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An Assessment of Human Resource Management Controls in Texas State Government

May 1997

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Key Points of Report

An Assessment of Human Resource Management Controls in Texas State Government

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Overall Conclusion

Ongoing and high-level attention to human resource management is critical to safeguard the ability of state agencies and universities to accomplish their missions. Due to a lack of information on and persistent problems with basic human resource policies and procedures, we are unable to assure state leaders that the \$9.9 billion spent on human resources in fiscal year 1996 resulted in the most efficient and effective work. We believe that executive management's attention to planning for human resource needs, implementing and enforcing adequate human resource controls, and evaluating results is the cornerstone of improving human resource management practices in state government.

Key Facts and Findings

- The State does not have all of the information needed to evaluate the cost and results of its human resource management practices. However, reported cost information, which is significantly understated, indicates that agencies and universities spend at least \$60 million annually on recruitment and selection, staff development, and problems with employee relations.
- Agencies and universities do not consistently have adequate plans for human resource management. Planning needs improvement in such areas as setting measurable goals, determining staffing needs, and coordinating entity-wide human resource initiatives.
- Agencies and universities do not have comprehensive, entity-level, written policies and procedures to help ensure that the \$1 billion in expenditures for contingent workforce services are in the State's best interest.
- Audits at more than 80 agencies and universities since 1994 have consistently reported weaknesses in basic human resource management control systems. The main areas for improvement include performance appraisal procedures, hiring processes, staff development, and compliance with laws.

Contact

Carol Noble, Audit Manager (512) 479-4700



Office of the State Auditor

Lawrence F. Alwin, CPA

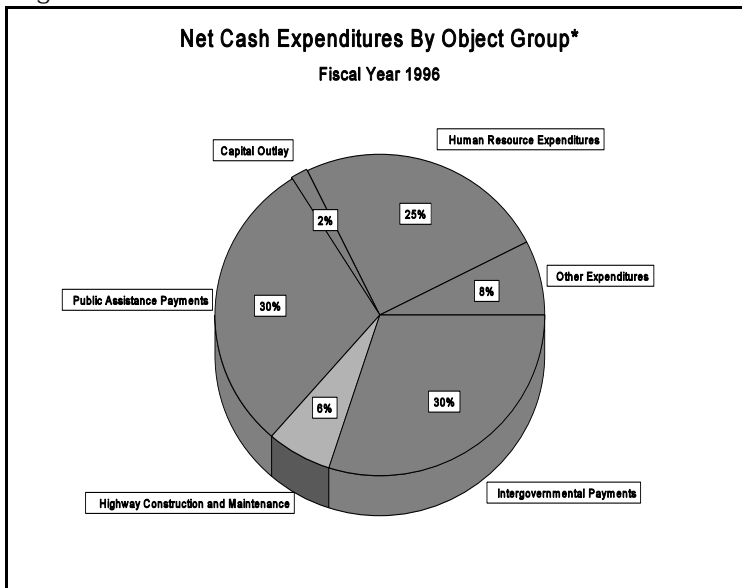
This audit was conducted in accordance with Government Code, Section 321.0133.

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The State should improve its management of human resources. The ability of the State to effectively provide services depends on its people. At least 25 percent (see Figure 1) of the State's expenditures in fiscal year 1996 were for human resource-related activities. Thus, human resource management is an area where improvements can have significant financial impact.

Without sound human resource management practices, agencies and universities may incur unnecessary costs and penalties. These include decreased productivity, excess turnover, extra supervisory costs, and increased employee relation problems. However, the data needed to fully account for the costs and results of human resource management activities is not currently available.

Figure 1



*Net expenditures excludes trust funds, interfund transfers, investments, and payment of principal on debt service.

Source: State of Texas Annual Cash Report for the year ended August 31, 1996

Why Improve Human Resource Management Practices?

Organizations with employee performance appraisal programs have higher employee productivity than organizations without such programs.

Ineffective selection of new employees can increase both turnover and supervisory costs.

Turnover can cost a state agency or university as much as \$60,000 for an average employee.

Ineffective training not only wastes funds, but also fails to boost employee productivity, a primary goal of training.

Ensuring that supervisors and employees have a clear understanding of employee relations issues and human resource policies and procedures results in fewer disciplinary actions, complaints, grievances, and lawsuits.

The State Does Not Have all the Information Needed to Evaluate the Effectiveness of Its Human Resource Management Practices

Without adequate information, the State cannot provide assurance that its human resource expenditures (\$9.9 billion for fiscal year 1996 for approximately 260,000 full-time equivalent employees) effectively support the achievement of state goals. Available cost information, which is grossly understated, indicates that agencies and universities spend at least \$62.3 million annually on activities to manage this annual investment in human resources.

Until entities consistently collect data, the State will not know how much it really spends

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on these activities. In addition, few entities measure or evaluate processes or results of human resource management practices. In fact, they may not be able to perform this kind of measurement and evaluation because they do not currently collect all of the data needed to do so.

Agencies and universities should collect data for tracking and evaluating the costs and results of human resource management, especially in the areas of recruitment and selection, staff development, and employee relations. In addition, they should determine if additional automated support for collecting human resource data would improve their ability to track human resource activity. Benchmarking would also provide helpful information for evaluating the performance of various human resource functions.

Improving Human Resource Management Practices Should Be a Priority for Executives

Currently available information suggests that executives may not provide effective oversight for human resources and human resource management. Adequate executive attention to this area of risk is imperative given the large dollar investment and critical role of human resources in the achievement of state goals.

The following conditions increase the probability that state executives cannot provide assurance that their human resources are used to accomplish the mission of their agencies and universities in the most efficient and effective manner:

- The majority of executives indicate that they do not receive reports on key human resource management activities.

- State entities do not consistently develop and coordinate effective human resource management plans to support the achievement of their strategic plans.
- The State does not have adequate entity-level, written policies and procedures to help ensure that expenditures for contingent workforce services are in the State's best interest.
- Management does not consistently monitor and enforce compliance with human resource policies and procedures.

Executives of state agencies and universities should devote more ongoing attention to human resource management practices. As a beginning step, entities should perform entity-wide human resource self-assessments to identify areas for improvement in human resource management. The State Auditor's Office can provide assessment materials and technical assistance to entities performing these reviews.

Executives Should Ensure That Their Agencies and Universities Have Adequate Plans for Human Resource Management

State agencies and universities do not consistently develop and coordinate effective plans for human resource management to support the achievement of their strategic plans and ensure good employee relations. A lack of well-linked plans for managing and developing employees reduces the probability of meeting performance targets and improving performance over time. In addition, some agencies and universities need to improve their processes for determining staffing needs and performing job analysis and evaluation.

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On a positive note, many agencies and universities use their internal human resource expertise to support planning and management decision processes, particularly strategic planning and organizational structure changes.

Executives Should Ensure That Their Agencies and Universities Have Adequate Controls Over the \$1 Billion Spent for Contingent Workforce Services

The State does not have comprehensive, entity-level, written policies and procedures to help ensure that expenditures for contingent workforce services are in the State's best interest. The State spent more than \$1 billion for contingent workforce services in fiscal year 1996. If spent on full-time employees, this \$1 billion would equate to 40,000 employees.

The lack of written policies and procedures decreases the probability that agencies and universities consistently monitor and control contingent workforce services. Weak or non-existent policies and procedures for these services at the entity-level put the State at risk of spending funds on services that could have been performed more economically or effectively either by different providers or with already existing State resources. As more agencies and universities increase their use of contingent workforce services, the need for entity-level policies and procedures will become even more critical. Internal oversight is especially critical for those with high usage of contingent workforce services.

Audits Identify Persistent Weaknesses in Basic Human Resource Management Control Systems

Audits which the State Auditor's Office has completed at more than 80 agencies and universities since 1994 identify persistent weaknesses in basic human resource management controls, including performance appraisal procedures, hiring processes, staff development, and compliance with human resource regulations. These weaknesses are a further indicator that effective human resource management may not be a priority in some state agencies and universities. The recommended self-assessments will identify areas for improvement within individual agencies and universities.

Effectively maintained and enforced human resource policies and procedures help ensure that all employees consistently and effectively manage personnel. This is especially important since changing organizational structures and work environments have resulted in operating managers performing functions once performed by human resource experts.

Individual Agency Reviews

As part of this project, human resource management controls at four large state entities were audited:

- The University of Texas at Austin
- The University of Texas Medical Branch at Galveston
- Texas Department of Protective and Regulatory Services
- Texas Department of Criminal Justice

Results of these audits are included in Appendices 3.2 through 3.5 of this report.

Executive Summary

Objectives and Scope

The objectives of this project were as follows:

- To analyze the current status of human resources at a statewide level
- To determine whether human resource control systems at four state agencies and universities provide reasonable assurance that human resources are effectively contributing to the achievement of the organization's goals
- To collect baseline measurements for human resource benchmarking

The scope of this review included detailed audits of four state entities' human resource controls, review of fiscal year 1994 through

fiscal year 1996 State Auditor's Office human resource-related work, and two human resource surveys of all state agencies and universities with more than 4 employees.

Summary of Managements' Responses

Managements' responses for the four individual agency audits are in Appendices 3.2 through 3.5. In general, management of all four agencies agreed with the recommendations and committed to take action.

The recommendations in the body of this report are for the consideration of each individual state agency and university.

The State Does Not Have all the Information Needed to Evaluate the Effectiveness of Its Human Resource Management Practices

Without adequate information, the State cannot provide assurance that its human resource expenditures (\$9.9 billion for fiscal year 1996 for approximately 260,000 full-time equivalent employees) effectively support the achievement of state goals. Human resource expenditures are approximately 25 percent of total state spending. Until agencies and universities evaluate the costs and results of their human resource practices, the State will not know how cost effectively it manages its human resources and addresses areas for improvement.

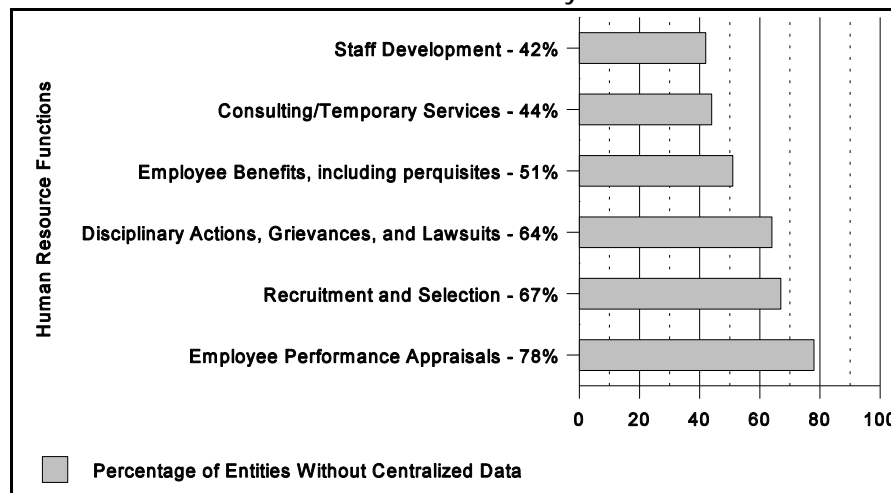
Available cost information, which is grossly understated, indicates that entities spend at least \$62.3 million annually on activities to manage the \$9.9 billion annual investment in human resources. Until agencies and universities consistently collect data, the State will not know how much it really spends on these activities. In addition, few measure or evaluate processes or results of human resource management practices. In fact, agencies and universities may not be able to perform this kind of measurement and evaluation because they do not currently collect all of the data needed to do so.

Section 1-A:

Adequate Information On the Cost and Results of Human Resource Activities Is Not Consistently Available

We cannot provide an accurate figure on the cost of managing the State's human resources. Complete cost information on major human resource activities (including staff development, recruitment and selection, and employee relations problems) is not generally available at the entity level. At least 40 percent of executive directors reported that their agencies or universities do not maintain any centralized time and cost data for these activities. (See Figure 2.)

Figure 2
Centralized Time or Cost Data Not Maintained by Entities



Known Statewide Staff Development Costs

The total cost of staff development for all agencies is unknown. USAS recorded \$32.3 million for the following staff development expenditures for fiscal year 1996:

Tuition - Employee Training	\$ 1.6 million
Registration Fees - Employee Training	12.9 million
Educational/Training Services	15.4 million
Training Expenses - Other	<u>2.4 million</u>
TOTAL	\$ 32.3 million

However, this represents only a small portion of staff development-related costs. Costs omitted from the \$32 million include:

- Employees' salaries to prepare, present, and attend training
- Travel costs associated with training
- Any overhead or administrative training costs not reported as "Training Expenses - Other"

Staff Development

We were unable to determine the amount of money the State spends on staff development activities with any degree of accuracy. Known costs for staff development totaled \$32.3 million. However, this figure probably understates the total. Important cost factors (like the value of employees' salaries while developing or attending the training) are not included. (See text box, "Known Statewide Staff Development Costs," for further details.)

Few agencies or universities collect the kind of time and cost data needed to accurately estimate the amount of money spent on staff development:

- 42 percent of executive directors report that their agency or university does not maintain time and cost data related to staff development activities.

- 57 percent of human resource directors report the collection of some type of centralized time or cost data for staff development. However, no more than 30 percent of human resource directors actually submitted data for any particular time or cost element.

State Agency Coordinating Council (SACC) Initiatives in Training

As it has in other human resource areas, the State Agency Coordinating Council (SACC) is taking an active lead to improve the quality of state agency training. The Training Performance Measures Subcommittee has developed a standard "Level 1" training course evaluation form to measure participant reaction to courses. The Uniform Training Cost Model Subcommittee is currently developing a training cost model for state agencies. Such a model will provide a consistent method for tracking training costs and bench marking among agencies.

In addition, agencies and universities do not consistently measure or analyze the effectiveness of training courses. Most commonly, they measure student reactions to courses via course evaluations. Some routinely or occasionally use pre- and post-tests to measure how much each student learned by attending class. Still fewer assess whether employees actually applied the course content to their jobs (a measure of behavior changes). We have not observed any instances where the effect of staff development on achievement of organizational goals (results) has been specifically measured.

Figure 3
**Percentage of Entities Responding to the Survey that Submitted
 Recruitment/Selection/Separation Cost Data**

Type of Cost Data	Percentage Submitting Data	Percentage Not Submitting Data
Position Posting Cost (develop and post position, advertising)	21	79
Application and Selection (processing applications, screening candidates, interviewing applicants, selection decision)	16	84
Applicant Testing	10	90
Travel expenses for applicants and staff	14	86
New hire administration	14	86
Medical examinations	15	85
Separation: exit interviews	14	86
Separation: record processing	15	85

Recruitment and Selection

We were unable to determine how much the State spends for recruitment and selection with any accuracy. Known costs for recruitment and selection activities totaled \$3.3 million¹ in fiscal year 1995. It is clear, however, that the \$3.3 million cost is significantly understated. Good data on the average cost for the State to hire a new employee is also not available. Using an industry-average cost to hire a new employee of \$5,366 and 15,434 classified regular full-time state agency employees² hired in fiscal year 1996, the State conceivably spent \$82.8 million to hire new personnel in fiscal year 1996. It is unlikely that State costs were this high since the industry rate includes several costs which the State does not incur (such as moving expenses). But even using an extremely conservative average cost of \$1,000 per new hire, the estimated cost for agencies alone

would total \$15.4 million (roughly 4.7 times the known costs).

Few agencies or universities collect the time and cost data needed to accurately estimate the amount of money spent on recruitment and selection activities. 67 percent of executive directors reported that their agency or university does not maintain time and cost data for recruitment and selection activities in a centralized system. Regardless of the existence of centralized data, 57 percent of respondents submitted time and cost data on at least one of the eight cost elements. However, as indicated in Figure 3, the rate at which information was available on any single cost element ranged from just 10 to 20 percent.

¹\$3.3 million is the total cost for recruitment reported by agencies and universities responding to the survey. The response rate for recruitment and selection cost elements was very low.

²The 15,434 hires excludes all employees hired at institutions of higher education and some hired at state agencies.

Employee Relations Problems

We were unable to determine how much the State spends for employee relations problems with any accuracy. While agencies and universities report lawsuit settlement costs to the Uniform Statewide Accounting System, few actually collect or analyze other internal figures to assess and track overall costs for employee relations problems. The average annual statewide total for settlements for fiscal years 1992 through 1996 was \$20 million.

Few agencies or universities collect the kind of time and cost data needed to accurately estimate the amount of money spent on employee relations problems:

- At least 64 percent of executive directors report that their agency or university does not maintain centralized time and cost data on grievances, disciplinary actions, and lawsuits.
- Only 14 percent of the agencies and universities responding to our survey submitted any information such as settlement costs, court costs, legal fees, or employee time involved in pursuing these various incidents and cases.
- Only 5 percent reported the cost of employee time (legal staff, management, and involved employees) spent on employee relations problems.

Three of the four large agencies and universities audited for this project did not centrally track causes of all employee relations problems. Survey responses indicate that 65 percent collect centralized data on grievances and lawsuits, while only 49 percent collect centralized data on disciplinary actions.

Recommendation:

Managers should collect data for tracking and evaluating the costs and results of human resource management. Data collection and evaluation should include areas such as recruitment and selection, staff development, and employee relations. If detailed data collection and measurement are not cost effective, agencies and universities may choose to use estimated figures. The State Auditor's Office plans to work with state entities to develop measurement and evaluation models that they can use to evaluate the effectiveness of their human resource management activities.

Managers should follow the basic process outlined below to improve and use effective human resource measures:

- Inventory current human resource management information and key indicators collected and used by executive management, human resource management, and operating management.
- Identify areas for improvement in current management information and actions to be taken.

- Collect, analyze, and report updated management information and key indicators at all appropriate levels within the organization. Agencies and universities should report statewide measures and use them internally.
- Periodically reevaluate the need for and usefulness of the human resource measurements and management information, adjusting processes as necessary.

In addition, agencies and universities should examine their current level of automated support for collecting data on human resource activities and determine if additional support would improve their ability to track human resource activity. Agencies and universities may want to consider enhancements to, or interfaces with, existing information systems or consider developing new information systems.

Benchmarking would also provide helpful information for evaluating the performance of various human resource functions. One of the goals of the surveys conducted as part of this project was to obtain baseline information. Unfortunately, not enough agencies and universities responded to cost and measurement questions to provide statistically valid baseline data. Nonetheless, they can use measures established by similarly sized agencies or universities as a beginning point for comparisons with their internal indicators.

Section 2:

Improving Human Resource Management Practices Should Be a Priority for Agency and University Executives

Currently available information suggests that executives may not provide effective oversight for human resources and human resource management. Adequate executive attention to this area of risk is imperative given the large dollar investment and critical role of human resources in the achievement of state goals. Statewide, human resources account for 25 percent of operating expenditures.

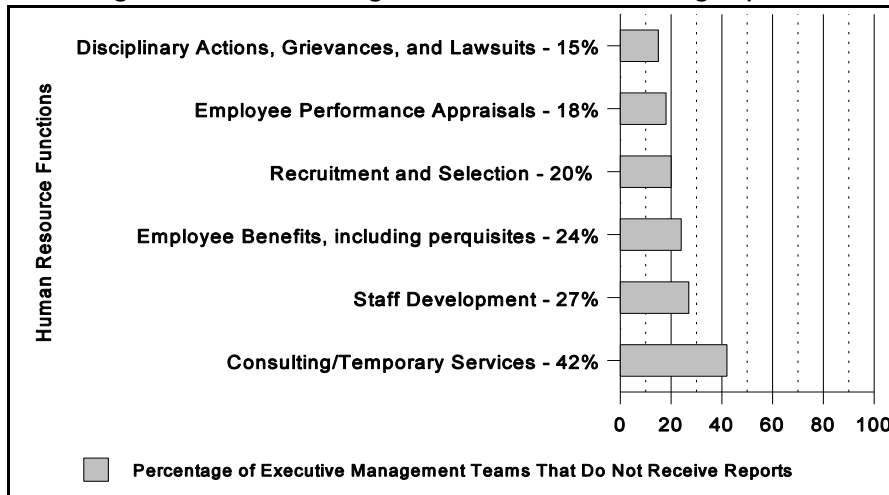
During the course of this review, we noted certain conditions which suggest a high probability that state agency and university executives cannot provide assurance that their human resources are used to accomplish the mission of their agency or university in the most efficient and effective manner. The conditions included:

- A number of executives responding to our survey indicated that they do not receive reports on key human resource management activities. This is not surprising since, as noted in Section 1, few agencies or universities collect adequate information about human resource activities. Of the six key activities addressed in the survey, executives least often indicated they received reports on contingent workforce services. 42 percent of executives indicated that they do not receive reports on this activity. On the other hand, only 15 percent of executives indicated that they do not receive reports on disciplinary actions, grievances, and lawsuits. (See Figure 4 for additional detail.)

In addition, some agencies and universities either do not report statewide human resource indicators or do not use them for internal management purposes. For example, only 67 percent of the responding human resource directors in the survey reported that their entity collects information about the causes of employee terminations.

- State agencies and universities do not consistently develop and coordinate effective plans for human resource management to support the achievement of their strategic plans. In addition, some need to improve their processes for determining staffing needs. Better human resource measurement would enable agencies and universities to more effectively set specific, measurable human resource goals for improved efficiency and effectiveness and gauge progress against their plans. (Section 3 provides additional information on the need for improved planning for the use of human resources.)

Figure 4
Percentage of Executive Management Teams Not Receiving Reports



- The State does not have adequate, entity-level, written policies and procedures to help ensure that expenditures for contingent workforce services were in the State's best interest. (Section 4 provides additional information on controls

of contingent workforce services.) The State spent more than \$1 billion, equivalent to approximately 40,000 full-time employees, for contingent workforce services in fiscal year 1996.

- Management does not consistently monitor and enforce compliance with human resource policies and procedures. Ineffective executive oversight of human resource policies and procedures is evidenced by problems which our audits consistently identify. (See Section 5 for more detail.)

Accountability for effective human resource management lies ultimately with executive management, not with the agency's or university's central human resource department (if one exists). Upper management's attitude toward human resource activities and management priorities sets the tone for the importance and emphasis placed on effective human resource management at all levels in the organization. Executive-level inattention to human resources can result in similar inattention and lack of adherence to human resource management controls among line managers. Such an environment

increases the risk of poor performance by both managers and staff. The daily decisions of line managers affect employee productivity and morale as well as organizational legal liability.

Recommendation:

Executives of state entities should devote more ongoing attention to human resource management practices. Management should assign specific responsibility to ensure better accountability for human resource management control systems, and thus provide better safeguards over a large percentage of the entity's annual expenditures. Executive management should receive information on an ongoing basis to enable it to ensure that human resource management controls are operating effectively.

As a beginning step, agencies and universities should perform entity-wide human resource self-assessments to identify areas for improvement in human resource management. These self-assessments should consider all significant human resource management functions, such as recruitment, staff development, and employee relations. In addition, self-assessments should examine how the agency plans, implements, monitors, enforces, measures, evaluates, and adjusts its human resource management controls to ensure that each individual activity operates efficiently and effectively. Agencies and universities should refer to specific recommendations for other findings

in this report for some of the basic issues to consider in self-assessments. In addition, the State Auditor's Office can provide assessment materials and technical assistance to agencies and universities performing these reviews.

Once an entity identifies human resource areas needing improvement, it can take action to address the issues. An entity's human resource management controls for measurement, evaluation, and adjustment, once implemented, can help management identify areas for human resource improvement on an ongoing basis.

Section 3:

Executives Should Ensure That Their Agencies and Universities Have Adequate Plans for Human Resource Management

State agencies and universities do not consistently develop and coordinate effective plans for human resource management to support the achievement of their overall strategic plans and ensure good

Effective Use of Human Resource Expertise

The placement of human resource functions within the organizations appears to be generally effective. Many agencies and universities report placing their human resource departments high in the organization and using them to support planning and management decision processes:

- Approximately 60 percent report that the human resource director is part of the executive management team.
- At least two-thirds of the survey responses indicate that human resource specialists are involved in the following planning related activities:
 - Preparing the entity-wide strategic plan
 - Reviewing and changing organizational structures

This placement and use of human resource expertise is positive and reflects trends in private industry. Many executives recognize the value of leveraging their human resource expertise in partnering with line managers to effectively manage human resource functions.

Elements of Effective Human Resource Planning

Human resource planning is the process of identifying human resource issues and designing strategies to ensure effective human resource management in a changing environment. It involves both needs forecasting (an analysis of both internal and external conditions) and program planning (identification of effective means of developing and maintaining a productive staff).

Statewide strategic planning guidelines for entities address needs forecasting, but do not address program planning. Human resource program planning is left to individual agencies and universities. Some examples of general environmental trends organizations should consider in strategic human resource program planning include the following:

- Employee productivity increases due to technology
- Increases in the use of contingent workforce services
- Formal re-education as an alternative and adjunct to skills training

In addition to such general trends, program planning should address specific areas such as staff development, succession planning, performance management, recruitment and selection, and employee relations.

employee relations. Without plans for human resource management, they may not be able to make sure that effective human resource management practices are properly focused to effectively achieve strategic goals.

Furthermore, without sound human resource plans, agencies and universities may not be able to identify and reduce risks associated with human resource activities that are increasingly dispersed throughout organizations. While many advantages are associated with decentralized human resource management, decentralization does make it more difficult to ensure consistency in quality and implementation of management activities. Human resource activities which are increasingly decentralized include training, selection, recruitment, performance appraisals, and disciplinary actions. These activities are increasingly performed by operating managers, not human resource personnel. Agencies and universities responding to our survey indicated that about 21 percent of full-time equivalent (FTE) personnel performing human resource functions full time are not located in one of the central human resource-related departments.

Formal Human Resource Plans Linked to Organizational Strategic Plans

The results of our surveys suggest that agencies and universities do not adequately plan for human resource management throughout their organizations:

- 62 percent of human resource directors and 52 percent of executive directors report that a human resource plan linked to the strategic plan does not exist.
- 70 percent of human resource directors and 61 percent of executive directors report not having an organization-wide staff development plan linked to the strategic plan.

A lack of well-linked plans for managing and developing employees reduces the probability of meeting performance targets and improving performance over time. For example, lack of adequate planning was evidenced by duplication of staff development plans, course development, and presentation between departments within agencies and universities. Without taking steps to ensure that staff development is coordinated among separate departments within an organization, the organization creates a risk that resources will not be used efficiently and effectively. Informal approaches to

determining staff development needs also increase the risk that employees will not get the development they need to effectively meet goals and increase their productivity.

Staffing Needs

Executives should ensure that the processes their agency or university uses to determine staffing needs are accurate and thorough. Audit work by the State Auditor's Office indicates a need for improvement in estimating and monitoring staffing levels at some entities. Agencies and universities do not consistently develop and use accurate staffing projections. Staffing projections are the estimates of the number of employees needed to complete the work of an organization.

Most did report that they forecast and analyze the need for and available supply of human resources to achieve their goals. However, the following observations at individual agencies and universities indicate possible areas for improvement:

- The lack of a system for analyzing staffing needs
- A large increase in compensatory time balances
- The rising number of vacant positions in some entities

Without thorough and accurate staffing projections, executives cannot be sure that the level, abilities, and configuration (full-time equivalent employees, contingent workforce services, etc.) of its workforce will be appropriate to fulfill the priority needs of the organization.

Defining Jobs in Texas Agencies and Universities

In Texas, the Position Classification Plan (Plan) provides guidance and, to some extent, controls compensation levels and the assignment of functions to specific job positions for state agencies. Institutions of higher education and legislative agencies are not subject to this Plan. In addition, the Legislature defines some positions which are exempt from the Plan. Institutions of higher education usually have an internally defined classification system for most non-faculty positions.

In the case of classified positions, whether at agencies or universities, individual jobs with the same classified title often perform varying tasks under varying work conditions. Functional job descriptions clarify expectations for each unique position by providing specific task and work condition information within the general scope of the classified position description, where applicable.

Job Analysis and Evaluation

Inconsistencies in the extent and quality of job analysis performed by agencies and universities also indicates a lack of adequate planning for human resource management. The lack of adequate job analysis hampers some entities' abilities to effectively manage human resources. State-level systems provide general guidance for job analysis, but our audit work indicates the need for agencies and universities to refine their internal detailed procedures. For example, we have found that:

- Some do not have functional job descriptions for every position. Without functional job descriptions, employees may not understand the specific responsibilities of their positions and may not be evaluated accordingly. Conversely, management may not be able to easily identify successful and productive work. Audits performed by the State Classification Office consistently find problems with the classification of positions within agencies. These misclassifications usually result from one of the following causes:
 - Classifying jobs based on salary desired rather than by matching job functions with classified position descriptions
 - Not updating job descriptions as job tasks change to meet changing organizational goals and needs
- Some agencies do not require formal job analysis and job evaluation for positions exempt from the Position Classification Act. The lack of formal job analysis and job evaluation processes increases the risk of inconsistency among job descriptions and salaries of similar positions across the entity. This is a specific risk at universities whose workforces are not subject to the Position Classification Act.

Statutory Compliance

Effective human resource planning would also assist management in ensuring statutory compliance and implementing statutory changes. An example of statutory compliance involves the current state goals for recruiting underutilized groups set out in the General Appropriations Act, 74th Legislative, Article IX, Section 108. Agencies and universities reviewed had conducted targeted recruiting efforts, but few had evidence of formal planning for recruiting that was appropriately targeted at particular underutilized job codes. Examples of possible statutory changes which would likely impact human resource management practices include:

- Changes in the Position Classification Plan, including elimination of underutilized, unused, or agency-specific job titles
- Compensation system changes, including creation of salary schedules for more than 10,000 employees currently exempt from the Plan
- Enactment of family-friendly work policies
- Reduced funding for entities with high vacancy levels
- Span of control ratio requirements for human resource management

Recommendation:

Agencies and universities should review their overall human resource planning process to ensure the following:

- It adequately supports the agency's or university's strategic plan.
- Human resource goals are measurable.
- Human resource plans encompass all areas of the organization, not just the human resource department.
- Subsidiary human resource plans, such as training plans, are coordinated across the organization.
- Plans are adjusted as strategic plans change and as evaluation of human resource goals indicate needed changes.

Agencies and universities should also review the following human resource planning activities (discussed above), and implement improvements if necessary:

- Determine staffing needs, ensuring that staffing estimates are adequately supported and reflect true staffing needs of the entity.
- Maintain and follow formal job analyses and job evaluation processes, including the following:
 - Functional job descriptions for each job title to ensure that the specific tasks involved in each unique job position within the entity are accurately defined
 - Proper classification of jobs per the Position Classification Act, for those agencies which are subject to or voluntarily comply with the Act
 - Appropriate job analysis and evaluation for positions exempt from the Position Classification Act

Executives Should Ensure That Their Agencies and Universities Have Adequate Controls Over the \$1 Billion Spent for Contingent Workforce Services

Contingent Workforce Services

For purposes of this report, "contingent workforce services" include consultants, temporary services, professional services, and various purchased contract services (including cleaning, placement, and client worker services). These are labor intensive services that perform work to achieve state goals. Therefore, any analysis of changes in FTE state employees should include an analysis of changes in contingent workforce services. The \$1 billion total expenditures for these services in fiscal year 1996 reflects net state expenditures, excluding trust funds and local funds.

Not included as contingent workforce services in this report are services for which USAS (Uniform Statewide Accounting System) expenditures are coded as public assistance payments, intergovernmental payments, highway construction, or interfund transfers. Expenditures for these services totaled \$ 12.5 billion in fiscal year 1996. These services are covered by the State Auditor's Office in various contract administration audits.

The State does not have adequate, entity-level, written policies and procedures to help ensure that expenditures for contingent workforce services are in the State's best interest. The State spent more than \$1 billion for contingent workforce services in fiscal year 1996. If spent on full-time employees, \$1 billion would equate to 40,000 employees.

Less than one half (44 percent) of all surveyed agencies and universities report having written policies and procedures for the use of consulting and temporary services. Only 22 percent submitted copies of their policies and procedures as requested by the survey. The quality and scope of the submitted policies and procedures varied.

The widespread lack of written policies and procedures decreases the probability that agencies and universities consistently monitor and control contingent workforce services. However, according to survey responses, approximately 88 percent of the agencies and universities claim that they monitor vendors on an ongoing basis. In

addition, 61 percent report that they require written justification to retain consulting and temporary services beyond the original time frame.

In addition to a lack of policies and procedures, many do not maintain centralized management information about their use of consulting and temporary services. Less than half of executive management teams receive periodic reports on consulting and temporary services. Only slightly more than half (56 percent) of agencies and universities maintain any centralized time or cost information for these services.

State-level guidance focuses mainly on the areas of procurement and payment documentation. Agencies and universities rely on the General Services Commission procurement policies and procedures to guide their selection and procurement of services. In addition, the Comptroller's Office requires agencies to maintain documentation to support payment for services. Only major consulting contracts require approval from the Legislative Budget Board and the Governor's Office to ensure they are adequately justified by the requesting agency or university.

Weak or nonexistent policies and procedures for these services at the entity level put the State at risk of spending funds on services that could have been performed more economically or effectively either by different providers or with already existing State resources. As more agencies increase their use of contingent workforce services, the need for agency-level policies and procedures will become even more critical.

Recommendation:

Agencies and universities should review and either create or revise, as necessary, policies and procedures for contingent workforce services. They should pay particular attention to those areas not already covered by statewide guidance. Internal oversight is especially critical for those agencies and universities with high usage of contingent workforce services.

Policies and procedures should address five aspects of contingent workforce usage, including the decision to use contingent workforce services, contractor/service selection, contract provisions, payment reimbursement methodology, and contractor/service oversight. Agencies can apply the guidance in the State Auditor's Office contract administration reports³ and *Guide to Cost-Based Decision-Making* (SAO Report No. 95-139) to the creation of policies and procedures for contingent workforce services.

Section 5:

Audits Identify Persistent Weaknesses in Basic Human Resource Management Control Systems

Agencies do not consistently maintain and enforce basic controls for human resource functions and management. Audits which the State Auditor's Office has completed at more than 80 agencies since 1994 identify persistent weaknesses in basic human resource management controls, including performance appraisal procedures, hiring processes, staff development, and compliance with laws.

³To date these reports include:

- *A Review of Contract Monitoring of Purchased Services* (SAO Report No. 95-007, October 1996)
- *An Audit on Administration of Contracts for Information System Purchases* (SAO Report No. 95-090, March 1995)
- *An Audit Report on Contract Administration at the Texas Youth Commission* (SAO Report No. 96-005, September 1995)
- *Contract Administration at Selected Health and Human Services Agencies - Phase Three* (SAO Report No. 96-047, February 1996)
- *Contract Administration at Selected State Agencies - Phase Four* (SAO Report No. 97-002, September 1996)
- *Contract Management Processes at the Texas Natural Resource Conservation Commission* (SAO Report No. 97-004, September 1996)
- *Purchasing and Contract Administration at the Texas Department of Criminal Justice* (SAO Report No. 97-006, October 1996)

Employee Performance Appraisal Systems Need to Provide Employees with More Timely, Useful Feedback

Many agencies and universities need to improve their performance appraisal systems to provide employees with more timely, specific, and useful feedback. Without quality feedback, employees are less likely to improve their performance and to fully use their strengths to help achieve entity goals. Moreover, an effective employee performance appraisal system helps management adequately and consistently support decisions for pay incentives (increases) and promotions.

Audit work by the State Auditor's Office detected various problems with employee performance evaluations and evaluation systems. Various combinations of nonexistent, unclear, poorly implemented, and/or unenforced policies and procedures caused most of these problems. Examples of common problems in performance appraisal systems include:

- Agency and university executives and faculty members are sometimes excluded from required written evaluations. Only 43 percent of agency or university heads report receiving an annual written performance evaluation, with an additional 22 percent receiving oral evaluations. The remaining 35 percent do not receive annual performance feedback.
- Review and approval of management and, in some cases, of human resource personnel, did not ensure compliance with established employee performance appraisal policies. For example, managers and human resource personnel reviewing completed appraisals did not consistently verify that appropriate comments supported the ratings as part of the evaluation review and approval process.
- Appraisals were often overdue, or, in the case of agencies and universities without a formal evaluation period, had not been performed at least annually. Although no single rule exists regarding appraisal cycles, most organizations conduct them annually. Some do not monitor the timeliness of employee performance appraisals, which may communicate the perception that timely evaluations are not considered important by management.
- Some appraisals were not based on appropriate criteria:
 - Some appraisals reviewed were not based on specific job-related criteria. For a given position, evaluation criteria should reflect the essential job functions so that feedback is focused to provide meaningful, relevant feedback for that job. Lack of feedback based on meaningful criteria provides neither the person being evaluated nor the organization useful information about the employee's strengths, possible training needs, and areas for improvement.

- We noted instances of agencies and universities using evaluative criteria, such as attendance, which was not job-specific. Because sick leave and annual leave are employee entitlements in the General Appropriations Act, they should not be used as a basis for evaluations. Additionally, the use of attendance as an evaluation criterion is no longer acceptable due to requirements promulgated under the Family Medical Leave Act.
- Ratings for each criterion were not always well-defined to help ensure consistent ratings between the various jobs in the agency or university. An effective performance appraisal system includes clear definitions, with realistic examples, for each rating level.
- Some reviewers' comments tended to be too general, not providing employees with specific information and examples needed to either improve their performance in response to low ratings or to continue high performance. We found this problem even at some agencies and universities whose policy required specific written justification for high (excellent) and low (unsatisfactory) ratings on evaluations.

Recommendation:

An agency or university should review its employee performance appraisal system in relation to the criteria for effective appraisal systems discussed above. Effective systems are well designed, carefully implemented, and monitored on an ongoing basis to ensure timeliness, consistency, and validity of the ratings, as well as to provide management with feedback on areas for improvement in the process.

Management should take action to correct any deficiencies found in the design of its system or training of employees in the use of the system. Agencies and universities should implement a monitoring process to ensure that appraisals are timely and that the system is operating as intended. The monitoring process should hold individuals accountable for their evaluation system responsibilities. For example, supervisors could be evaluated on their timely completion of evaluations and effective use of performance examples to support ratings on their staff's appraisals. Executive management should follow up with departments not in compliance with agency or university appraisal policy and procedures.

Section 5-B:

Policies and Procedures Designed to Minimize Legal Liability and Maintain Good Employee Relations Need Improvement

Most agencies and universities reviewed by the State Auditor's Office have basic policies and procedures to protect both organizational and employee rights and to ensure compliance with federal and state human resource regulations. However, we noted exceptions that increase an entity's risk of legal liability and employee relations

problems. Some examples of common problems in the design and enforcement of policies and procedures include:

- We noted opportunities to improve policies and procedures related to timekeeping and leave balances:
 - Some records reviewed indicate that employees have negative vacation and sick leave balances. A lack of controls to prevent negative leave balances increases the risk of employees being paid for time they did not work and have not earned, which is prohibited by State law.
 - Timekeeping systems did not always ensure that overtime records were accurate. For example, information on some time sheets did not consistently differentiate between FLSA overtime and state compensatory time. This creates a risk that overtime records will not accurately reflect FLSA overtime earned by employees, which could potentially subject an entity to federal and state penalties. An additional risk is that employees will accrue and take state compensatory leave they have not earned. Another situation we noted that increases this risk is the informal tracking of compensatory time. Not using a timekeeping system may result in improper authorization or inaccurate reporting of time.
 - Timekeepers, often departmental level employees dispersed throughout the organization, do not always receive consistent training in timekeeping. Such training would help ensure that timekeeping is consistent across the entity and complies with entity policies and Department of Labor regulations.
- We noted opportunities to improve policies and procedures related to disciplinary actions, complaints, and grievances. A lack of clearly defined guidelines and definitions increases risk in the areas of disciplinary actions, complaints, and grievances. Examples of the problems noted during our audits included:
 - At one agency we observed adverse disciplinary actions applied inconsistently—there were different consequences for the same types of offenses. This increases the risk of legal liability or employee relation problems for an agency. Inconsistencies in adverse actions may occur due to a lack of formalized standard actions for each offense, inadequate training, or lack of monitoring employee grievances and disciplinary actions for consistency across the agency.
 - At another agency, grievance procedures did not define a reasonable time frame for setting up an initial grievance meeting. While no instances were noted that the meetings were not timely, defining and enforcing such time frames helps ensure that grievances are handled in a consistently timely manner.

- Some have not adequately documented disciplinary actions and grievances or have not collected the data in a central place. Without centralized information, an agency cannot effectively monitor the disciplinary and grievance processes to identify risks and areas for improvement in employee relations. Specifically, management can not ensure that trends in issues affecting agency employees are identified and that policies and procedures are consistently applied.
- Others have not reviewed and analyzed the information collected on an entity-wide basis. Analysis of trends could indicate the need for corrective action, ideas for future prevention, and/or the need for training.
- We noted opportunities to improve efforts to maintain comprehensive and up-to-date policies and procedures. Most entities' employment regulation policies and procedures have areas for improvement. Examples of these problems include:
 - Review of human resource manuals repeatedly revealed the omission of, or incompleteness of, at least one significant policy. The most commonly omitted or incomplete policies included those for the Whistle Blowers' Act, HIV/AIDS, and sexual harassment.
 - Review of required employment regulation postings usually revealed at least one missing posting. The types of missing postings varied by entity.
- Our audits also identified entities that do not adequately control the contents of and access to personnel files. Examples of these problems include:
 - A few do not have a policy that clearly defines who can access personnel files. The lack of a clear access policy increases the risk of improper or inconsistent access across the agency or university, violating employees' rights to privacy, which has potential legal ramifications.
 - Some do not have policies clearly defining the appropriate contents of personnel files. This has resulted in some inappropriate information appearing in the files, which exposes the agency or university to the risk of breaching employee confidentiality and potential lawsuits. Information found in personnel files included gender, race, disability condition, medical condition, age, marital status, veteran status, physical features, attendance data, grievances, and employee assistance program counseling.
- Some agency pay raise documentation indicates promotions and merit increases approved without supporting evaluations. Pay raises should be granted objectively, based on job-related factors.

Recommendation:

Agencies and universities should review their human resource policies and procedures to ensure that they address all significant areas, comply with statutes, and ensure accurate data collection, recording, and reporting. They should pay particular attention to policies and procedures in the following areas:

- Examination of timekeeping and leave balance tracking
- Disciplinary, complaint, and grievance policies and procedures
- Maintenance of human resource policies and procedures for compliance with applicable laws and regulations
- Appropriate restrictions on access to personnel files
- Appropriate documentation of performance related to pay increases

In addition to establishing policies and procedures, management should also assign accountability for ongoing monitoring and enforcement. Policies and procedures need regular review, revision, and enforcement to adequately address new and changing employment regulations and practices. The complexity of employment law and the rapidly evolving work environment hamper entity efforts to efficiently maintain employee relations and legal compliance policies and procedures. The difficulty is even more pronounced in small agencies that often have only one person assigned part-time to perform most of the human resource administrative duties.

Section 5-C:

Improved Selection Procedures Would Help Ensure Adequate Support for Hiring Decisions

Some agencies and universities either do not prepare or do not retain complete documentation of hiring decisions. This hampers adequate review and analysis of selection decisions by human resource representatives and management. Without review and analysis, the entity cannot determine whether it has made the appropriate selection decisions and whether the applicant pool is diverse.

Some entity policies contain inadequate guidance for selection documentation. Other entities do not adequately enforce their existing procedures. Examples of specific weaknesses noted include the following:

- Lack of standards for the contents of the employee selection files. The lack of standardized documentation in selection files increases the risk of incomplete documentation and makes review of selection decisions less efficient and effective. We noted agencies and universities with incomplete documentation.
- No requirement for employment or reference verification. Verifying work history and work reference information on applications reduces the risk and expense of hiring unqualified applicants.

- Lack of retention of all records documenting the selection process for two years after selection occurred. The Texas Administrative Code requires a two-year retention period for these documents.

Recommendation:

Agencies and universities should review and revise or create policies regarding documentation of their selection processes. The policies should address standards for documentation, verification of prior employment, and retention of records. Management should then ensure that entity personnel prepare and retain complete documentation of the process, in accordance with policy.

Section 5-D:

Appropriate Personnel Should Attend Orientation, Supervisory, and Train-the-Trainer Courses

Not all employees attend basic courses designed to inform them of their responsibilities and rights in regard to their assigned duties, to their agency or university, and to the agency's or university's human resource policies and procedures. Requiring attendance at such courses would help prepare employees to effectively perform their job duties. A key to improving accountability for human resource management and practices is appropriate and timely training for all staff.

Examples of the problems we noted with orientation, supervisory, and train-the-trainer courses included:

- While virtually all agencies and universities responding to the survey require some type of orientation for new employees, our survey did not explore the content of the orientation courses. Thus, we do not know how comprehensive these courses are. However, during our fieldwork at four large agencies and universities audited as a part of this project, we noted areas for improvement in some of the orientation courses reviewed. Without effective orientation, new employees may not fully understand their rights and responsibilities as state government employees.

A general orientation course on organizational expectations should include insurance/benefit information, grievance policy, disciplinary action policy, safety and security issues, workers' compensation, sexual harassment, the Americans with Disabilities Act, and other Equal Employment Opportunity-related topics. In addition to general orientation for all employees, organizations should provide additional customized orientation for individual departments and job duties.

- Only 35 percent of survey respondents report that their agency requires some type of supervisory skills training. Without supervisory training, new managers may not have adequate knowledge of basic employee relations and

employment law issues. Supervisory skills training is particularly critical as agencies and universities rely increasingly on supervisors, managers, and some faculty members to handle the variety of human resource management responsibilities. The liability of noncompliance with the many employment regulations makes periodic human resource management training vital.

Basic new supervisor/manager training should address at least the following issues: employee performance appraisals, grievance policy, disciplinary action policy, safety and security issues, workers' compensation, sexual harassment, the Americans with Disabilities Act, and other Equal Employment Opportunity-related topics.

- Only 18 percent of the agencies and universities responding to the survey require attendance of train-the-trainer courses. Requiring train-the-trainer course attendance ensures that full-time, part-time, and occasional trainers are properly prepared to provide effective training to employees. This training is particularly important since most agencies and universities present the majority of their training internally. Train-the-trainer courses normally address such items as presentation skills, adult learning styles, and development of learning objectives and lesson plans.

Recommendation:

Managers should require and ensure the following:

- New employees receive orientation training within 30 days of their first work day.
- New supervisors and managers receive supervisory skills training within 90 days of the employee's appointment to a supervisory position or a faculty member's assignment to human resource-related administrative responsibilities.
- Full- and part-time trainers, as well as operational staff who periodically provide formal training to other employees, receive training strategies training.

Agencies and universities could use an assessment method to exempt employees from training on topics in which they are already proficient.

Objectives, Scope, and Methodology

Objectives

The objectives of this project were as follows:

- To analyze the current status of human resources at a statewide level
- To determine whether human resource control systems at four state agencies and universities provide reasonable assurance that human resources are effectively contributing to the achievement of the organization's goals
- To collect baseline measurements for human resources benchmarking

Scope

The scope of this project included the following:

- Detailed audits of four state entities' human resource controls:
 - The University of Texas at Austin
 - The University of Texas Medical Branch at Galveston
 - Texas Department of Protective and Regulatory Services
 - Texas Department of Criminal Justice

Each audit focused on the following human resources topics:

- Human Resources Planning
- Organizational Structure
- Classification/Salary Administration
- Recruitment/Selection
- Staff Development
- Performance Appraisals
- Employee Relations
- Employment Law Compliance
- Human Resources Record Keeping

Payroll and workers' compensation controls were not emphasized. The audits included a limited review of contingent workforce services.

- Junior colleges were not included in the scope of this audit.
- Review of fiscal years 1994 through 1996 State Auditor's Office human resource-related audit work at 79 state agencies and universities

- Two human resource surveys of all state agencies and universities with more than 4 employees (see Appendix 3.1 for more information about these surveys).

Methodology

The methodology used on this project included collecting information, performing audit tests and procedures, researching human resource criteria and current business practices, analyzing information, and evaluating results.

Information collected to accomplish our objectives included the following:

- Interviews with employees of the four state agencies and universities audited as part of this project
- Interviews with various human resource oversight agencies, including the Texas Workers' Compensation Commission, the Legislative Budget Board, the Texas Commission on Human Rights, the United States Department of Labor, and the State Agency Coordinating Council Human Resource Subcommittee
- Documentary evidence such as:
 - Agency and university human resource policies and procedures
 - State and federal human resource-related legislation
 - Various human resource records maintained by the audited agencies
- Surveys of human resource directors and executive directors

Procedures, tests, and analysis performed included the following:

- At the four audited agencies and universities, we:
 - Gained an understanding of human resource functions
 - Tested various human resource controls, for example, timeliness of evaluations, documentation of hiring decisions, and training evaluations
 - Reviewed human resource policies, procedures, and practices for compliance with legal mandates
- Analyzed prior State Auditor's Office human resource-related audit work to identify common human resource control problems
- Analyzed data from various statewide databases, including the Uniform Statewide Accounting System (USAS), the Uniform Statewide Payroll System (USPS), and the Human Resource Information System (HRIS)
- Analyzed the results of the two human resource surveys

Criteria used included the following:

- State and federal statutes, rules, and regulations, especially those related to human resource and to contingent workforce services
- State Auditor's Methodology Manual
- Various human resource reference sources

Other Information

Audit fieldwork was conducted from February 1996 through September 1996. The audit portion of this project was conducted in accordance with professional standards, including generally accepted government auditing standards and generally accepted auditing standards. There were no significant instances of noncompliance with these standards.

The audit work was performed by the following members of the State Auditor's staff:

- Carol Noble, CISA, CGFM, CCP (Project Manager)
- Andrea Archer, J.D.
- Helen Baker
- Bill Hurley, CPA
- Rena Martin
- Nicole Merridith-Marrerro, MBA
- Marios Parpounas
- Norm Pipione, CGFM
- Richard Rodney
- Jon Nelson, CISA (Quality Control Reviewer)
- Will Hirsch, CPA (Quality Control Reviewer)
- Kelli Dan, CCP, PHR (State Classification Officer)
- Catherine A. Smock, CPA (Audit Manager)
- Deborah L. Kerr, Ph.D. (Audit Director)

Background Information

Appendix 2.1:

Profile of State Government Human Resource Expenditures

Figure 5

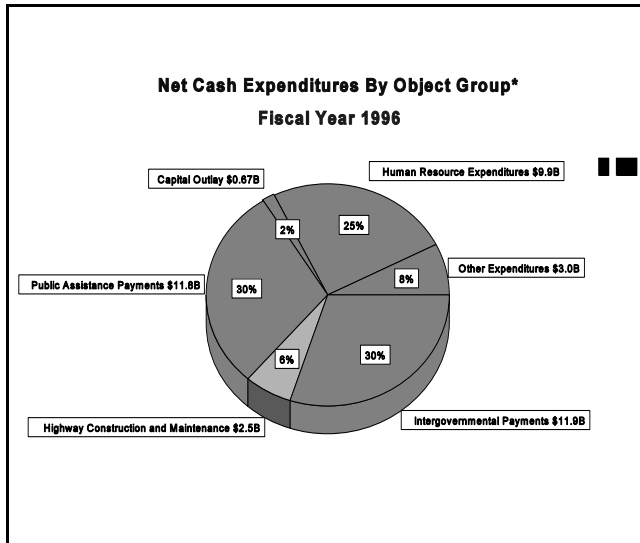
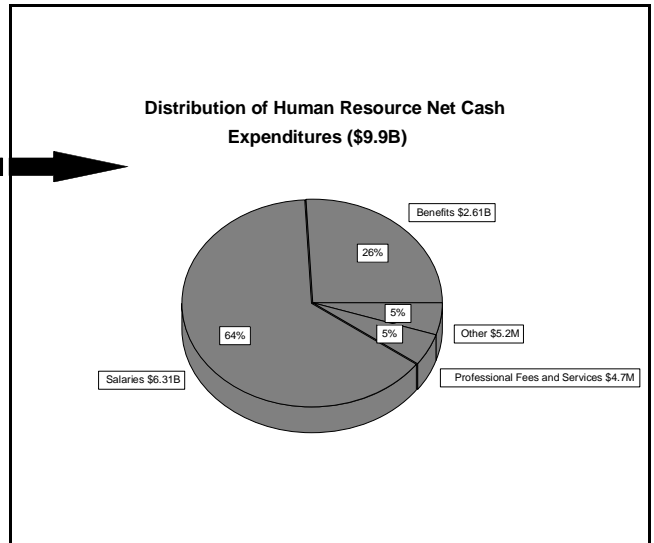


Figure 6



*Net expenditures excludes trust funds, interfund transfers, investments, and payment of principal on debt service.

Source: State of Texas Annual Cash Report for the Year Ended August 31, 1996

Professional Fees and Services (as shown in Figure 6) include, but are not limited to, the following:

- Architectural/Engineering Services
- Computer Programming Services
- Consultant Services
- Educational/Training Services
- Financial and Accounting Services
- Investment Counseling Services
- Lecturers - Higher Education
- Legal Services
- Medical Services
- Other Professional Services

Some contingent workforce service expenditures discussed in this report are categorized as “Other Expenditures” (as shown in Figure 5), which is based on the Cash Expenditures Report. These additional expenditures follow:

- | | |
|---------------------------------|-----------------|
| • Cleaning Services | \$ 18.0 million |
| • Placement Services | 166.6 million |
| • Client-Worker Services | 3.8 million |
| • Purchased Contracted Services | 129.9 million |

“Other” human resource expenditures (as shown in Figure 6) include, but are not limited to, the following:

- Temporary Employment Services
- State Employee Relocation
- Membership Dues
- Tuition - Employee Training
- Registration Fees - Employee Training
- Training Expenses - Other
- Court Costs
- Employee Bonds
- Awards

Comparison of Fiscal Years 1990 and 1996 Full-Time Equivalent State Employees by Article of the General Appropriations Act

Figure 7

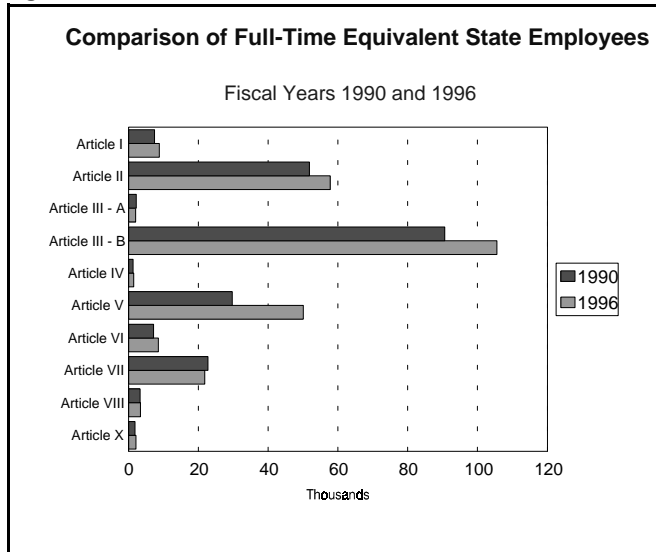
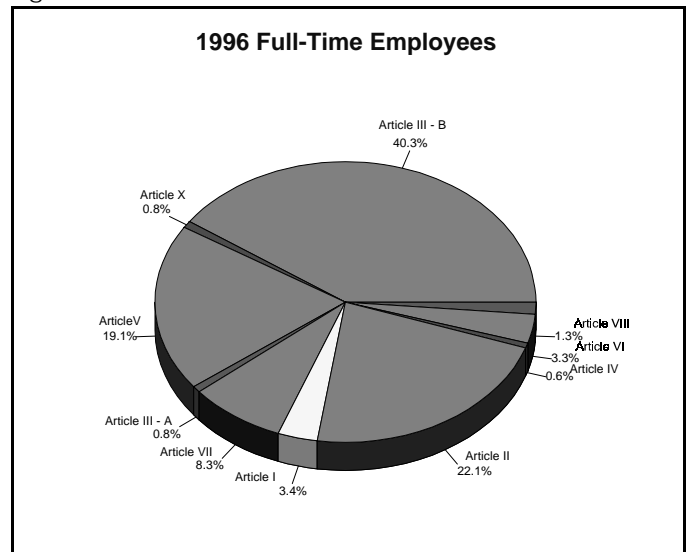


Figure 8



Source: *A Quarterly Report of Full-Time Equivalent State Employees for the Quarter Ending August 31, 1996*

Article Number and Name	1990 FTE	1996 FTE
I - General Government	7,451	8,817
II - Health and Human Services	51,791	57,829
III - A - Education - Agencies	2,233	1,995
III - B - Education - Higher Education Institutions	90,634	105,552
IV - Judiciary	1,281	1,471
V - Public Safety and Criminal Justice	29,724	50,047
VI - Natural Resources	7,163	8,544
VII - Business and Economic Development	22,716	21,833
VIII - Regulatory	3,331	3,434
X - The Legislature	1,846	2,119
TOTAL	218,170	261,641

Appendix 3:
Supplemental Information

Appendix 3.1:
Overview of Human Resource Surveys

Background

The State Auditor’s Office, with the assistance of a consultant, developed two related human resource surveys to obtain additional information on the current status of human resource practices in state agencies and universities. Surveys were distributed, collected, and analyzed between August 1996 and October 1996. Data collected was based on fiscal year 1995 human resource activity.

Survey Objectives

The objectives of the survey were to:

- Identify current human resource measurements.
- Identify current consulting/temporary services practices.
- Identify the current role of human resource departments in the organization.
- Obtain additional information on selected human resource management controls.

Population and Response Rates

All state agencies and universities with more than 4 full-time equivalent employees (FTEs) in fiscal year 1995 received surveys. Junior colleges and quasi-state agencies were not included in the population. The total population receiving surveys was 190 entities—130 agencies and 60 universities, medical institutions, and higher education related agencies.

Figure 9
Survey Response Rates

	Human Resource Director Surveys Returned	Executive Management Surveys Returned
Universities	82% (49/60)	85% (51/60)
Agencies	69% (90/130)	72% (93/130)
All Responses	73% (139/190)	76% (144/190)

Human resource directors received a detailed “Human Resource Director Survey.” Executive heads of agencies received a shorter “Human Resource Survey for Agency/University/Medical Institution Management.”

74 percent of all surveys were returned. Response rates for both surveys and subpopulations are shown in Figure 9.

While the overall response rates support projection of results over the entire population at 95 percent confidence level \pm 5 percent, not all individual questions had an equally high response rate. In particular, the questions collecting time and cost data did not have high response rates.

Results of Audit Work at The University of Texas at Austin

The University of Texas at Austin (UT) needs to improve some of its human resource management controls, particularly in the areas of training, personnel evaluations, employee relations, and compliance. UT considers human resources in its planning processes. However, the lack of human resource measurement prevents UT from setting specific, measurable human resource goals for improved efficiency and effectiveness. While many of the UT human resource policies and procedures reviewed are adequate, our review identified some specific areas for improvement.

The results of our review follow. We reviewed selected UT processes for planning, implementing, monitoring, and measuring the management and use of its employees to achieve university goals.

Development

Measure, Monitor, and Evaluate Training to Ensure Efficient and Effective Personnel Development

Until The University of Texas at Austin identifies and measures training costs and results, management can not accurately assess the “value added” to the organization by training. It is good business practice to compare the cost of providing training with measurable changes in staff productivity resulting from training to determine if training is cost justified. *UT Austin Policies and Procedures Manual* reflects this in its general objectives of the UT training program, which includes “insuring that the system receives a fair return on its investment in training and education.” However, current practices do not support this objective.

UT is not collecting information in a form that will allow an adequate cost benefit analysis of training. Without centralized training data, UT management cannot efficiently monitor and analyze all training provided to staff. UT’s automated Data Processing Class Information System does not track all training classes provided to staff and faculty. It mainly tracks courses provided by the Office of Human Resources (OHR). However, an Executive Information System is being developed that will track and monitor employee training information.

UT does not consistently analyze the effectiveness of training courses. Without evaluating training, UT may not identify opportunities for improvement and cannot adequately assess the organizational benefits received from training. Changes in employee performance as a result of training sessions have not been consistently assessed. None of the four departments reviewed gave employees pre- or post-tests to determine knowledge gained from training sessions or reviewed employee job performance changes as a result of training. Only OHR and one of the departments reviewed had participants complete course evaluations. Neither OHR nor the department analyzed course evaluation trends over time.

Without measuring and reviewing costs associated with its training program, an organization cannot determine the program's overall efficiency and effectiveness. A system should exist to capture all major cost elements of training for a realistic cost analysis. Typical cost elements include, but are not necessarily limited to:

- Employee salaries to prepare and present courses to other employees
- Outsourced course development and presentation
- Overhead costs for training development and presentation (office rent, equipment, cost of materials, etc.)
- Student salaries to attend class
- Course fees and course materials
- Travel costs associated with training

Recommendation:

UT should continue its efforts in the development of the Executive Information System. UT should capture all faculty and staff training information, both internal and external.

UT should expand its efforts to assess training effectiveness. Trends in course evaluations over time should be evaluated. OHR and the individual departments should use training course tests, employee job performance change assessments, or some other method to determine if employees retained and applied the information presented during courses.

UT should collect and analyze the cost of university training activities. If it is not cost effective to collect and measure particular training costs, UT should consider using estimated figures. Likewise, to ensure against inappropriate comparisons, UT should annotate estimated figures and identify elements omitted from the total cost calculation.

Management's Response:

The University will give the development of the Executive Information System a high priority. A joint application development team (OHR and Data Processing) will develop a comprehensive integrated training class registration, tracking and evaluation system. A campus-wide Training Advisory Group will be created to coordinate this process. A pilot project will investigate the feasibility of performing cost benefit analyses of training classes.

Improve Coordination and Identification of Training Needs

UT has no formal assessment process in place for determining training needs. Informally, the training section of OHR interviews key managers and reviews performance evaluations. This informal approach to determining training needs for the university increases the risk that employees will not get the training needed to effectively meet university goals and increase their productivity. In addition, without a

university-wide assessment process to identify common training needs, departments may waste time and money developing and offering similar training in multiple departments.

An organization should identify training courses based on an analysis of both organization-wide and individual training needs. The training offered should increase the ability of the organization's employees to achieve its goals.

Recommendation:

UT should develop a formal training needs assessment. The assessment should include a process for communicating training needs identified at the departmental level to OHR. OHR and the academic and non-academic departments should coordinate and use this information to identify and design effective training courses, to avoid duplication of training efforts, and to determine whether existing courses continue to meet the needs of the organization. Performance evaluation results and surveys of management and staff are examples of ways to assess training needs. If performance evaluations are used, the standard UT evaluation form should be revised to include a section that details the specific training needs of the employee.

Management's Response:

The University will add more formal training needs assessment processes to supplement the current focus groups, end-of-seminar participants' evaluations, interviews with key manager, and recommendations from quality process review teams. Current performance evaluation forms will be revised to include a training and development plan for each employee. A system to analyze these plans will be developed by the Training and Organizational Development Section of OHR to assess training and development needs campus-wide.

Require Basic Training Courses to Ensure That Employees Are Adequately Prepared for Their Job Duties

UT encourages, but does not require, new employees, new supervisors, and new trainers to attend appropriate training courses. Organizations should require such employees to attend basic courses to clarify expectations and prepare employees to effectively perform their job duties. Supervisory skills training is particularly critical due to the decentralized nature of UT and the reliance on supervisors, managers, and some faculty members to handle many of the traditional human resource management responsibilities. The liability of noncompliance with the many employment regulations makes periodic human resource management training vital.

Recommendation:

UT should modify its policy to require the following:

- Supervisory skills training within 90 days of an employee's appointment to a supervisory position or a faculty member's assignment to administrative responsibilities
- Orientation sessions for all new staff and faculty
- Training strategies training for all UT trainers

Management's Response:

The University agrees that supervisory skills training, orientation sessions, and training strategies for all University trainers should be mandatory. The Training and Organizational Development Section of OHR will draft the relevant policies for approval by The University Executive Officers.

Employee Performance Evaluation

Improve the Design and Operation of the Employee Performance Evaluation System

UT's evaluation policy omits certain elements of an effective evaluation process. Employees need timely, useful feedback to help them improve their performance and to reinforce their strengths and contributions to achieving university goals. Specific weaknesses include the following:

- UT policy requires written evaluations when a faculty member is being considered for promotion or tenure, but not for merit raises.
- Evaluations for both faculty and staff do not provide adequate feedback on performance.
 - We noted instances of departments using evaluative criteria, such as attendance, which was not job-specific.
 - Reviewers' comments tend to be too general for staff evaluations. Specific examples of employees' behavior, including positive performance or areas needing improvement, were seldom documented on the evaluations reviewed.
 - Faculty evaluations include few written comments, and there is no criteria for what constitutes different levels of performance for faculty.

Lack of criteria and specific feedback provides neither the person being evaluated nor the organization useful information about the employee's strengths, possible training needs, and areas for improvement.

- Neither faculty nor staff evaluation forms provided space for the signature of the employee being evaluated to document that discussion of the evaluation occurred.
- We found instances of noncompliance with the existing evaluation policies.
 - One of the five departments tested did not use the forms required for classified staff evaluations.
 - Ten of the 45 staff and faculty positions tested did not have current personnel evaluations in their personnel files.

Recommendation:

UT should revise, monitor, and enforce its personnel evaluation policies and procedures to:

- Require written evaluations for faculty.
- Ensure evaluations are based on job-related, specific criteria.
- Require examples of specific employee performance for each job behavior being evaluated.
- Include the date and the signature of the person being evaluated on evaluation forms.
- Ensure use of standard evaluation forms and procedures.
- Ensure timely evaluations.

Supervisors could be evaluated on their timely completion of evaluations and effective use of performance examples to support ratings on their staff's evaluations.

Management's Response:

The University agrees that training in performance evaluation should be required for all supervisors. The Training and Organizational Development Section of OHR will draft a policy for approval by The University's Executive Officers. There is a campus-wide process team that is developing a New Performance Evaluation System. This team is currently revising the staff performance evaluation forms and will take into consideration the above recommendations regarding the modification to require

examples of specific employee performance and the signature and date of the person being evaluated.

The Performance Evaluation System team, discussed above, will also revise the policy to emphasize timely performance evaluations and make that a part of the supervisory performance requirements. In addition, The University will evaluate the feasibility of creating an automated performance evaluation system.

The University of Texas at Austin currently is developing its policy to comply with the recently established UT System Guidelines on the Periodic Review of Tenured Faculty. The policy will be implemented by September 1997. The faculty standing committee that is drafting the policy has included a statement that each faculty member must be informed in writing of the results of his or her annual review.

Recruitment and Selection

Improve Documentation of the Selection Process to Adequately Support Hiring Decisions for Administrative and Professional Personnel

Information related to applicant pool ethnicity and justification for hire was not documented by the Employment Center or the hiring department for all three professional positions reviewed. This lack of information makes review and analysis of selection decisions by OHR and management less efficient and effective. Without adequate analysis of selection decisions, UT cannot determine whether it has made the best selection decisions and whether the applicant pool is diverse.

Presidential policy memorandum 7.102 *Promotion and Recruiting Procedures for Administrative and Professional Personnel (Codes 1000 and 0080)* does not address documentation of ethnicity of the applicant pool or justification for hire for open positions. This information is required in the *Handbook of Operating Procedures*, Section 9.46 "4.a-Promotion/Transfer Policy for Regular Classified Employees." All nine regular classified positions tested included documentation of applicant pool ethnicity and justification for hire.

Recommendation:

UT should revise the current policy for administrative and professional staff to require documentation of ethnicity of the applicant pool and justification for hiring decisions.

Management's Response:

A revised policy on Recruiting and Selection for Regular Non-Teaching Positions will replace the current policies for classified and Administrative and Professional

positions and will require documentation of the selection process for both types of positions.

Improve Planning for Minority Recruiting Efforts

UT conducted and recorded minority recruiting efforts, but there is no evidence of formal planning for minority recruiting targeted at underutilized job code areas. The University's Equal Employment Opportunity (EEO) work force statistics indicate that recruiting efforts need improvement in certain job codes. UT has not met some of the statewide hiring goals. According to the Texas Commission on Human Rights and the General Appropriations Act, Article IX, 74th Legislature, Section 108, all state agencies and institutions of higher education shall make the listed percentages a statewide goal for their hiring of blacks, Hispanics, and females. Based on this analysis a plan to recruit and select underutilized groups should be used to focus recruiting efforts.

Recommendation:

UT should develop a plan which directs recruiting efforts toward underutilized minority groups in categories which do not meet General Appropriations Act or local area EEO statistics. The plan should include details of where and how recruiting efforts will be focused. Specific recruiting efforts should be directed at specific job code areas.

Management's Response:

The University's current recruiting plan directs efforts toward underutilized minority groups. The University has focused recruiting efforts on those activities that would give us the broadest exposure for the least cost, for example attending minority job fairs. We also advertise our employment opportunities using no cost or low cost methods, such as flyers to local minority community agencies, public service announcement on local radio stations with minority audiences, and advertisements in local minority community newspapers. The cost of advertising in journals that have minority distribution is very often cost prohibitive.

Because of budget limitations and the large number (approximately 1,600) of vacancies recruited for each year, The University is able to do only limited targeted recruiting for specific job vacancies. Virtually all advertising for specific vacancies is requested and paid for by individual departments. Departments are advised by OHR and the Executive Officers that OHR reviews all job vacancy advertising and makes recommendations on placement. Advertising is decentralized due to the diverse nature of positions at The University. All departments follow similar guidelines on ad content and consider OHR recommendations on placement.

A new policy on Recruiting and Selection for Non-Teaching Positions will replace the current policies for classified and Administrative and Professional positions. The new

policy includes a Workforce Diversity Plan that directs OHR to alert departments when they are recruiting for a position in an underutilized job category. It will encourage them to target recruit for the position and OHR will provide them with information on possible recruiting sources. In addition The University will provide funding to OHR specifically for targeted recruiting in the FY96-97 budget. A written plan for targeted recruiting using these funds will be developed.

Compensation and Salary Administration

Improve Job Analysis and Job Evaluation for Administrative and Professional Positions

UT does not require formal job analysis and job evaluation for administrative and professional positions. The lack of formal job analysis and job evaluation processes creates a risk of inconsistency among job descriptions and salaries of similar positions across the university.

While some departments gather salary data through market surveys of peer institutions, there is no guarantee of consistency in how different colleges and departments gather and use such salary data. When requested, OHR serves as a consultant to the colleges and departments for job analysis and job evaluation of administrative and professional positions.

Recommendation:

UT should implement a formal job analysis and job evaluation process for administrative and professional positions. The job analysis process should include identification of similar positions among departments and maintenance of current job documentation. The job evaluation process should include:

- A standardized mechanism for collecting external market salary data for comparison when setting administrative and professional salaries
- A mechanism to ensure consistency of salaries for similar administrative and professional positions within UT

Management's Response:

In March 1996, all benefits eligible classified and Administrative and Professional employees at The University were asked to complete a Job Inventory Form for the compensation study being conducted by the consultants from W. F. Corroon. The information in these forms is currently being analyzed by the consultants, a hierarchy of positions is being developed, and market comparison data will be presented to the Compensation Study Executive committee in the next few weeks. Outcomes of the study should include development of a system for job evaluation for Administrative

and Professional jobs and the development of a system to collect market salary data for establishing salary levels for these positions that will provide more consistency for existing and new Administrative and Professional positions.

Employee Relations and Compliance

Improve Policies and Procedures to Minimize Legal Liability and Maintain Good Employee Relations

UT has established and enforced many of the policies and procedures needed to protect both organizational and employee rights and to ensure compliance with most of the federal and state human resource regulations we reviewed. In addition to policies and procedures, OHR distributes human resource information through its *OHR News* and *Management Team Bulletin* publications. However, we noted exceptions that increase UT's risk of legal liability and employee relations problems. In some cases, policies, procedures, or controls were missing. In other cases, the defined practices were not followed, monitored, or enforced.

Policies should exist in all relevant human resources areas, especially where an organization is at risk. Without monitoring policies and procedures on a continual basis, an organization can not ensure continued and full compliance.

Addressing the following weaknesses will help UT to more effectively manage its workforce in achieving organizational goals:

- A. Controls over timekeeping and leave balances need improvement:
 - 1. The automated timekeeping system indicates that some departments allow employees to have negative vacation and sick leave balances, which are prohibited by state law.
 - 2. Codes controlling leave accruals are entered manually and are not edited by the automated system. The resulting risks are that employees may be paid for time they did not work and may accumulate leave time they have not earned.
 - 3. Information on UT time sheets has not been consistently recorded by departments to differentiate between FLSA overtime and state compensatory time. Some departments track compensatory time informally instead of on the timekeeping system, which may result in improper authorization or inaccurate reporting of the time. The first situation creates a risk that overtime records will not accurately reflect FLSA overtime earned by employees, which could potentially subject UT to Department of Labor penalties. Both situations create a risk that employees will accumulate and take state compensatory leave they have not earned.

4. Department timekeepers do not receive consistent training in timekeeping. This would help ensure that timekeeping is consistent across departments and complies with UT policies and Department of Labor regulations.
- B. Grievances have not been adequately documented in central OHR files. Departments have not sent all grievance-related information to OHR. Without centralized grievance information, OHR cannot effectively monitor the grievance process to identify risks to UT and areas for improvement. Analyzing such centralized information could also help management ensure that trends in issues affecting employees are identified and that policies and procedures are consistently applied.
- C. UT policies and procedures need revision and enforcement to adequately address all current employment regulations and practices.
1. UT has not updated certain policies and procedures to reflect current laws including the Personnel Policy, the Parental Leave Policy, and the Merit Salary Policy. UT has not incorporated its existing policies and procedures for the following topics into the policies and procedures manual: Employee Assistance Program, Whistle Blower's Act, and Workers' Compensation.
 2. Management has not posted required employment regulations for the Americans with Disabilities Act Notice of Non-Discrimination and Grievance Procedures, Unemployment Compensation, Fair Labor Standards Act (FLSA), Whistle Blower Act, and Hazardous Working Environment.
- D. UT does not list all job vacancies available to outside applicants with the Texas Employment Center as required by state law. The following positions are not posted:
1. Appointments of less than four and one-half months
 2. Appointments for less than one-half time
 3. Appointments to temporary code 1000 research title
 4. Appointments to classified positions that are designated for students only
 5. Appointments resulting from nominations by a selection committee established by the President
 6. Non-tenured track faculty positions hired as temporary employees

The state law only applies to vacancies in which applicants from outside the university will be considered. UT has stated that part-time and temporary positions are not posted with the Texas Employment Center in order to eliminate additional cost and staff time.

- E. UT controls over the contents of and access to personnel files are inadequate.
1. UT criteria regarding the appropriate contents of personnel files are unclear, which has resulted in some inappropriate information appearing in the files. Personnel files should contain only job-related information that has a legitimate business necessity to ensure that inappropriate information is not used as the basis for evaluations, promotions, and merit increases and to ensure that employees' privacy rights are not violated. Personnel files should not contain medical information or any information that has EEO implications, such as indications of an employee's race, nationality, or gender.
 2. UT does not have a policy that clearly defines who can access personnel files. The lack of a clear policy increases the risk of violating employees' privacy rights and related lawsuits. Controls over the security of some department personnel files appear insufficient. At one of four departments tested, neither the file drawers containing personnel files nor the office where they are kept are locked at night.

Personnel file information should be safeguarded to protect employees' right to privacy and to protect UT from the risk of related lawsuits.

Recommendation:

The recommendations below address the weaknesses noted:

- A. The following recommendations would improve timekeeping and leave balance tracking:
1. UT should modify its information system to detect negative leave balances, and management should monitor the balances.
 2. UT should implement an automated system feature to generate or edit the leave accrual code for each employee.
 3. Time sheets should be modified to clarify where FLSA overtime and state compensatory time should be reported. Departments should be required to enter state compensatory time information into the automated system, as is required for other types of leave.
 4. OHR should develop and implement a mandatory training course for all department timekeepers.
- B. UT should develop and enforce a policy which requires departments to submit grievance information to OHR. Once the information is received, OHR should monitor the grievance process to ensure that trends are identified and analyzed and that policies and procedures are consistently applied.

- C. UT should update and actively monitor its policies and procedures to ensure that they remain in compliance with applicable laws, regulations, and the UT's Regents' Rules, and that they address all important areas.

UT should post all required postings in common areas as soon as possible. Likewise, UT should increase the number of areas where postings can be found so that they are visible to all employees.

- D. UT should post all positions for which outside applicants will be considered with the Texas Employment Commission.
- E. UT should adopt and enforce a clear, consistent policy regarding what information should be contained in an employee's personnel file, specifically those that are maintained in the departments. UT should adopt and enforce rules to ensure that personnel files are securely safeguarded at all times. OHR should educate departments about the criteria and perform periodic reviews to ensure compliance.

In addition to establishing policies and procedures, management should also assign accountability for ongoing monitoring and enforcement.

Management's Response:

- A. *Time sheets will be revised to provide clarification between overtime and compensatory time; electronic time sheets will include fields for recording of state and FLSA overtime. The University will include enhancements in the future developments in the automated time tracking system to enable departments to track compensatory time and to prevent the accumulation of excessive negative leave balances. Electronic audits of TR Codes were implemented in May 1996. Such audit procedures enhance the accuracy of leave accruals for employees. Furthermore, training for departments timekeepers will be developed and offered through the OHR Development Calendar for Fall 1996.*
- B. *The Non-faculty Grievance Procedure Policy that is being revised by a process review team includes a provision requiring departments to submit appropriate grievance information to OHR. While departmental managers generally work closely with the Employee Relations Representatives in responding to grievances and appeals, this has not been a policy requirement. Policy development in this area will improve the process of maintaining grievance files. Additionally, a check-off form will be placed in each grievance file to ensure that the various responses at each level have been acquired.*

In addition, OHR currently actively monitors grievance procedures to ensure that departments are adequately addressing grievances. Members of the Compensation and Employee Relations section of OHR actively assist

departmental supervisors and managers in investigations, formulating responses to grievances, and providing information about fair employment practices. These OHR employees are different from those who work with grievances.

- C. *The University currently is developing policies for the Handbook of Operating Procedures for implementation in Fall 1996 in the areas referenced in the auditors' recommendations. The revision will include the development of an up-to-date index to human resource policies.*

In addition to policy revision, a handbook for employees is being written. This publication will include information about University policies and procedures and will be given to each current employee. Orientation procedures for employees will require that new employees indicate by signature that they are aware of the location of policies and their obligation to read them.

Procedures for posting of employment regulations currently are being developed. The Human Resources Representative in the Compensation and Employee Relations Section of OHR are responsible for informing departments about the need to provide adequate posting of regulations and will assist departments in determining posting needs.

- D. *A new policy on Recruiting and Selection for Non-Teaching Positions will replace the current policies for classified and Administrative and Professional positions and will require that all regular non-teaching positions, other than those designated for student employment, be recruited for through the OHR Employment Center. Accordingly, these positions will be posted with TEC as required by law.*

The University employs approximately 4000 non-regular employees. The recommendation that these positions be recruited for through the TEC will be taken under consideration. If compliance with this requirement would represent an unreasonable burden, The University will work with legal counsel, possibly seeking an Attorney General's opinion, on two significant issues that relate to the intent of the law:

1. *Because most of our non-regular employees are UT Austin students, are these students considered to be "within the institution?" If not, positions designated for UT Austin students would then be exempt from posting with TEC.*
2. *Should TEC posting of these positions be exempt based on the cost to the state of the effort to recruit through TEC for such positions that in some cases, are of shorter duration than the recruiting periods.*

- E. *The University currently is revising its human resources policies. The policy on personnel files, Section 7.08, Handbook of Operating Procedures, is among those under revision. In addition to policy revision in this area,*

information currently is provided in Supervisory Skill Training regarding the types of information that should be in an employee's record, who should have access to these records, and the necessary security controls to ensure an employee's right the privacy. An article on Personnel Files will be published soon in the OHR News, a campus publication sent to all University employees, and guidelines on information to be contained in files and who should have access to them soon will be available on the Worldwide Web. Self-audit procedures for departments in this area will be development and OHR will conduct periodic reviews of departments to ensure compliance.

Results of Audit Work at The University of Texas Medical Branch at Galveston

The University of Texas Medical Branch at Galveston (UTMB) measures several of its human resource functions and has begun analyzing these measurements to identify efficiency and effectiveness improvements. We encourage UTMB to continue and expand these processes. UTMB has a human resources strategic plan that links to its overall strategic plan. Some UTMB human resource policies and procedures reviewed were inadequate; our report identifies specific areas for improvement.

The results of our review follow. We reviewed selected UTMB processes for planning, implementing, monitoring, and measuring the management and use of its employees to achieve its goals.

Development

Require New Supervisors and Managers to Attend Training to Adequately Prepare Them for Their Job Duties

Some UTMB newly hired or promoted supervisory staff have not received training in management techniques and performance evaluations. Without such training new managers may not have adequate knowledge of basic employee relations and human resource compliance issues.

Manager orientation and performance evaluation training for new supervisory staff are addressed in the *Handbook of Operating Procedures* policies 3.6.3 and 3.6.5 respectively. The policy for the manager orientation program does not explicitly require attendance. In addition, there is no process to inform the Training Section of newly hired or promoted supervisory personnel. Individuals who would benefit from supervisory training may not know of its availability and thus may not receive training to ensure proper supervision of their staff.

Recommendation:

UTMB should require all new managers and supervisors of personnel to be trained in basic management skills within 90 days of their appointment to a supervisory position. The training, whether formal, on-the-job, or by some other method, should address basic employee relations and human resource compliance issues. The Employment, Payroll, and Compensation offices should inform the Training Section of newly hired or promoted supervisory staff. The Training Section could then inform these employees of the available training methods and opportunities. An assessment method could be employed to exempt employees from training on topics they are already familiar with. The Training Section could monitor participation and report results to department and executive management.

Management's Response:

The employment office will begin notifying the Training Section of newly hired and promoted supervisors. The Training Section will insure that each new supervisor or manager is assessed for basic supervision skills within 90 days of their assignments into their role. All new managers and supervisors will be invited and encouraged to attend the basic supervision class series.

Employee Performance Evaluation

Improve the Design and Implementation of the Employee Performance Evaluation System

UTMB's employee performance evaluation system does not consistently provide timely and specific feedback. Employees need timely, useful feedback to help them improve their performance and to reinforce their strengths and contributions to achieving UTMB's goals. The three weaknesses noted are described below.

UTMB does not consistently prepare annual performance evaluations in a timely manner. Our testing revealed that about one-third of administrative/professional and classified UTMB employees had either no evaluation or an evaluation dated prior to 1995. The UTMB *Handbook of Operating Procedures* requires annual performance evaluations for all staff. To be in compliance with Joint Commission of Accreditation for Health Care Organizations requirements, the Human Resources Department recently began reporting evaluations not received to departments and to executive management.

High and low ratings on evaluations tested were not consistently supported by specific comments as required by UTMB policy. As a result, employees do not receive information needed to either improve their performance in response to low ratings or to continue high performance. Higher level departmental "reviewing managers" are not consistently verifying the inclusion of appropriate comments to support the ratings as part of the evaluation review and approval process. In addition, the Records Section of the Human Resource Department is not reviewing the evaluations to ensure proper and complete documentation in accordance with policy.

UTMB uses attendance as an evaluation criterion for classified employees. Because sick leave and annual leave are employee entitlements in the General Appropriation Act, they should not be used as a basis for evaluations.

Additionally, the use of attendance as an evaluation criterion increases the risk of inconsistent treatment of the Family Medical Leave Act or the Americans with Disabilities Act (ADA) provisions, resulting in grievances, lawsuits, or low morale.

UTMB has a formal attendance policy based on its primary concern for patient care and the ability to maintain appropriate staffing levels. Management has the right to set non-discriminatory attendance policies and discipline employees who do not comply with them. However, an attendance policy must clearly exclude FMLA leave from the

attendance requirements, and it must allow for exceptions in the case of reasonable accommodations under the ADA. Furthermore, no adverse personnel actions should be based solely on an employee's legitimate use of accrued sick and/or vacation leave because the General Appropriations Act refers to sick and vacation leave in terms of entitlements. Finally, the discipline process should be distinct from an evaluation of the person's performance of specific job duties.

Recommendation:

UTMB should regularly monitor the employee performance evaluation system to ensure it is operating as intended and that individuals are held accountable for their evaluation system responsibilities. The Records Section of the Human Resource Department should continue to report evaluation timeliness results to the departments and to executive management. Executive management should follow up with departments not in compliance.

The Human Resources Department should notify the reviewing managers that their evaluation approval indicates compliance with policy as to appropriate comments supporting the ratings. In addition, the Records Section staff should scan evaluations for comments included with minimum and maximum ratings. Those without the required comments should be returned to the department director for completion and not recorded centrally as completed.

UTMB should consider removing attendance-related criteria from the employee performance evaluations. Management should consider modifying its attendance policy to clarify the ADA provisions and the allowable use of entitled sick leave.

Management's Response:

We agree that Human Resources should continue to report on the timeliness of employee evaluations to the responsible departments and to executive management. As per policy 3.6.5 Performance Appraisal System, the University of Texas Medical Branch (UTMB) management is charged with the responsibility and self-accountability for the performance appraisal system. We will continue to follow up with departments which are not timely.

We agree to instruct the Records section to additionally report to the department and executive management identified instances of non-compliance with policy regarding the inclusion of appropriate comments to support rating extremes.

We strongly believe that some control of attendance is necessary in order for management to maintain patient safety and quality of care. There is an institutional attendance policy related to absences. Departments have additional policies to further address invalid call-in procedures and tardiness issues. The Family Medical Leave Policy and the Institutional Attendance forms both remind managers that Family Medical Leave time is not recorded as scheduled or unscheduled absences. We agree to review all current attendance policies.

Employee Relations and Compliance

Improve Policies and Procedures to Minimize Legal Liability and Maintain Good Employee Relations

UTMB has established and enforced some of the policies and procedures needed to protect both organizational and employee rights and to ensure compliance with federal and state human resource regulations. However, we noted exceptions that increase UTMB's risk of legal liability and employee relations problems. In some cases, policies, procedures, or controls were missing. In other cases, the defined practices were not followed, monitored, or enforced.

Policies should exist in all relevant human resources areas, especially where an organization is at risk. Without monitoring policies and procedures on a continual basis, an organization can not ensure continued and full compliance.

Addressing the following weaknesses will help UTMB to more effectively manage its workforce in achieving organizational goals:

- A. UTMB has granted some promotions and merit increases without supporting evaluations. This practice increases the risk that employees with current evaluations who did not receive a salary increase could perceive unfair treatment and file a grievance. Pay raises should be granted objectively, based on job-related factors. Approval was given for the pay increases without verifying that evaluations justifying the pay action were conducted.
- B. Personnel files reviewed contained information which is prohibited from being used in employment decisions. When personnel files contain such prohibited information, there are two risks. One is that management could use this information inappropriately as a basis of employment decisions. A second risk is that employees could allege discrimination based on the existence of information in the files. Information in the files included gender, race, disability condition, medical condition, age, marital status, veteran status, physical features, attendance data, grievances, and employee assistance program counseling.

The Texas Commission on Human Rights Act and the Americans with Disabilities Act prohibits discrimination based on a number of categories, including sex, race, age, and mental or physical disability.

- C. UTMB policies and procedures do not reflect all current employment regulations:
 - 1. The *UTMB Handbook of Operating Policies* omits eight key policy areas related to the American with Disabilities Act, conflict of interest, sexual harassment, dual employment, handguns, HIV/AIDS, substance abuse, and the Whistle Blower Act.
 - 2. UTMB has not posted required employment regulations for workers' compensation, the Whistle Blower Act, and Hazardous Working

Environment Act. Employees may not be aware of protections under the Whistle Blower's Act or the Hazardous Working Environment Act and consequently may not feel safe informing management of situations needing attention. In addition, employees may not be aware of their workers' compensation rights.

- D. There is no central review and analysis of appeals, grievances, and disciplinary actions. The Affirmative Action office began the process of loading appeal and grievance information into the Executive Information System (EIS), but the process was delayed by implementation of the Human Resource Management System (HRMS). Although the Human Resources Department requests departments to submit disciplinary action notices for inclusion in the employee personnel files, no written policy exists.

Management needs access to information on employee relations problems in order to identify trends in types of grievances, appeals or disciplinary actions, to determine which departments have significant activity, and to implement corrective action.

Recommendation:

The recommendations below address the weaknesses noted:

- A. In order for the payroll office to accept a salary increase resulting from a merit increase or a promotion, a memo signed by department management should accompany the personnel action certifying that the evaluation conducted within the past year supports the action.
- B. UTMB should clarify its policy regarding the appropriate contents of personnel files and conduct periodic reviews to ensure compliance with the policy. Information received for inclusion in the central personnel file should be reviewed for appropriateness prior to filing. The Human Resources Department needs to give priority to removing inappropriate documents. UTMB can maintain these documents in separate files with access restricted to personnel on a "need-to-know" basis.
- C. UTMB should actively monitor its policies and procedures to ensure that they are in compliance with applicable laws and regulations and that they address all important areas. The Human Resources Department should assign responsibility for identifying posting requirements and for monitoring that the common areas are in compliance with these requirements. The three areas omitted from the current postings should be added.
- D. UTMB needs to complete the system for monitoring grievances and appeals. Management should establish policy to specifically require department directors to report disciplinary actions to Affirmative Action for inclusion in this system. UTMB management then needs to analyze the information to identify trends to use for corrective action, future prevention, and training.

In addition to establishing policies and procedures, management should also assign accountability for ongoing monitoring and enforcement.

Management's Response:

- A. *A Human Resource Management System (HRMS) enhancement is planned that would link merit increases and promotions to performance evaluations. An automated solution is required based upon our volume of performance evaluations.*
- B. *Upon advice from our Legal department, in 1989 we discontinued collecting documents prohibited in employment decisions. Because of the associated volume, cost, and time, we decided not to remove all the documents previously filed before 1989. As an alternative, it is our practice that whenever a employee file that predates 1989 is pulled for review by a department manager, any inappropriate documents are removed at that time by Human Resources before the file can be reviewed. Once a year, we have informed department managers of appropriate employee file contents. We will begin to spot audit employee files as an effective monitoring system.*
- C. *The Sexual Harassment and Possession of Firearms policies were approved and distributed on June 20, 1996. Conflict of Interest, ADA, Dual Employment, HIV/AIDS, Drug and Alcohol Testing, and the Whistleblower will be finalized in 1997.*

We agree that the required postings have not been made consistently. Efforts are underway to correct.

- D. *With the implementation of HRMS, UTMB will have the ability to provide information to management of employee complaints and disciplinary actions. Management will have access to information to identify trends in types of grievances, appeals, and disciplinary actions. Human Resources will continue to consult with departments regarding these issues. Additionally, Human Resources is currently working with executive management to determine which key indicators will best monitor human resource trends.*

Results of Audit Work at the Texas Department of Protective and Regulatory Services

The Department of Protective and Regulatory Services (PRS) needs to improve its measurement, analysis, and evaluation of both human resource-related practices and employee productivity. PRS considered human resources in its strategic and operational planning and recent reorganization. However, the lack of human resource measurement prevents PRS from setting specific, measurable human resource goals for improved efficiency and effectiveness. Most PRS human resource policies and procedures reviewed are adequate; however, our review identified some specific areas for improvement.

The results of our review follow. We reviewed selected PRS processes for planning, implementing, monitoring, and measuring the management and use of its employees to achieve agency goals.

Development

Measure, Monitor, and Evaluate Training to Ensure Efficient and Effective Personnel Development

Until PRS identifies and measures training costs and results, management can not accurately assess the “value added” to the organization by training. It is good business practice to compare the cost of providing training with measurable changes in staff productivity resulting from training to determine if training is cost-justified.

PRS does not routinely analyze the effectiveness of training courses. Without evaluating training, PRS may not identify opportunities for improvement and cannot adequately assess the organizational benefits received from training. A system should exist to measure the knowledge and skills an employee gains from training and development. PRS does not compare course evaluations (which measure student reactions) for identical courses over time. It does not routinely use pre and post tests (which measure learning), and typically does not assess whether employees applied the course content to their jobs (a measure of behavior changes).

PRS has not analyzed training-related costs. Without measuring and reviewing costs associated with its training program, PRS cannot determine the program’s overall efficiency and effectiveness. A system should exist to capture all major cost elements of training for a realistic cost analysis. Typical cost elements include, but are not necessarily limited to:

- Employee salaries to prepare and present courses to other employees
- Outsourced course development and presentation
- Overhead costs for training development and presentation (office rent, equipment, cost of materials, etc.)
- Student salaries to attend class
- Course fees and course materials

- Travel costs associated with training

A lack of centralized training data hampers the measurement of training. Without centralized training data, PRS management cannot efficiently monitor and analyze all training provided to staff. The Professional Development Division (PDD) at the central office has been unable to effectively track all regional training. Despite requests from the central PDD, some regional offices are not providing complete information about regional training. PRS management reported that there are areas where there is insufficient training as well as some duplication in training preparation and execution. In addition, PRS does not compile centralized data on employees who are granted financial assistance or time off to pursue academic degrees.

Recommendation:

PRS should expand its efforts to assess training effectiveness. It should routinely analyze evaluations of training courses to determine if there are trends over time. It should also expand its use of pre- and post-tests, employee job performance change assessments, or other methods to determine if employees retain and apply the information presented in training courses.

PRS should collect and analyze the cost of agency training activities. If it is not cost effective to collect and measure particular training costs, PRS should consider using estimated figures. Likewise, to ensure against inappropriate comparisons, PRS should annotate estimated figures and identify elements omitted from the total cost calculation.

PRS management should support the PDD in obtaining more complete regional training information.

Management's Response:

PDD will establish a more consistent process for assessing the transfer of learning and measuring the knowledge and skills an employee gains from training and development. PDD currently is using post training evaluations for all classes, however all courses do not use pre and post testing. As new courses are developed, they will include this type of measurement. PDD is involved with the Child Protective Services Training Institute (CPSTI) in the development of a monitoring and evaluation tool for all Child Protective Services Basic Skills Development courses (entry level training for CPS workers). The target date for implementation is Fall of 1997. PDD will continue to work with all other areas of training to ensure measurement of training is developed and implemented, and that the data is analyzed.

PDD agrees with the recommendation to analyze training related costs. Currently, the department is investigating the software needed to track cost information and will work with the PRS Budget and Information Technologies staff to develop a system that provides this data. This will be a long-term project that will require changes to the current automated system. The PDD Director is working closely with the State

Agency Coordinating Committee (SACC) Training Directors to develop a plan to analyze training cost consistently for all state agencies. Development and implementation is anticipated during fiscal year 1998.

PDD agrees with the recommendation that a more effective and standardized process for collecting cost information is needed. The issue of effectively training is tied to the tracking of cost-analysis data, as the same system is used for both types of entries (see above). PDD is working with the Regional Directors and regional training functions to ensure that all regions are reporting accurate and complete training data to PDD on a regular basis. Development and implementation is anticipated during fiscal year 1998.

Improve Coordination of Training

We noted some duplication of training course development and presentation among the various PRS departments. PRS management has identified this issue and is considering combining the duplicative portions of the three management courses into one course that covers general issues common to all new managers. Without taking steps to ensure that training is coordinated among separate departments within an organization, the organization cannot ensure efficient and effective use of development resources. All training groups within an organization should coordinate the assessment of training needs to identify and design effective training courses and to determine whether existing courses continue to meet the needs of the organization. When possible, departments should share development and presentation resources.

Recommendation:

Agencywide coordination of existing courses, which management is considering for its various management courses, should result in a more efficient or effective approach to such training. Management should extend this agencywide coordination to the planning, developing, and delivering of all training.

Management's Response:

PDD is working closely with Human Resources (HR) to ensure that the development of Human Resources courses are channeled through one source. PDD and HR are also working closely in the development of HR related management courses to guarantee the quality and accuracy of course material.

Require Basic Training Courses to Ensure That Employees Are Adequately Prepared for Their Job Duties

PRS does not require new employees, new supervisors, and new trainers to attend basic courses to clarify agency expectations and prepare employees to effectively perform their job duties. PRS does not offer an employee orientation course to new staff;

however, it is developing such a course. PRS offers, but does not require, new managers and trainers to attend management or Train-the-Trainer (offered by Child Protective Services) courses, respectively.

Recommendation:

PRS should require orientation, management, and Train-the-Trainer courses for all applicable employees.

Management's Response:

Human Resources agrees that a coordinated, effective new employee orientation program is needed. We are developing such a program, to include a first-day session to incorporate payroll and benefits forms processing and other appropriate information, possible videos to provide other information important to employees of the agency, including an orientation to the major Program areas (Child Protective Services, Adult Protective Services and Child Care Licensing) (to minimize travel costs of staff involved in providing orientation), assignment of defined orientation responsibilities to supervisors, and other effective orientation procedures. Target date for implementation is June 1, 1997.

In addition, we recognize there is need by supervisors and managers for ongoing training in HR Program areas, e.g., handling of employee leave, adverse actions, performance management, etc. HR staff is developing policy and procedure materials for all HR programs, and will work with PDD staff to coordinate delivery of training on all such programs. Target date for implementation is June 1, 1997.

While the agency offers management training to all employees, only Child Protective Services Supervisors are required to attend the CPS management training program. The PDD management training team is currently creating HR related management courses that will be available to all supervisors and managers. The issue of mandated courses will be addressed at the completion of course development with management decisions made by August 31, 1997.

PDD offers specific entry level courses for all program staff. These courses are very job specific, currently there is no overlap of most course material. The one area of overlap, Investigations, is being addressed by a cross-program work group that is creating a format for a core Investigator Training that all PRS staff involved with investigations will attend. This work group will be making recommendations to management over the next several months. Management decisions regarding cross program training will be made by August 31, 1997.

PDD will continue to send trainers to the CPSTI (not CPS) Train-the-Trainer course that is offered yearly. Currently the market is full of Train-The-Trainer courses, and PDD will require that all training staff attend these types of courses. PDD will work with program staff over the next year to address the training of program trainers in

their specific area of expertise. Many PDD trainers have attended Train-The-Trainer courses, and this information will be reflected in each trainer's personnel file.

Employee Performance Evaluation

Improve the Design and Operation of the Employee Performance Evaluation System

PRS's employee performance evaluation system, adopted from the Department of Human Services, does not fully address its needs. Employees need timely, useful feedback to help them improve their performance and to reinforce their strengths and contributions to achieving agency goals. Specific weaknesses include the following:

- The performance evaluation system involves four forms for evaluating some employees' performance. Possible inefficiencies inherent in requiring too many forms create a disincentive for evaluators to complete the evaluations thoroughly and promptly.
- PRS does not routinely analyze information about delinquent evaluations. This could be an additional disincentive for timely evaluations.
- PRS does not provide training to all supervisors on how to conduct performance evaluations. Insufficient training in performance evaluation contributes to evaluation inconsistencies both within and across regions.
- PRS does not regularly perform analyses to ensure that evaluations are consistent throughout the regions and among supervisors. Failure to analyze the results prevents PRS management from identifying undesirable trends, such as ratings being inflated to support promotions or other misuses of the system. To be an effective form of feedback and measurement, a performance evaluation system should be monitored regularly and modified as needed.

Recommendation:

PRS should consider revising the employee performance evaluation system to require fewer forms. Management should monitor completion dates to ensure timely completion of annual evaluations. Also, PRS should design and provide training to all supervisory personnel on how to conduct performance evaluations. Finally, PRS should regularly analyze data to monitor the consistency of evaluations within and across regions and among supervisors.

Management's Response:

The majority of employees (worker, clerical, and support staff) are evaluated on a system that involves only one form. Each direct-delivery program has defined what constitutes "meeting requirements" for its worker staff. Supervisors and high-level

professionals are the only ones evaluated on the system that uses four forms. These forms do lack definition and are less effective than the process used for workers and support staff. PRS agrees that, in general, the current performance evaluation methods do not meet agency needs. We are in the process of developing a coordinated performance management program that includes performance evaluation, implementation of which will begin by June 1, 1997. In addition, because the DHS HRMIS system, which we are now required to use, does not allow for adequate tracking of appraisal information, we have identified available PC software for tracking appraisals until our conversion to USPS in January, 1998, and will begin use of this software as soon as the necessary hardware is available to HR staff. Target date for implementation of the interim software is June 1, 1997.

PRS agrees that evaluations are inconsistent and that supervisor training is necessary. HR and PDD will work together to develop and implement training to accompany the new performance management program.

As discussed above, PRS is researching a variety of automated systems that will provide greater flexibility in monitoring, analyzing and reporting a variety of data, including performance evaluation results. When achieved, these results will be monitored for consistency and coordinated with performance management training. Target date for program implementation and institution of compliance audits: April 1, 1997.

Recruitment and Selection

Measure and Analyze Recruitment and Selection Processes and Results to Identify Efficiency and Effectiveness Improvements

PRS does not routinely analyze the costs and results of its recruitment and selection processes. Thus, management is unable to determine if the recruiting program is efficient and cost effective and if it results in a better applicant pool. Likewise, management cannot identify if there are areas for improvement in the efficiency or effectiveness of the selection process. In addition, analysis of recruiting sources could identify those sources that are not cost effective in recruiting qualified applicants.

Recommendation:

PRS should periodically analyze the costs and results (or benefits) of its recruitment and selection processes to identify improvements which ultimately would result in hiring employees who best fit the positions and stay with the agency a reasonable length of time.

Management's Response:

Human Resources has added a coordinated agency-wide recruitment function to HR program administration responsibilities, and has hired a recruiter. A coordinated, agency-wide annual recruitment plan has been developed and implemented. In addition, we have hired a system support specialist whose responsibility is to develop and maintain a database management system. Target date for completion of data base system: April 1, 1997.

Improve Documentation of the Selection Process to Adequately Support Hiring Decisions

PRS's lack of standardized selection documentation increases the risk of incomplete documentation and makes review and analysis of selection decisions by human resource representatives and PRS management less efficient and less effective. Without adequate analysis of selection decisions, PRS cannot determine if it has made the best decisions.

PRS has not standardized the contents of employee selection files, including the justification for hiring decisions. It does not require that its standard form for doing reference checks be used and included in the selection files. In addition, PRS has not retained all records that document the selection process for two years after the selection occurred, as required by the Texas Administrative Code.

Recommendation:

PRS should standardize the contents of selection files, including the justification for hiring decisions. Management should ensure that agency personnel prepare and retain complete documentation of the employee selection process.

Management's Response:

Human Resources has begun revision of current procedures for the selection process and relating to the contents and retention of selection files to ensure that files are kept consistently across the state. Following implementation of program changes, periodic random compliance audits will be done by HR Programs staff on selection files maintained in the HR point-of-service offices. Target date for program implementation and institution of compliance audits: April 1, 1997.

Employee Relations and Compliance

Improve Policies and Procedures to Minimize Legal Liability and Maintain Good Employee Relations

PRS has established and enforced most of the policies and procedures needed to protect both organizational and employee rights and to ensure compliance with most of the federal and state human resource regulations we reviewed. However, we noted exceptions that increase PRS's risk of legal liability and employee relations problems. In some cases, policies, procedures, or controls were missing. In other cases, the defined practices were not followed, monitored, or enforced.

Addressing the following weaknesses will help PRS to more effectively manage its workforce in achieving organizational goals:

- A. Controls are inadequate to prevent negative leave balances, which are prohibited by state law. This increases the risk of employees being paid for time they did not work and have not earned.
- B. Adverse disciplinary actions have been applied inconsistently, i.e., there were different consequences for the same types of offenses. This increases the risk of legal liability for the agency. Inconsistencies in adverse actions may occur because PRS has not formalized standard actions for each offense in its policies and procedures, because regional directors have autonomy to make decisions without consulting the state office, or because of inadequate training. Regional management reported that there is no clear guidance from the state office on what actions would be taken for applicable offenses. In addition, management does not monitor employee grievances and disciplinary actions to ensure that trends in issues affecting PRS employees are identified and that policies and procedures are consistently applied.
- C. PRS policies and procedures need revision and enforcement to adequately address all current employment regulations and practices.
 1. PRS sexual harassment policies and procedures do not include all recommended provisions, including a requirement that all agency personnel attend sexual harassment training, a time line for resolving sexual harassment complaints, and clearly defined consequences of committing acts of sexual harassment.
 2. The PRS *Human Resource Handbook* does not contain policies regarding the Whistle Blower Act and HIV/AIDS.
 3. Management has not posted unemployment insurance signs.
 4. The PRS *Human Resource Handbook* contains some Department of Human Services policies which need to be revised as PRS policies.

Recommendation:

The recommendations below address the weaknesses noted:

- A. PRS should modify its automated information system to reject data or alert management when negative leave balances are detected.
- B. PRS should clarify and standardize its definition and use of disciplinary actions. Management also should monitor its employee grievances and disciplinary actions on at least an annual basis to ensure that trends are identified and analyzed and that policies and procedures are consistently applied.
- C. PRS should revise its *Human Resource Handbook*, adapting appropriate Department of Human Services policies for PRS, expanding the sexual harassment policies/procedures, and including Whistle Blower Act and HIV/AIDS policies. Management should add unemployment insurance signs to its postings in all break rooms.

In addition to establishing policies and procedures, management should also assign accountability for ongoing monitoring and enforcement.

Management's Response:

- A. *PRS expects to convert to the Uniform State Payroll/Personnel System (USPS) for January, 1998 payroll. Utilization of the USPS leave accounting module will eliminate the negative leave balance problem. In the interim, point-of-service HR staff and supervisors and management staff will be provided training regarding responsibility for monitoring employees' leave balances prior to approval of leave.*
- B. *PRS has revised the adverse action process to ensure that consistent policies and procedures are applied throughout the state. The responsibility for policy and oversight has been centralized, which provides focused expertise to agency staff. A HR attorney has been hired, consolidating the providing of all advice and counsel relative to disciplinary processes from one source, with that source having expertise in employment/HR law. Training will be provided to management and supervisory staff who are involved in adverse actions. Target date for full program implementation: January 15, 1997.*

Human Resources has established a data base to monitor and analyze adverse actions, complaints, and grievances. Some data entry has been accomplished and will be completed by the end of January, 1997. HR will provide reports for analysis and identification of any management issues. The Management Analysis Division will assist in identifying trends for these activities.

- C. *Human Resources is developing a new HR Policy manual, which will provide a full body of HR policy for PRS. Human Resources will ensure that agency policy includes policies relating to the Whistleblower Act and HIV/AIDS. Revisions to the existing manual on these subjects has been published.*

Human Resources provides a memorandum from the executive director to all employees, addressing the agency's sexual harassment policies, on a regular basis. We recently revised the memorandum to include a signature line for the employee indicating that the employee has received a copy of the sexual harassment policies. The revised memorandum was sent to all current employees on July 1, 1996, and is now provided to all new hires. PRS management will make sexual harassment training mandatory for all employees. The Professional Development Division (PDD) has developed a course on preventing sexual harassment in the workplace, which the agency has been using for at least 1 ½ years. PDD will work with HR and Legal to update the course and develop a plan on the logistics of how to implement this training as a mandated course. Human Resources will revise current policies and procedure to include the recommendations stated above. This process will be in place by March 1, 1997.

PRS management has posted unemployment insurance and other required HR regulatory signs in some agency break rooms, and will have all required signs in remaining agency break rooms by February 1, 1997.

Lastly, accountability for the ongoing monitoring and enforcement of PRS policies and procedures has been assigned to the Director of Human Resources.

Results of Audit Work at the Texas Department of Criminal Justice

While the Texas Department of Criminal Justice (TDCJ) has many adequate human resource management controls, it needs to improve in the areas of training, employee performance evaluations, and recruitment. TDCJ does not regularly perform cost benefit or other analyses of these human resource-related practices and their effect on employee productivity. TDCJ considered human resources in its strategic planning and recent reorganization. However, the lack of human resource measurement prevents TDCJ from setting specific, measurable human resource goals for improved efficiency and effectiveness. Most TDCJ human resource compliance and employee relations policies and procedures reviewed are adequate; however, our review identified a few specific areas for improvement.

The results of our review follow. We reviewed selected agency processes for planning, implementing, monitoring, and measuring the management and use of its employees to achieve agency goals.

Development

Measure, Monitor, and Evaluate Training to Ensure Efficient and Effective Personnel Development

Until TDCJ identifies and measures training costs and results, management cannot accurately assess the “value added” to the organization by training. It is good business practice to compare the cost of providing training with measurable changes in staff productivity resulting from training to determine if training is cost justified.

TDCJ does not routinely measure or analyze effectiveness of training courses. Without evaluating training, TDCJ may not identify opportunities for improvement and cannot adequately assess the organizational benefits received from training. TDCJ training departments routinely administer course evaluations (which measure student reaction). While they also administer some pre- and post-tests (which measure learning), they do not assess whether employees apply what they learn to their jobs (a measure of behavior changes). This information would help management determine if training meets the intended objectives and produces the desired results.

TDCJ does not collect or analyze training costs. Without measuring and reviewing costs associated with its training program, TDCJ cannot determine the program’s overall efficiency and effectiveness. A system should exist to capture all major cost elements of training for a realistic cost analysis. Typical cost elements include, but are not necessarily limited to:

- Employee salaries to prepare and present courses to other employees
- Outsourced course development and presentation

- Overhead costs for training development and presentation (office rent, equipment, cost of materials, etc.)
- Student salaries to attend class
- Course fees and course materials
- Travel costs associated with training

The lack of centralized training data hampers the measurement of training. Without centralized training data, TDCJ management cannot efficiently monitor and analyze all training provided to staff. Also, collection of training cost data is more cumbersome. Only two of the four TDCJ training departments use the central training database. The other two departments use separate systems.

Recommendation:

TDCJ should develop guidelines for assessing training effectiveness. It should expand its efforts to assess training effectiveness. It should continue the use of pre- and post-tests. In addition, TDCJ should use other assessment techniques to determine if employees learn, retain, and apply the training to improve their performance and the achievement of TDCJ's goals.

TDCJ should collect and analyze the cost of agency training activities. When it is not cost effective to collect and measure particular training costs, TDCJ should consider using estimated figures. Likewise, to ensure against inappropriate comparisons, TDCJ should annotate estimated figures and identify elements omitted from the total cost calculation.

Management should require use of the centralized training database to record agencywide training activity.

Management's Response:

Training Departments will prepare a comprehensive action plan to develop performance measures. The use of pre-testing, post-testing and other assessment techniques will continue where appropriate. In addition, other assessment techniques will be reviewed for implementation as appropriate.

Implementation Date: Ongoing

We will develop and implement a plan comparing Agency training effectiveness with cost benefit analysis.

Implementation Date: September 1, 1997 for development of the plan.

All four Training Departments will develop a plan for a centralized training database. A plan for implementation will be developed.

Implementation Date: September 1, 1997

Improve Coordination of Training and Identification of Training Needs

Different TDCJ training departments have developed and presented duplicate courses in Covey's Seven Habits and Train-the-Trainer courses. Without taking steps to ensure that training is coordinated among separate staff development departments within an organization, the organization cannot ensure efficient and effective use of staff development resources.

TDCJ handles individual training needs assessment on an informal basis. It does not have a formal process for communicating training needs identified in performance evaluations to the staff development departments. This increases the risk that employees will not get the training they need to improve their productivity.

Recommendation:

TDCJ should improve coordination between its four training departments to ensure cost effective use of its agencywide training resources. Whenever possible, departments should share development and presentation resources. All training groups should coordinate the assessment of training needs to identify and design effective training courses and to determine whether existing courses continue to meet the needs of the organization.

TDCJ should develop a formal process for communicating training needs identified via performance evaluations to the appropriate training departments. The four training departments could then coordinate to determine how to best address common training needs, whether through formal training or some other development method.

Management's Response:

We agree that Train-the-Trainer courses and Covey training should be coordinated for all agency divisions. A Train-the-Trainer course will be developed based on National Institute of Corrections (NIC) curriculum. The four Divisions' training staff will coordinate training responsibilities for these specific programs.

Implementation Date: September 1, 1997

Agency will develop an annual training plan based on training needs identified using a systematic needs assessment process. We will consider the use of survey analysis of strategic and operating plans and input from performance evaluations.

Implementation Date: September 1, 1997

Require Basic Training Courses to Ensure That Employees Are Adequately Prepared for Their Job Duties

TDCJ does not require appropriate employees to attend orientation, management, or Train-the-Trainer courses. Requiring attendance at such courses helps clarify agency expectations and prepares employees to effectively perform their job duties.

Not all TDCJ employees receive comprehensive new employee orientation. While TDCJ's Human Resources Staff Development Department currently limits employee orientation to employee benefits information, it is developing a more complete course. Training departments in some of the other divisions provide more comprehensive new employee orientation.

TDCJ has not ensured that all new managers receive supervisory/management training. The Human Resources Staff Development Department does not offer new manager/supervisor training as part of its internal training course offerings or require that new managers attend an external course. New manager training is offered, but not required, for personnel in the State Jails and Institutional Division.

TDCJ does not require all agency trainers who develop or deliver in-house training to attend formal Train-the-Trainer courses. Currently, Human Resources Staff Development neither offers nor requires its trainers to attend Train-the-Trainer courses. The State Jails and Institutional Division and the Parole Division require staff trainers to attend separate, divisional Train-the-Trainer courses.

Recommendation:

TDCJ should require orientation, management, and Train-the-Trainer courses for all applicable employees. TDCJ should complete development of its new employee orientation course and require all staff members to attend it within a month of their employment date. TDCJ should also require all new managers and supervisors of personnel to attend a basic management skills training course within 90 days of their appointment to a supervisory position. The Human Resources Staff Development Department should require and ensure that its trainers attend a Train-the-Trainer course.

We recommend that the four TDCJ training departments coordinate and share resources whenever possible to efficiently provide these courses agency-wide.

Management's Response:

PD-96, Employee Comprehensive Orientation Programs, is being developed. The orientation programs will include all issues recommended in the HR audit. The policy will require staff to attend within 30 days of their employment date and to attend a refresher orientation program annually thereafter.

Implementation Date: February 1, 1997

Currently the Agency is able to provide training within 180 days of appointment to security management positions. The Agency will establish a goal to provide training to all staff in management positions within 90 days of appointment date. In addition, training will be provided to staff currently in management positions who have not received management training. Actions taken to date include the development of a Basic Supervisory Training Program targeted for first time supervisors normally in pay groups 9-15. Actions to be taken include: 1) identification of employees by

division/department who may be required to attend the program; 2) pilot and implement the Basic Supervisory Training Program effective October and November, 1996; and 3) re-evaluate the criteria elements based on piloted training. We will identify all management categories and ensure the curriculum is appropriate.

Implementation Date: September 1, 1997 to evaluate methods needed to meet 90 day goal.

For Train-the-Trainer courses, actions taken to date include: 1) staff required to attend Train-the-Trainer have been identified; and 2) an evaluation of HR resources has been completed. Actions to be taken include scheduling all HR trainers to attend the Train-the-Trainer course. (Note: HR trainers have been scheduled to attend this training program the first week in January 1997. CJAD trainers will provide the instruction.)

Implementation Date: February 1, 1997

Employee Performance Evaluation

Improve the Design and Operation of the Employee Performance Evaluation System

TDCJ employee performance evaluations do not consistently provide employees with timely, specific, useful feedback to help them improve their performance and to reinforce their strengths and contributions to achieving TDCJ goals. Specific weaknesses include the following:

- The employee performance evaluation form in use during our audit did not include specific job-related criteria. A proposed evaluation form is designed to include such criteria. For a given position, evaluation criteria should reflect the essential job functions so that feedback is focused to provide meaningful, relevant feedback for that job. Ratings for each criterion should also be well-defined to help ensure consistently valid ratings across TDCJ.
- High (excellent) and low (unsatisfactory) ratings on evaluations tested were not consistently supported by specific written justification, as required by TDCJ policy. As a result, employees do not receive information needed to either improve their performance in response to low ratings or to continue high performance. Review and approval by TDCJ management and unit Human Resource Management Officers have allowed noncompliance with the established policy.
- The Human Resources Division does not centrally monitor the automated personnel evaluation system to ensure that TDCJ employees receive timely performance reviews. This lack of monitoring may be a disincentive for timely evaluations. In our testing, only 52 percent of the evaluations on the performance evaluation system were current. Reports of overdue evaluations are provided only to the unit human resource representatives with no involvement of regional or central operational offices.

- Not all of the evaluations recorded on the automated system are in the central personnel files. Policy AD-11.55 and the revised PD-52 policy require that performance evaluation forms be submitted to central Human Resources Division within 30 days of signature by the employee. Therefore, the central personnel files are incomplete for these individuals.

Recommendation:

TDCJ should implement the new evaluation form as planned. In addition, TDCJ should regularly monitor the employee performance evaluation system to ensure it is operating as intended and that individuals are held accountable for their evaluation system responsibilities. The monitoring recommended below could be added as part of the current operational reviews conducted by the central Human Resources Division department or made part of the responsibilities of the various levels of management to ensure that:

- Essential functions of job descriptions are used as evaluation criteria
- Appropriate comments support high and low ratings
- Evaluations are timely
- Both the evaluation system and the central personnel files contain the most current evaluations

TDCJ may need to provide training in conducting performance evaluations to emphasize the roles and responsibilities of supervisors and human resource personnel.

Management's Response:

A revision to PD-52, Performance Evaluations, has been developed which includes job-specific criteria. This policy was implemented September 1, 1996. Effective March 1997, standards will be developed and added to the operational review process to verify essential job functions are used as evaluation criteria.

Implementation Date: March 1, 1997

HR personnel were trained prior to the implementation of the revised PD-52, Performance Evaluations. HR personnel are responsible for training supervisors on the revised policy and use of the appropriate criteria in preparing an evaluation. Unit/department HR personnel will be responsible for monitoring this program. A revision to PD-52 will be published and distributed. The revision includes procedures requiring unit/department HR personnel to verify appropriate comments are attached to evaluations. Standards will be developed to ensure appropriate comments are attached to evaluations.

Implementation Date: March 1, 1997

A revision to PD-52, Performance Evaluations will be published and distributed to include monitoring of past due evaluations. Human Resources will provide a list to Wardens/Department Heads who will be responsible for monitoring past due evaluations.

Implementation Date: March 1, 1997

Standards will be developed to ensure the inclusion of the most current performance evaluations in the master personnel file as shown on the performance evaluation report.

Implementation Date: March 1, 1997

Selection

Measure and Analyze Recruitment and Selection Processes and Results to Identify Efficiency and Effectiveness Improvements

TDCJ does not routinely analyze the costs and results of its recruitment and selection processes. Thus, management is unable to determine if the recruiting program is efficient and cost effective, and if it results in a more qualified and diverse applicant pool. Likewise, management can not identify areas for improvement in the efficiency or effectiveness of the selection process.

TDCJ was primarily reactive to the needs of filling positions during the past 18 to 24 months of rapid agency growth. Management collects applicant Equal Employment Opportunity (EEO) data, but does not analyze it. TDCJ does not have a method for obtaining recruiting data for non-correctional positions. However, a recruiting trip report is being implemented to capture the costs and results of each recruiting activity. Also, according to TDCJ, systems are being developed to track recruiting efforts.

Recommendation:

Management should fully implement the systems being established and the recruiting reports. In addition, management should incorporate EEO data from the applications into TDCJ's recruitment analysis and planning.

Management's Response:

TDCJ is in the process of developing a system to track recruitment efforts. This system will include: 1) a recruiting trip form which has been developed and is currently being used to provide feedback on the benefits of participating in future recruiting activities; 2) modification of the EEO data form entry to capture referral sources used by recruitment staff, allowing us to determine the effectiveness of our work with groups and organizations in recruiting applicants; and 3) on September 15, 1996, a system was implemented to track specific job vacancy notices which are forwarded to groups and organizations within the geographic area of each vacancy. These vacancies are

in EEO categories where the agency has not achieved parity with the Civilian Labor Workforce. Our goal is to have a complete recruiting analysis system in place.

Implementation Date: June 1, 1997

Require Employment and Education Reference Checks

The TDCJ selection policy does not require employment or reference verification. TDCJ management leaves the decision of reference and employment verification to the person authorized to hire the new employee. Verifying work history and work reference information on applications reduces the risk and expense of hiring unqualified applicants.

Recommendation:

TDCJ should develop and enforce a policy to require verification of outside work experience and education when used as a basis for hiring an applicant.

Management's Response:

It is not cost effective for the Agency to complete employment references for all applicants. Compensating controls currently in place include criminal history background checks (state and federal) and drug testing. In addition, work references are required for correctional officer applicants. The agency's selection policy for non-correctional positions allows for work and education reference checks by the interviewer prior to selection. Although these reference checks are not required, they are encouraged in the training required for all interviewers.

Implementation Date: N/A

Improve Planning for Minority Recruiting Efforts

While TDCJ does plan for minority recruiting, approximately 58 percent (14 of the 24) of the state minority hiring goals were not met as of March 31, 1996.

According to the Texas Commission on Human Rights and the General Appropriations Act, Article IX, 74th Legislature, Section 108, all state agencies and institutions of higher education shall make the listed percentages a statewide goal for their hiring of blacks, Hispanics, and females. Based on an analysis of progress toward this goal, TDCJ should develop a plan to recruit and select underutilized groups.

Recommendation:

TDCJ should evaluate its minority recruitment efforts and revise its plans accordingly. The agency should continue targeting its recruiting efforts for hiring qualified minorities in the job categories which do not meet goals established in the General Appropriations Act.

Management's Response:

A recruitment plan will be developed and implemented that will define detailed strategies and actions for recruiting minorities and women in the EEO categories where the civilian labor force percentages have not been met.

Implementation Date: February 1, 1997

Human Resource Planning, Classification, and Salary Administration

Create and Maintain Functional Job Descriptions for All Positions

TDCJ does not have functional job descriptions for every position. Without functional job descriptions, employees may not understand the specific responsibilities of their positions and may not be evaluated accordingly. Functional job descriptions should link to their associated state classified job position descriptions. The purpose of functional job descriptions is to identify and describe the specific tasks involved with each unique job position within an agency.

Recommendation:

TDCJ should develop a plan for ensuring that functional job descriptions are maintained for all positions.

Management's Response:

When the Americans with Disabilities Act became effective for public agencies, TDCJ required all agency managers and supervisors to develop job descriptions for each position within their area of supervision. Each job description included the position's essential functions. PD-93, Position Classification Review, will be revised to require agency managers to provide a revised job description if there are any significant changes in the duties assigned to a position. Standards will be developed and added to the operational review process to verify performance evaluation essential functions are consistent with the current job description. During the operational review process, functional job descriptions which do not reflect the position's current essential functions will be cited and corrected.

Implementation Date: March 1, 1997

Employee Relations and Compliance

Improve Policies and Procedures to Minimize Legal Liability and Maintain Good Employee Relations

TDCJ has established and enforced various policies and procedures to protect both organizational and employee rights and to ensure compliance with most of the federal and state human resource regulations we reviewed. However, we noted a few exceptions that increase TDCJ's risk of legal liability and employee relations problems. In these cases, policies, procedures, or controls were missing or needed clarification. For employee relations and compliance controls we did not detect any policies or procedures that were not followed. This can be attributed in part to the operational review process, which monitors departmental compliance with human resource-related policies and procedures.

Policies should exist in all relevant human resource areas, especially where an organization is at risk. Without monitoring policies and procedures on a continual basis, an organization cannot ensure continued and full compliance.

Addressing the following weaknesses will help TDCJ to more effectively manage its workforce in achieving organizational goals:

- A. TDCJ policies and procedures do not reflect all current employment regulations.
 - 1. The TDCJ *Personnel Manual* does not contain a policy regarding the Whistle Blower Act.
 - 2. Management has not posted employment regulation signs in all appropriate locations. Signs for the Fair Labor Standards Act (FLSA) and unemployment insurance were missing in three locations tested. In at least one instance, the sign for the Family Medical Leave Act (FMLA), Equal Employment Opportunity (EEO), and grievance procedures were missing.
- B. TDCJ does not adequately control the contents of and access to personnel files.
 - 1. TDCJ does not have a policy that clearly defines who can access unit personnel files. The lack of an access policy increases the risk of improper or inconsistent access across TDCJ, violating employees' rights to privacy, which has potential legal ramifications. To ensure confidentiality of information and consistency of access, organizations should document who can access personnel files and under what conditions.
 - 2. Unit personnel files contain some inappropriate information. Inappropriate information in the unit personnel files exposes TDCJ to the risk of breaching employee confidentiality and potential lawsuits.

TDCJ management has developed a policy regarding the appropriate contents of the imaged master personnel files, but has not developed a policy addressing unit personnel files. Personnel files should not contain medical information or any information that has EEO implications, such as indications of an employee's race or sex.

- C. TDCJ grievance procedures do not define what a reasonable time frame is for setting up a grievance meeting in the first step of the grievance process. Defining and enforcing such time frames ensure that grievances are handled in a consistent, timely manner.

Recommendation:

The recommendations below address the weaknesses noted:

- A. TDCJ needs to prepare a Whistleblowers' Act policy and post missing employment regulations in common areas at all TDCJ units.
- B. TDCJ management should develop a policy that documents who can access unit personnel files and under what conditions. The policy should be published in the employee manual and communicated to all TDCJ personnel. Also, TDCJ should develop and document a policy regarding the appropriate contents of unit personnel files and conduct periodic reviews to ensure compliance with the policy.
- C. TDCJ management should consider revising the grievance policy by defining a time frame for setting up grievance meetings in the first step of the grievance process.

Management's Response:

- A. *Posters related to FMLA, FLSA, EEO, grievance procedures, and unemployment insurance have been distributed to all agency Human Resource offices with instructions to post them in a common area. Updated posters will be distributed when revised. Human Resources Representatives will be responsible for conducting a self-audit to assure all required posters are displayed and are current. Human Resources will establish audit standards.*
Implementation Date: March 1, 1997

Personnel Policy PD-32, Whistleblower Act, has been drafted and is currently being staffed. Upon the Executive Director's approval, the policy will be published and distributed to all personnel policy manual holders.
Implementation Date: March 1, 1997

- B. *Current policy PD-55, Management of Employee Master Personnel Files, is being revised to include procedures regarding who may access Unit/Department personnel files and appropriate contents of such files. This information will be communicated to all agency personnel via E-Mail and the agency newsletter "Connections". May 1997 is the target date for the E-Mail communication, publishing the information in the agency newsletter, and expanding the operational review standards to verify compliance.*
Implementation Date: *May 1, 1997*
- C. *A revision to the grievance policy incorporating the recommendation has been drafted and is currently being prepared for the Executive Director's signature. Upon the Executive Director's signature, the policy will be published and distributed to all personnel manual holders.*
Implementation Date: *March 1, 1997*