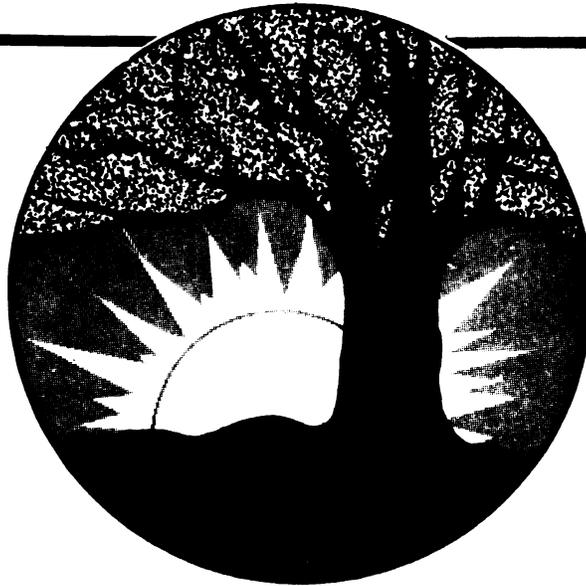


PERFORMANCE AUDIT

Department of Human Resources
and the
Civil Service Commission
January 2011



Justin P. Wilson
Comptroller of the Treasury



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January 28, 2011

The Honorable Ron Ramsey
Speaker of the Senate
The Honorable Beth Harwell
Speaker of the House of Representatives
The Honorable Bo Watson, Chair
Senate Committee on Government Operations
The Honorable Jim Cobb, Chair
House Committee on Government Operations
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Department of Human Resources and the related Civil Service Commission. This audit was conducted pursuant to the requirements of Section 4-29-111, *Tennessee Code Annotated*, the Tennessee Governmental Entity Review Law.

This report is intended to aid the Joint Government Operations Committee in its review to determine whether the department and the related board should be continued, restructured, or terminated.

Sincerely,

Arthur A. Hayes, Jr., CPA
Director

AAH/js
09-087

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Performance Audit

Department of Human Resources and the Civil Service Commission

January 2011

AUDIT OBJECTIVES

The objectives of the audit were to determine the role of the department in relation to the Title VI Compliance Commission, to determine the efficiency and effectiveness of procedures used to rate applicants for state employment, to determine whether the department's controls prevent circumvention of the hiring rules, to determine whether the responsibilities of the department and of other state agencies with regard to the hiring process are clearly defined and communicated, to determine whether the department has controls to prevent or detect applicants using identities other than their own in the application process, to determine whether the department has improved its employee performance evaluation procedure, to determine whether the agency has improved controls over contract processing, to determine whether the appeals process of the Civil Service Commission has improved, to determine whether the department has established an adequate leave policy related to military leave, to follow up on complaints received from state agencies and separated employees about the delay in receiving final or lump sum payments, to determine how the reliability of data processed may be affected by new systems and review access to the systems, to determine whether the department properly accounts for equipment, to determine whether examinations may result in the inaccurate rating of applicants, to determine the appropriateness of the process of giving advice to employees or agencies who file complaints, and to determine whether staff of the sick leave bank are properly accounting for transactions.

FINDING

The Department of Human Resources' Rules Have Not Been Revised for at Least Ten Years; This Conflicts With the Department's Responsibilities as Outlined in the State's Strategic Plan

Despite the statements in Department of Human Resources' section of the state's

Strategic Plans that the department's core responsibilities include designing and implementing "policies and practices to effectively manage the human resource needs of state government," the rules of the department were last revised more than ten years ago, in May 1999 (page 9).

OBSERVATIONS AND COMMENTS

The audit also discusses the following issues: transfer of the duties and responsibilities formerly held by the Title VI Compliance Commission to the Tennessee Human Rights Commission, perspective of user agencies on the procedures used to rate and select applicants, possibility of circumvention of rules for hiring and promotion, communication of responsibilities to hiring agencies, theft of applicants' identities, performance evaluations of department staff, contract monitoring by the department, activities of the Civil Service Commission, agreement of military leave policy with statute, timeliness of employee separation transactions, systems and data reliability, accounting for equipment, process of examinations development, relations with employees of other agencies, and transactions of the sick leave bank (page 11).

Performance Audit
Department of Human Resources and the
Civil Service Commission

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Performance Audit Department of Human Resources and the Civil Service Commission

INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Tennessee Department of Human Resources and the Civil Service Commission was conducted pursuant to the Tennessee Governmental Entity Review Law, *Tennessee Code Annotated*, Title 4, Chapter 29. Under Section 4-29-232, *Tennessee Code Annotated*, both the Department of Human Resources and the Civil Service Commission are scheduled to terminate June 30, 2011. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agency and to report to the Joint Government Operations Committee of the General Assembly. The audit is intended to aid the committee in determining whether the Tennessee Department of Human Resources and the Civil Service Commission should be continued, restructured, or terminated.

ADDITIONAL WORK BY THE DIVISION OF STATE AUDIT

In addition to the work done in this performance audit of the Tennessee Department of Human Resources, other staff of the Division of State Audit have examined the overall hiring and promoting process in the State of Tennessee, the career service system. The results of that work will be issued under separate cover.

OBJECTIVES OF THE AUDIT

The overall objectives of this audit were to review the agency's and the commission's legislative mandates and the extent to which the agency and commission have carried out those mandates efficiently and effectively, and to make recommendations that might result in more efficient and effective operation of the agency and the commission. To that end, we focused our efforts on the following issues:

1. Determine the role of the department in relation to the Title VI Compliance Commission.
2. Determine the efficiency and effectiveness of procedures used to rate applicants for state employment.

3. Determine whether the department's controls prevent circumvention of the hiring rules.
4. Determine whether the responsibilities of the department and of other state agencies with regard to the hiring process are clearly defined and communicated.
5. Determine whether the department has controls to prevent or detect applicants using identities other than their own in the application process.
6. Determine whether the department has improved its employee performance evaluation procedure.
7. Determine whether the agency has improved controls over contract processing.
8. Determine whether the appeals process of the Civil Service Commission has improved.
9. Determine whether the department has established an adequate leave policy related to military leave.
10. Follow up on complaints received from state agencies and separated employees about the delay in receiving final or lump sum payments.
11. Determine how the reliability of data processed may be affected by new systems and review access to the systems.
12. Determine whether the department properly accounts for equipment.
13. Determine whether examinations may result in the inaccurate rating of applicants.
14. Determine the appropriateness of the process of giving advice to employees or agencies who file complaints.
15. Determine whether staff of the sick leave bank are properly accounting for transactions.

SCOPE AND METHODOLOGY OF THE AUDIT

We reviewed the activities of the Tennessee Department of Human Resources for the period from June 1999, the date of the prior performance audit report, through June 2009, but concentrated on fiscal years 2007-2009. We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence

obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our methodology included

1. a review of applicable legislation and policies and procedures;
2. interviews with staff of client agencies, department management and staff, and representatives of related advocacy groups;
3. examination of the entity's records, files, reports, and information summaries;
4. observation of department procedures including those for designing and administering examinations, receiving and rating applications, maintaining applicant and personnel records, providing training, processing leave and separation transactions, purchasing, and responding to complaints; and
5. a review of the entity's vendor proposals, contracts, equipment records, and payment records.

HISTORY AND STATUTORY RESPONSIBILITIES

In 1939, the General Assembly established the Department of Personnel in *Tennessee Code Annotated*, Title 4, Chapter 3, Section 17, as a separate state agency. The Civil Service Commission was created to work with the department in establishing guidelines for administering a civil service examination. Section 8-30-201 et seq., *Tennessee Code Annotated*, establishes a "personnel administration based on merit principles and scientific methods to govern the appointment, promotion, transfer, layoff, removal, and discipline of employees, and other incidents of state employment."

On April 24, 2007, the Department of Personnel changed its name to the Department of Human Resources. The Department of Human Resources advises the Governor on human resource policies; assists departments and agencies in carrying out human resource practices; administers provisions of the Civil Service Act; provides departments and agencies with a pool of qualified applicants for employment selection; and develops a career oriented work force through effective management, training, and communication. The department maintains the records of both state employees and applicants. Finally, the department approves, coordinates, and conducts training and career development courses for all departments of state government.

The responsibilities of the department are distributed among ten divisions:

- The responsibilities of the Administrative Services Division include fiscal services, human resource management, contract management, and payroll. The division also reviews personal service contracts and delegated purchase authorities processed by all state agencies.

- The Applicant Services Division administers employment examinations for career service positions with the state. The department prepares hiring lists (registers) of qualified applicants for open positions and promotions.
- The Classification/Compensation Division reviews and maintains data on salaries and benefits of private sector employees in Tennessee and other southeast states to ensure that state employees are properly classified and fairly compensated.
- The Strategic Learning Solutions Division works with agencies to provide learning products and services.
- The Equal Employment Opportunity /Americans with Disabilities/Affirmative Action Division provides assistance to agencies and employees and oversees compliance with federal and state laws pertaining to these areas.
- The Employee Relations Division provides information and advice to state employees, supervisors, managers, agency heads, human resource officers, and the public regarding civil service laws, rules, and policy. The information includes disciplinary and grievance procedures and other employment practices.
- The Examination Development Division develops, monitors, and revises assessment methods for career services job classifications.
- The Research Division serves as an internal consultant in industrial-organizational psychology to the department and other executive branch agencies by providing information, reviewing policy options, and offering recommendations.
- The Systems Division provides information systems support for the department.
- The Technical Services Division provides assistance to state agencies regarding policies and procedures for attendance and leave, civil service registers, employee personnel transactions, and certain payroll issues. This division is also responsible for maintaining records of former state employees and current applicants.

The Department of Human Resources also performs administrative services for two related entities.

- The Governor's Advisory Committee on Equal Employment Opportunity is composed of nine board members who meet semiannually to review state government policy and procedures to ensure compliance governing fair employment practices. The Commissioner of the Department of Human Resources serves as the chair, and the director of the EEO/ADA division coordinates the meetings.
- The Civil Service Commission serves as an independent appeals body for state employees through the state's five-step grievance procedure. The nine board members

are appointed by the Governor for six-year terms, and the Commissioner of Human Resources serves as secretary. In accordance with Section 8-30-107, *Tennessee Code Annotated*, the commission meets at least quarterly. Staff of the Department of Human Resources help coordinate and publicize the meetings, which are open to the public.

STATE EMPLOYMENT CATEGORIES

The statute that established the Department of Personnel and defined the department's duties and responsibilities also defined "state service," then divided state service into "executive service" and "career service." State service includes all positions of state employment except positions in the areas listed below:

- legislative branch, including the fiscal review committee;
- judicial branch, including the administrative director of the courts;
- Office of the Secretary of State;
- Office of the State Treasurer;
- Office of the Comptroller of the Treasury;
- Office of the Attorney General and Reporter;
- Offices of the District Attorneys General and the District Public Defenders;
- schools, institutions, and entities governed by the Tennessee Board of Regents and the University of Tennessee Board of Trustees;
- boards and commissions attached to the entities listed above;
- Tennessee Higher Education Commission; and
- Tennessee Advisory Commission on Intergovernmental Relations.

Employees included in state service (not in the exceptions listed above) are further divided into executive service and career service. Executive service includes positions in the areas listed below:

- members of boards, commissions, agencies, and authorities, the chief executive officer of each, and the commissioner of each department;

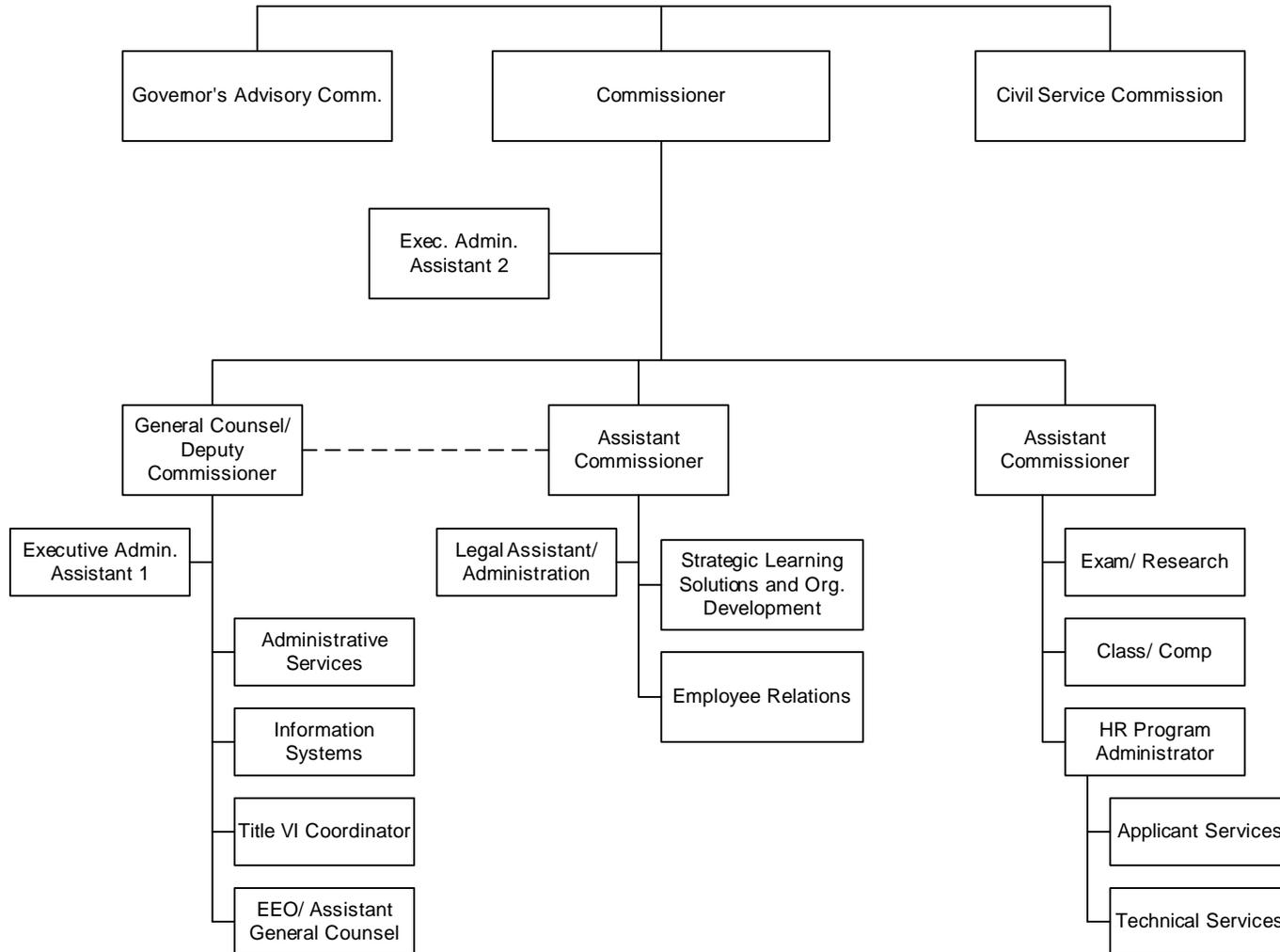
- deputy commissioner or equivalent in each department and agency;
- assistant commissioner or equivalent in each department or agency;
- division director or equivalent with statewide responsibility;
- person in a confidential administrative or program management capacity to a commissioner, deputy commissioner, assistant commissioner, or equivalent;
- all positions in the Governor's office; and
- wardens and directors of correctional institutions and superintendants of mental health and mental retardation institutions.

All other regular full-time positions in state service are defined as career service.

TITLE VI COMPLIANCE

Neither the Tennessee Department of Human Resources nor the administratively related entities receive federal funds so none are required to prepare a Title VI Implementation Plan.

Department of Human Resources
May 2009



REVENUES AND EXPENDITURES

For fiscal year 2010, the Department of Human Resources received current services and interdepartmental revenue in the amount of \$6,552,000. The balance between this revenue and the amount of expenses was made up by state appropriations (\$1,637,100). The department does not receive any federal money. The table below shows the department's expenses for fiscal year 2010.

Department of Human Resources Expenses for Fiscal Year 2010

<i>Account</i>	<i>Expenditures</i>	<i>Percent of Total</i>
Personal Services	\$4,440,300	54.2%
Employee Benefits	1,654,700	20.2%
Professional Services from Other State Agencies	1,354,000	16.5%
Professional and Administrative Services	446,100	5.5%
Supplies	99,100	1.2%
Computer Related Items	45,900	0.6%
Communications and Shipping	43,400	0.5%
Travel	36,700	0.5%
Printing, Duplicating, Film Processing	29,800	0.4%
Rentals and Insurance	19,200	0.2%
Training for State Employees	12,100	0.1%
Maintenance, Repairs, and Services	4,500	0.1%
Awards and Indemnities	2,500	0.0%
Unclassified Expenses	<u>800</u>	<u>0.0%</u>
Total Expenses	<u>\$8,189,100</u>	<u>100.0%</u>

Source: Department of Human Resources Administrative Services Staff.

NEOGOV

NEOGOV is a private company that contracts with the State of Tennessee to provide personnel management software along with related support and maintenance services. The company designed, implemented, and now maintains the software of the same name that tracks data records of applicants for state jobs through the Department of Human Resources. The Department of Finance and Administration (F&A) contracted with NEOGOV to provide the Applicant Services functions for the Department of Human Resources because the vendor of the Edison Enterprise Resource Planning system could not provide those functions as part of its package. The NEOGOV software is considered by F&A to be part of the Edison system, and F&A maintains responsibility for the operation of NEOGOV.

FINDING AND RECOMMENDATION

The Department of Human Resources' rules have not been revised for at least ten years; this conflicts with the department's responsibilities as outlined in the state's strategic plan

Finding

The March 2008 Financial and Compliance audit report contained a finding that the Department of Human Resources had developed leave policies that were not congruous with state law. While the specific case discussed there has been resolved, we found that the rules of the department have not been reviewed and updated since May 1999.

Despite the statements in Department of Human Resources' section of the state's Strategic Plans that the department's core responsibilities include designing and implementing "policies and practices to effectively manage the human resource needs of state government," the rules of the department were last revised more than ten years ago (May 1999). Department management stated they have been working on updating the complete rules since 2007, but they have not yet produced a draft for the approval of the Attorney General's Office. For example, the statute on allowable military leave was changed by the General Assembly in June 2007, but the rules of the Department of Human Resources were not changed to correspond to the law. This issue was discussed during a financial audit in 2008. In 2009, the attorney for the department told us that staff of the department were in the process of changing the rules as a whole instead of changing individual rules and expected all changes to be completed by December 2009. The attorney left the department soon after that, and the rules were not completed at that time. Though not part of the rules of the department, we also found online links that reference the "Department of Personnel," though the name was changed to the Department of Human Resources in 2007.

Recommendation

With the ongoing changes in technology and procedures, management's monitoring of statutes, rules, policies, and procedures should be a continuous effort. Anticipating and planning for necessary changes to rules should be considered especially important when management is aware of the extensive time and effort required to draft new rules and have them approved. All public documents and Internet links that reference the "Department of Personnel" should be updated to read "Department of Human Resources."

Management's Comment

We concur in part. It is true that a wholesale revision of the Rules of the Department of Human Resources has not been conducted since 1999. However, the rules and practices of the Department have not radically changed since that time. As explained to the auditors, changing rules is a lengthy process involving different program areas. Rules must receive public approval, and then be approved by the Attorney General, the Secretary of State, and the General Assembly. Because of this, rule changes are typically only done when there is a major change in the law or the Department's practices. When minor conflicts occur in the law and our rules, the Department follows the law and updates its manuals and policies accordingly, notifying agencies of the change. It is not uncommon for agencies to forgo the revision of rules especially if there are no major changes in the law.

However, with that said, the revised Rules of the Department of Human Resources have been approved by the Attorney General and the Secretary of State. The Rules are pending and awaiting public comment and can be found on the Secretary of State's website at <http://tnsos.org/rules/PendingRules.php/>. The public comment period expires February 11, 2011 and, assuming no requests for a public hearing, the effective date of the rules will be May 31, 2011. However, on January 19, 2011, the Governor announced a 45-day freeze on any new regulations and rules as a part of the top to bottom review of state government. Consequently, the effective date of the revised rules may be delayed.

OBSERVATIONS AND COMMENTS

The topics discussed below did not warrant a finding but are included in this report because of their effect on the operations of the Department of Human Resources, the Civil Service Commission, and the citizens of Tennessee.

TITLE VI COMPLIANCE COMMISSION

Operations of the Title VI Compliance Commission have ceased. Established by *Executive Order 34* on August 9, 2002, under former Governor Don Sundquist, the Title VI Compliance Commission has not been operating for several years. The commission has not been able to gather a quorum to conduct a meeting since March 2004. The appointed commission members' terms expired in October 2008, and no new members were appointed. The former director of the commission retired in January 2008 and was not replaced.

The Department of Human Resources' responsibilities for the commission were strictly administrative. Following the retirement of the executive director and the ensuing lapse in the commission's activity, department staff forwarded complaint calls to the appropriate department for action but did not maintain a log of complaints received. In 2009, the General Assembly passed legislation that transferred the duties and responsibilities formerly held by the Title VI Compliance Commission to the Tennessee Human Rights Commission (THRC). The 2009 legislation also requires state agencies to submit their 2010 and subsequent Title VI Implementation Plans to the THRC.

APPLICANT RATING PROCESS

We interviewed user agencies to obtain their perspective on the procedures used by the Department of Human Resources to rate and select applicants for state positions. Staff of several state agencies we spoke to expressed complaints about the selection system. One complaint is that job descriptions do not match the needs of the positions. However, the Department of Human Resources does not initiate changes in job descriptions. It is the responsibility of user agencies to update job descriptions to match the needs of the positions.

Another complaint expressed by human resource staff of user agencies is that state law limits them to the top three candidates (for promotion) or top five candidates (to hire from), and unnecessarily restricts their pool of available candidates. Some individuals rated in the top three or five do not actually want to fill the open position (they may be "exploring" positions in state government for which they qualify); other times the agency does not find a good fit right away so it lets the register expire and starts over. Sometimes restrictions within a job description

disqualify current employees from promotion even though they have ample experience to perform the duties of the new position. Other comments made include the following issues:

- There are too many job classifications to keep current. Although some job classes have been updated, some classes have not been reviewed by the department in more than 25 years. Staff of state agencies cannot fix problems or make procedures more efficient until the number of classifications is reduced.
- A routine or scheduled review should be completed regarding how job guidelines are interpreted by raters and the method used to interpret and calculate experience for both internal and external candidates.
- Extra paperwork and maintenance are required because of the adoption of the Edison and NEOGOV systems, but agencies did not get additional staff to help with the additional duties.

CIRCUMVENTION OF RULES FOR HIRING AND PROMOTIONS

State agencies can only promote or hire individuals for career service positions from the top three or five candidates, respectively. If an agency wishes to promote or hire a person not in the top three or five eligible applicants, staff of the agency would need to collude with staff of the Department of Human Resources to manipulate the score of the preferred candidate in order to place the individual in the top three or five applicants on the register. We did not detect any evidence of this occurring.

COMMUNICATION OF RESPONSIBILITIES

Staff of the Department of Human Resources, in cooperation with hiring agencies, are responsible for designing both the job classifications and the knowledge and skills assessment examinations. The Department of Human Resources is responsible for administering and scoring examinations, and for evaluating applications. Analysis of background information and education listed in an application is critically important to rating an applicant accurately. The Department of Human Resources has communicated to hiring agencies that the hiring agencies, not the Department of Human Resources, are ultimately responsible for verifying the education, certifications, work experience, and other background data on applications of those individuals “seriously considered for appointment” or promotion. If an agency finds evidence of a discrepancy, intentional omission, or misrepresentation of fact, the Department of Human Resources will determine the final disposition. To communicate this policy, on August 14, 2008, the Department of Human Resources distributed a policy memo to this effect to department and agency heads.

As part of its role, the Department of Human Resources routinely distributes policy changes and other guidance in memo form to other state agencies. These policy memos are

normally general in language so recipient agencies often need to make modifications to tailor the policy for use by their own employees. In our discussions with representatives of client agencies, some shared a concern that the Department of Human Resources does not always send written policy changes in a form that can be easily forwarded directly to employees. When this happens, the agencies must prepare their interpretations of the policy memos, which can lead to inconsistent application of the rule or policy change.

IDENTITY THEFT

Several years prior to this audit, the department experienced a case where an individual whose identity had previously been stolen applied for a state job. The applicant was required to provide additional documentation to ensure that the applicant was not the identity thief. The department has control procedures in the application process to prevent or detect instances of applicants using false identities or another person's identity to apply, but the department emphasizes that the ultimate responsibility lies with the hiring agency to perform the needed background checks and verify the identity of the persons they hire.

EMPLOYEE EVALUATIONS

Timely completion of employee evaluations by staff of the Department of Human Resources was an issue in a past audit. We selected the files of ten employees within the department and found that three of ten files tested (30%) did not contain a timely performance evaluation. While the department has not resolved this issue, based on review of these ten files, the department has improved by reducing the time that evaluations are late from months to days.

CONTRACT MONITORING

The March 2008 Financial and Compliance audit report of the Department of Human Resources said that the department needs to exercise greater control in monitoring contracts. We determined that since that audit, the agency has improved controls over contract monitoring in accordance with the corrective action plan submitted. We found no cases where the department made payments in excess of the maximum amount of a contract. However, we found one of six contracts (16.7%) for which the department could not find documentation of the required request for proposal. We also found that in documenting noncompetitively bid contracts, the department did not always include names of all vendors considered or related cost ranges to support the selected proposal. In addition, we found that 20 of 195 contracts (10%) were not processed within 3 days, a goal of the department's 2008-2009 Strategic Plan.

CIVIL SERVICE COMMISSION

The statutory duties of the Civil Service Commission include representing public interest in the improvement of state personnel administration and hearing civil service appeals. The commission is the final step in the grievance process provided for regular employees. The June 1999 performance audit of the Department of Human Resources (then Department of Personnel) found a lengthy process for cases, including adjudication by an administrative law judge followed by appeal to the Civil Service Commission. The representative of the Department of Human Resources on the Civil Service Commission neither votes on commission matters nor has any power over when the commission chooses to hold meetings and hear appeals. It is not the department but the administrative law judge that determines when the commission meets to hear appeals. We noted a decrease since the previous audit in the number of appeals filed with the commission by state employees but could not make a more detailed assessment of timeliness because of limited data kept by commission staff. The Civil Service Commission should maintain more detailed tracking information to determine whether the timeliness of individual appeals has improved.

EMPLOYEE LEAVE/MILITARY LEAVE POLICY

The March 2008 Financial and Compliance audit found the Department of Human Resources' rules and policies and procedures for leave did not agree with each other or with current *Tennessee Code Annotated*. We determined that the department has made some effort to resolve the issue. Department staff have communicated to state agencies that the number of days of military leave has changed and have drafted revisions to the rules for military leave, but these revisions have become part of a larger effort to revise all the department's rules and have not been through the approval process. Revisions to the rules, dated 1999, have not kept pace with changes in statutes. We address this issue in Finding 1 above.

EMPLOYEE LEAVE/SEPARATION TRANSACTIONS

The Office of the Comptroller of the Treasury received complaints of significant delays in processing final or lump sum payments following an individual's separation from state employment. The primary follow-up work to address this issue was done by other State Audit personnel besides this audit team. Other personnel reported the conclusions of their work in a memo to the Commissioner of Human Resources. We and they found that at least some of the difficulties were related to the new Edison statewide computer system. To counteract the effects of Edison, the Department of Human Resources instituted some procedural changes beginning April 2009 that helped department staff process final checks more timely. The changes include having the Technical Services Division track errors and omissions by each agency to evaluate each agency's performance, provide each agency with full descriptions of transactions, and more fully audit the work of department personnel. If staff of the Department of Human Resources follow this plan, the agency should make considerable progress toward appropriate controls over processing separation transactions efficiently, effectively, and timely.

SYSTEMS AND DATA RELIABILITY

Some informational screens and edit checks that were available previously are absent in the new Edison ERP system so supervisory staff review certain transactions. The Department of Human Resources relies on the Department of Finance and Administration's Office for Information Resources (OIR) to maintain physical and information security for the personnel data and personal information stored in the Edison and NEOGOV systems. The mainframe for the historical employee data stored in the previously used State Employee Information System (SEIS) is physically secured by OIR, and the removal of access to the system's component functions is maintained by OIR. Since the changeover to the new Edison and NEOGOV systems, no additional information is stored on the SEIS system, and access to the SEIS is read-only. While we found no evidence of improper access, we recommend that the Department of Human Resources keep its internal list of employees and related access current.

EQUIPMENT

We followed up on prior audit findings and observations to determine whether the Department of Human Resources properly accounts for equipment. We determined that the department accurately reports equipment and promptly detects missing or stolen items. The prior audit finding is resolved.

EXAMINATIONS DEVELOPMENT

We reviewed the processes used by the Examinations Development Division of the Department of Human Resources to determine whether examinations for career service positions might result in inaccurate rating of applicants or be an ineffective indicator of future job performance. Staff of the department do not use commercially produced standardized tests, but use the federal policy *Uniform Guidelines on Employee Selection Procedures*, to develop examinations that test applicants' knowledge, skills, and abilities. Staff also incorporate the specialized knowledge of hiring agencies' employees designated as subject matter experts. States across the country use a similar approach and follow the same federal guidelines. Some state agencies in Tennessee outsource their examinations for their new hires. One example is the Department of Safety, which outsources the Tennessee Highway Patrol examination.

The examinations development process appears effective and should make it unlikely that an applicant will be inaccurately rated. To improve the process even further, staff of the Department of Human Resources should schedule regular reviews and updates of testing material with user agencies rather than wait for revisions initiated at the request of a user agency.

EMPLOYEE RELATIONS

The Employee Relations Division of the Department of Human Resources is an advisor to other state departments in the area of state employee complaints. However, performance data of that division could not be tested because the division does not maintain records or data related to requests for information. As a result, we could not determine which state agencies are receiving the most complaints, the nature of those complaints, or the timeliness to resolution. Information of this type would not only demonstrate the performance of the division, but could also help determine compliance with the department's *Strategic Plan*. The division should maintain data of its activities.

SICK LEAVE BANK

The Sick Leave Bank program is financially self-sufficient, and policies and procedures have been implemented for the Department of Human Resources to adequately manage the Sick Leave Bank. However, some major accounting errors occurred during the implementation of Edison beginning in October 2008. The errors were corrected during late 2009 through early 2010. Several months passed between the implementation of the Edison system and the detection of the allocation errors, but they were fully resolved by June 30, 2010.

RECOMMENDATIONS

ADMINISTRATIVE

The Department of Human Resources should address the following areas to provide adequate support to state departments and agencies:

- Management's monitoring of statutes and updating of rules, policies, and procedures should be a continuous effort so that policies and procedures will keep pace with changes in law and technology.
- The department should improve efforts to prepare performance evaluations timely and monitor compliance both within the department and statewide.
- The department should ensure that all supporting documentation is retained for decisions made during the Request for Proposal process. For noncompetitive contacts, documentation should include, at a minimum, the names of all vendors considered and support for all procurement costs.
- The department should ensure that contracts are processed within the required time frames and in accordance with the department's Strategic Plan.
- Management should maintain recommended controls for monitoring and processing separation and leave transactions, including communicating requirements, to user agencies.
- The internal list of access to personal data of applicants and employees should be kept current.
- To track performance, the department's Employee Relations Division should maintain documentation of the information exchanged.
- The department should assess risk and develop internal controls to detect and correct errors, such as those that occurred in the Sick Leave Bank transactions.

Appendix A – Ethnicity and Gender

Ethnicity and Gender of Department of Human Resources Staff November 2009

<i>Title</i>	Gender		Ethnicity		
	<i>Male</i>	<i>Female</i>	<i>Black</i>	<i>White</i>	<i>Other</i>
Administrative Assistant	1	1	1	1	
Administrative Services Assistant	1	7	3	5	
Administrative Services Director	1			1	
Assistant Commissioner	1	1	1	1	
Classification/Comp Analyst	2	2		4	
Clerk	1	7	4	4	
Commissioner		1	1		
Data Processing Operator		1		1	
Deputy Commissioner		1		1	
Executive Administrative Assistant		2		2	
HR Administrative Technician	1	13	5	8	1
HR Administrative Technician Supervisor		2	1	1	
Human Resources Analyst	1	4	1	4	
HR Examinations Analyst	2	4	2	4	
HR Examinations Specialist	4	11	6	9	
Human Resources Manager		4	1	3	
HR Program Administrator		1	1		
HR Program Director	1	4	2	3	
HR Program Manager	1	1		2	
HR Research Psychologist	1			1	
Human Resources Technician		3	2	1	
Information Resource Support Specialist		1		1	
Information Systems Analyst	2			2	
Information Systems Director	1			1	
Legal Assistant		1		1	
Office Supervisor		1		1	
Programmer Analyst	1				1
Training Manager		1	1		
Training Officer	1	1		2	
Total	23	75	32	64	2

Source: Department of Human Resources staff.

**Ethnicity and Gender of Civil Service Commission Members
November 2009**

<u>Gender</u>		<u>Ethnicity</u>		
<i>Male</i>	<i>Female</i>	<i>White</i>	<i>Black</i>	<i>Other</i>
5	4	6	2	1

Source: Department of Human Resources staff.

**Ethnicity and Gender of Equal and Fair Employment Opportunity
Governor's Advisory Committee Members
November 2009**

<u>Gender</u>		<u>Ethnicity</u>	
<i>Male</i>	<i>Female</i>	<i>White</i>	<i>Black</i>
4	4	4	4

Source: Department of Human Resources staff.

Appendix B – Strategic Plan Issues

The Department of Human Resources' Strategic Plans for 2009 and 2010 are publicly available at <http://tennessee.gov/finance/bud/planning/strategic2010.html>. The mission of the department is that it "provides value-added effective and efficient customer-driven human resources services to our internal and external customers in support of the state's goals and objectives." The department's duties and responsibilities, according to the Strategic Plan, are that it "designs and implements policies and practices to effectively manage the human resource needs of state government. The department advises the Governor on human resource issues, assists agencies with equal employment matters, provides a talent development strategy with supporting products and services, and administers the provisions of the Career Employee Act. The department maintains the records of separated state employees as well as all applicants."

In the *2008-Strategic Plan*, analyzed as part of the audit work, the department set the following performance goals.

1. *By June 30, 2009, provide agencies with workforce planning, leadership development, core skills product, and services needed to maximize agency organizational performance, enabling agencies to meet their operational and strategic goals.*

Performance Measure: Percent of workforce planning, leadership development, and succession planning template and instructions delivered for ongoing process development by June 30, 2009.

The fiscal year 2009 goal of 100% was met. The Department of Human Resources developed and fully implemented a four-prong Talent Development Strategy for state government. For fiscal year 2010, they expect to maintain the 100% goal.

2. *By June 30, 2010, expand the capabilities for computer testing through the implementation of web-based testing to provide 800 testing opportunities per month.*

Performance Measure: Number of available opportunities for applicant testing per month.

<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>
<i>656</i>	<i>689</i>	<i>733</i>

Web-Based Testing

Ninety percent of all FX tests have been converted and pilot tested in the web-based system. Plans to complete this project are expected; however, implementation is on hold indefinitely.

Test Site Expansion

Due to a lack of funding, the department was not able to expand the number of testing sites. Also due to economic challenges and budget cuts, testing sites outside of Nashville within the Department of Labor and Workforce Development were no longer available. Currently there are no testing opportunities outside of Nashville.

Test Enhancements

Due to a lack of funding, the department was not able to implement any test enhancements.

Test Conversions

The Exams Division is currently in the process of converting all manual-format-only tests into electronic versions so they can be loaded into the web-based system. No manual-format-only tests have been completed for conversion at this time.

Based on discussions with management and the current status of the performance measures, target dates outlined in the 2007 and 2008 Strategic Plans will not be met. The department acknowledged possible obstacles that would prevent or delay the implementation of these goals. Major influences are the availability of funding and cooperation with other state agencies.

- 3. *By June 30, 2010, provide alternatives for implementing recommendations in the Mercer study, along with preliminary estimated cost projections, that will form a basis for completion and implementation of the final phases of the Comprehensive Pay Plan.*

Performance Measure: Percent of alternatives provided for implementing recommendations in the Mercer study, along with preliminary estimated cost projections, that will form a basis for completion and implementation of the final phases of the Comprehensive Pay Plan.

<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>
<i>75%</i>	<i>90%</i>	<i>100%</i>

While the department met the objective of 75% for fiscal year 2008, it will neither meet the objective of 90% for fiscal year 2009 nor the objective of 100% for fiscal year 2010. Beginning in fiscal year 2009, further development of the Comprehensive Pay Plan was placed on hold because of budget shortfalls. When the state’s financial situation improves, the development may resume.

- 4. *By December 31, 2008, fully implement the Emergency Workforce Management Template by providing assistance and training to all executive branch agencies on the template.*

Percent of the Emergency Workforce Plan implemented for all executive branch agencies by December 31.

<i>FY 2008</i>	<i>FY 2009</i>	<i>FY 2010</i>
<i>60%</i>	<i>100%</i>	<i>100%</i>

The Department of Human Resources completed its new Emergency Workforce Plan on June 18, 2009, and distributed it to all employees on September 22. The department is working with the Tennessee Emergency Management Agency to develop training for all agencies.

5. By December 31, 2009, review, refine, and document standard operational processes in all divisions of Human Resources.

Performance Measure: Percent of standard operational processes reviewed, refined, and documented in all divisions of Human Resources by December 31, 2009.

<i>FY 2009</i>	<i>FY 2010</i>
<i>100%</i>	<i>100%</i>

The objective of 100% for fiscal year 2009 was revised to June 30, 2010, and Department of Human Resources management expects to reach that goal. Most divisions have completed this task and all expect to complete it by June 30, 2010. They note that this is an ongoing process.

In the 2008-2009 Budget, the department set its performance standards as listed below.

Standard: *Process personal services and delegated purchase authority contracts within three business days of being logged in.*

Measure: *Percent of personal services and delegated purchase authority contracts processed within three business days of being logged in.*

2007-2008	2008-2009	2009-2010
<i>99%</i>	<i>95%</i>	<i>95%</i>

From our sample of contracts processed over a three-year period, 19 of 195 contracts (9.8%) were processed from 4 to 12 days after being entered into the department log. Thus, 90.2% of contracts were processed within 3 business days,

Standard: *Maintain 95 percent of all training courses evaluated at a minimum of 4.0 on a 5.0 scale.*

Measure: *Percent of training courses evaluated at a minimum of 4.0 on a 5.0 scale.*

2007-2008	2008-2009	2009-2010
<i>94%</i>	<i>95%</i>	<i>95%</i>

Department of Human Resources management believes the objective was met for all three years. At the end of fiscal year 2010, the Strategic Learning Solutions Division is changing to a different type of assessment method.

Standard: *Provide state agencies with group sessions focused on skilled-based Equal Employment Opportunity (EEO) and Affirmative Action (AA) programs.*

Measure: *Provide state agencies with 30 group sessions focused on skilled-based EEO and AA programs.*

2007-2008	2008-2009	2009-2010
21	30	30

The department met the objectives for FY 2008 and FY 2009 and expects to meet the objective number of sessions in FY 2010. The department restructured, and the objective will be met in two divisions. The EEO Division will meet this objective through the bi-annual sessions for AA, and the Strategic Learning Solutions Division will meet this objective through the Respectful Workplace training.

Standard: Complete 100% of assessment methods developed and implemented within 90 days (30 days prior to the statutory requirement) of new career service job classification establishment.

Measure: Percent of assessment methods developed and implemented within 90 days (30 days prior to the statutory requirement).

2007-2008	2008-2009	2009-2010
85%	85%	100%

According to Department of Human Resources management, the department met the objectives for FYs 2008 and 2009, and expects to meet the objective for FY 2010. In 2007-2008, the department established and announced nine new job classifications. Applicant scoring was completed for all nine job classifications within 90 days. In 2008-2009, the department established one new job classification, and applicant scoring was completed within 90 days. In 2009-2010, the department established and announced four new job classifications. Scoring of applicants was completed for two of the four job classes within 90 days. The other two job classes were posted, applications were scored, and applicant names were added to the referral list; however, there are no positions in state service in these two job classes so there has been no request for registers.

Standard: Review and evaluate 100% of requests for job titles requiring assessment of education and experience within 28 days of receipt.

Measure: Percent of requests for job titles requiring assessment of education and experience within 28 days of receipt.

2007-2008	2008-2009	2009-2010
70%	100%	100%

The objective for FY 2008 was exceeded as the department evaluated 77.4% of requests within 28 days of receipt. In FY 2009, the department evaluated 96.8% for July and August, the two months prior to the conversion to NEOGOV. Applicant Services stopped taking applications from August 1, 2008 - March 3, 2009, in preparation of the conversion. The department had difficulty gathering data from the new system for both FY 2009 and FY 2010. The performance

measure for FY 2009 was not met because of additional steps required in NEOGOV. The performance measure was developed based on SEIS, the previous system, not on NEOGOV. The 100% objective for FY 2010 will also not be met because of the additional steps required in NEOGOV.