of new initiatives - including those that impact the rights, benefits, and working conditions of state employees.
- Privatization is a buzz word that people use and misinterpret to mean something is done cheaper and better. This is usually not the case. State employees do things with quality and in a cost-effective manner.
- The DOP needs to be more of a mentor. They need to know what each agency is doing.
- DOP does not serve as an enforcement entity - there is really no oversight of the application/implementation of personnel rules or human resource functions.
- DOP does not take a leadership role in statewide human resource issues. With decentralization their focus should be guidance, assistance, and improvement. Instead, I see them as inaccessible regulators who don't help agencies proactively.

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