

Report To

The Mississippi Legislature



A Performance Evaluation and Expenditure Review of the State Personnel Board

September 14, 1994

The State Personnel Board does not measure its regulatory effectiveness, assure the quality and consistency of test monitors and application evaluators, or verify the qualifications of applicants for state jobs.

The board does not track time spent processing job applications and issuing certificates of eligibles, both sources of state agency complaints. PEER found, however, that state agencies account for 91% of the total time spent in the hiring process.

Although it has improved its salary survey process since PEER's 1987 review, the board still does not consistently base salary recommendations to the Legislature on relevant labor market comparisons.

The board should annually determine training needs of Mississippi government and address those needs through its training division, a program that has improved since 1987.

The Legislature should consider deleting the statutory requirement that the State Personnel Director approve personal services contracts (i.e., consultants and independent contractors) and instead direct agencies to keep records of needs assessments, bids, and proof of contract monitoring for annual audit by the State Auditor.

The Legislature should require the board to calculate its direct and indirect costs as a basis for charging agencies for personnel services.

The PEER Committee

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The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A standing joint committee, the PEER Committee is composed of five members of the House of Representatives appointed by the Speaker and five members of the Senate appointed by the Lieutenant Governor. Appointments are made for four-year terms with one Senator and one Representative appointed from each of the U. S. Congressional Districts. Committee officers are elected by the membership with officers alternating annually between the two houses. All Committee actions by statute require a majority vote of three Representatives and three Senators voting in the affirmative.

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The Committee assigns top priority to written requests from individual legislators and legislative committees. The Committee also considers PEER staff proposals and written requests from state officials and others.

**A Performance Evaluation and Expenditure Review
of the State Personnel Board**

September 14, 1994

**The PEER Committee
Mississippi Legislature**

The Mississippi Legislature

Joint Committee on Performance Evaluation and Expenditure Review

PEER Committee

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September 14, 1994

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At its meeting of September 14, 1994, the PEER Committee authorized release of the report entitled **A Performance Evaluation and Expenditure Review of the State Personnel Board.**



Senator Travis Little, Chairman

**This report does not recommend increased
funding or additional staff.**

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A Performance Evaluation and Expenditure Review of the State Personnel Board

September 14, 1994

Executive Summary

Introduction

Mississippi's growth in full-time state government employment paralleled the national growth trend between FY 1985 and FY 1991, when state government employment (other than education) per 10,000 population grew by 11.26%, while the national growth rate was 11.91%. Although Mississippi's non-education state government employee to population ratio exceeds the national ratio, Mississippi has a higher proportion of state workers engaged in service delivery than forty-three other states. Thus the role of the State Personnel Board, its director, and staff in administering the personnel administration system for state agencies becomes increasingly important and more complex.

The PEER Committee reviewed how the State Personnel Board (SPB) performs its primary functions of recruitment and selection, classification and compensation, and training. The Committee evaluated the State Personnel Board's administration and controls over its revenues and expenses and trends in the outlay of funds for FY 1989 through FY 1993. The Committee also audited a sample of the board's expenses for the most complete fiscal year, FY 1993, and the first six months of FY 1994.

While PEER's 1994 review of the State Personnel Board was not designed to be a follow-up of the Committee's 1987 review, some areas of weaknesses noted in 1987 continue.

Findings

Internal Evaluation (page 17)

The State Personnel Board has not defined its statutory mission in measurable terms and thus does not know if it effectively fulfills its mission.

The only type of data that the State Personnel Board collects and reports related to its performance is information noting the frequency with which it performs activities (e.g., number of tests scheduled, number of job applications screened and evaluated). SPB has not devised outcome measures—which measure accomplishments or results because of services provided—to relate its activities to its statutory mission (e.g., personal service expenditure changes by year and by type as a result of new hires). SPB needs a system of outcome measures to track its progress and direct its resources toward their best use.

Recruitment and Selection

Testing (page 20)

One method the State Personnel Board uses to determine a job applicant's eligibility for a position is competitive testing. These tests are designed to assess whether applicants have sufficient knowledge, skills, and abilities to perform the jobs for which they are applying. SPB contracts with individuals to oversee administration of proficiency tests for typing skills and written tests for technical knowledge and skills.

The State Personnel Board does not train its test monitors or check their compliance with testing procedures.

SPB provides test monitors with a *Monitor's Manual*, but does not conduct training sessions for test monitors. Neither does SPB periodically assess test monitors' compliance with the board's testing procedures.

Application Evaluators (page 22)

For jobs that do not require competitive testing, SPB application evaluators rate applicants on the quantity and quality of their education and experience.

The State Personnel Board does not ensure that its staff evaluates all applications in the same manner.

For those state service positions not requiring a test, the nature of the job application process allows some evaluator subjectivity. SPB's evaluation policies and procedures do not include controls to determine whether ratings assigned by one evaluator are comparable to those of other raters and the ratings assigned by experts.

Verification (page 24)

Although state law makes the State Personnel Board responsible for recruiting qualified applicants, SPB has delegated to agencies the task of verifying the correctness of applicants' experience and training.

State law requires the State Personnel Board "to recruit, select and advance employees on the basis of their relative ability, knowledge and skills, including open consideration of *qualified* applicants for initial appointment [emphasis added]." This implies that applicants which SPB certifies as eligible should possess the educational and training experiences stated on their employment applications and should possess the minimum qualifications of the positions for which they are applying.

However, SPB evaluators do not verify applicants' educational records and work histories on a routine basis. SPB verifies such information only when an evaluator suspects that an applicant may have submitted false information. In this way, SPB has chosen to limit processing time by delegating verification to hiring agencies, but has no policy which requires its staff to post-audit agencies' verification of applicants' training and experience.

Timeliness (page 26)

All state agencies which SPB regulates must interact with SPB to fill positions. Some agency personnel and job applicants have complained of delays in the hiring process caused by SPB's alleged failure to carry out its responsibilities promptly. To assess how quickly SPB responds to agencies' needs throughout the hiring process, PEER reviewed a sample of files on agency requests to SPB during FY 1994.

On average, SPB responded to agencies' requests for lists of qualified applicants in about six days.

SPB is responsible for a relatively small share of the time agencies spend in selecting new employees. On average, SPB activity accounted for approximately 9% of the time agencies spent in the hiring process in FY 1994 (an average of six days out of seventy-two). Activities of the hiring agencies themselves accounted for the remaining 91% of the time in the hiring process. SPB's response to agency requests for lists of qualified applicants took fewer than thirty days for all cases in PEER's representative sample, and for all FY 1994 correctional officer requests (an area of particular concern).

On average, SPB took about three days to evaluate job applications.

Within PEER's sample of 306 applications, SPB took from one to thirty-five days to evaluate each application. For 52% of these applications, SPB completed its evaluation within one day of receiving it. The average application processing time was 2.5 days.

SPB does not monitor its timeliness in responding to agencies' requests or in evaluating applications.

SPB's system for responding to agency requests for certificates of eligibles and evaluating applications contained no major points of delay. However, such a system potentially could be more responsive to agencies' and applicants' needs. As of May 1994, SPB had not established goals for its own timeliness and had not evaluated its own performance in relation to internally developed standards.

Classification and Compensation

Variable Compensation Plan (page 38)

Mississippi's Variable Compensation Plan, which the state adopted in FY 1982, is a method of paying state employees on the basis of their job worth and performance. To determine "job worth," the State Personnel Board identifies the relevant labor market and collects salary survey data from these markets for 300 of the state's 2,056 job classes.

In developing its salary recommendations, the board averages the survey results for each of the job classes surveyed.

SPB does not appropriately identify the relevant labor market for all job classes, resulting in inappropriate salary recommendations for some job classes relative to their true market worth.

Accurate identification of the relevant labor market is SPB's lingering deficiency in the area of administering the Variable Compensation Plan. While the State Personnel Board has improved its efforts by including respondents other than public sector agencies from the four surrounding states in its survey, its current survey procedures do not ensure proper identification of the relevant labor market for each job class. Using salary information which is not relevant distorts SPB's salary realignment recommendations.

Contracts (page 42)

State law requires the State Personnel Director to approve agencies' personal services contracts. However, the law limits this review to verifying whether the requesting agency has a state service position which can perform the contractor's function, and does not require agencies to justify their use of contractual services or obtain these services through a competitive process.

Although state law requires the State Personnel Director to approve all contracts for personal and professional services (with certain exceptions), the law does not specify the criteria the State Personnel Director is to use when deciding whether to approve or disapprove a request. MISS. CODE ANN. Section 25-9-107 only requires the director to disapprove the request if the services "could reasonably be performed by an employee in an authorized employment position." The law does not specify a process for governmental entities to use when contracting for personal services.

Training (page 45)

Although the State Personnel Board has increased the number of its training courses since PEER's 1987 review, the agency has no formal method of assessing state agencies' training needs.

The State Personnel Board has not conducted a comprehensive needs assessment since 1991 and cannot address critical questions regarding state agencies' training needs—i.e., who should be trained and when and how training should be offered.

Fiscal Management

Revenues (page 49)

As an internal service activity, the State Personnel Board should serve agencies on a cost-reimbursement basis. However, SPB has billed agencies amounts above actual service costs, causing revenues to exceed that needed to fund operations and accumulating large cash balances.

As defined by the Governmental Accounting Standards Board and supported by state law, the State Personnel Board is an internal service organization and should serve agencies on a cost-reimbursement basis. There should be no profit motive or fund accumulation at the expense of other agencies.

However, because state law authorizes SPB to fund operations by assessing state agencies per authorized agency position rather than taking into account actual amount time spent or actual number of transactions in servicing agencies, state agencies do not pay their actual proportionate share of costs. Thus SPB has accumulated large cash balances, portions of which agencies could use to fulfill their operational missions.

The U. S. Department of Health and Human Services, as the federal agency responsible for oversight of states' plans for claiming indirect costs, reviews SPB's billings. If the State Personnel Board continues its current assessment process and accumulation of cash balances, DHHS may take action against SPB (or the state) if it identifies overbilling of federal funds.

Expenses (page 56)

The State Personnel Board does not consistently maintain records of the dates of inspection and approval of purchases as required by state law.

PEER reviewed a random sample of sixty-six SPB transactions for which payment vouchers were issued between July 1, 1992, and December 31,

1993. SPB complied with state purchasing laws and regulations relative to the obtaining of bids, Department of Finance and Administration approval, and Central Data Processing Authority approval.

However, in four of the sixty-six transactions reviewed, State Personnel Board personnel did not prepare purchase orders until after they had received a vendor's invoice (six percent of tested transactions). In nineteen transactions (twenty-nine percent of the items sampled) SPB personnel did not obtain signatures on invoices to signify that goods and services had been received as ordered.

Conclusion

As it has with other statutory agencies, the Legislature has the option of dismantling the State Personnel Board and redistributing its functions. However, no assurance exists that any functions transferred to other agencies would be performed better than they are now and a review of Mississippi's history with respect to personnel administration suggests otherwise. The more prudent approach to solving problems in state personnel management would be for the State Personnel Board to correct its deficiencies by adopting PEER's recommendations. SPB should also strive to maximize agency flexibility with respect to the recruitment, selection, and retention of the best persons without sacrificing the objectives of fairness, uniformity, and accountability.

Recommendations (page 60)

Internal Evaluation

1. By July 1, 1995, the State Personnel Board should develop a system of outcome measures which could be used to evaluate the agency's effectiveness in accomplishing its statutory mission. These outcome measures should be used to assess progress toward specific goals contained within an agency-wide strategic plan which is periodically updated.

SPB should operationalize each concept stated in its statutory mission (see MISS. CODE ANN. Section 25-9-101) and determine what indicators would best demonstrate progress toward accomplishing fulfillment of that portion of its mission. Then SPB should determine what data it should collect to measure its success in that area.

Recruitment and Selection

2. The State Personnel Director should direct the board's Testing Branch staff to establish a training schedule which would ensure that all test administrators/monitors are properly trained on SPB test administration guidelines and procedures. The Testing Branch should maintain records which provide evidence of SPB's training of test administrators/monitors.
3. The SPB Testing Branch staff should inspect test sites periodically to ensure that test monitors and applicants comply with SPB testing policies and procedures. Testing Branch staff should conduct at least one unannounced inspection of each testing site each year to determine whether examinations are being administered in accordance with SPB policies and procedures.
4. The State Personnel Director should require the board's Education Branch chief to implement quality controls which ensure the consistent application of selection criteria.
5. The State Personnel Board should direct its staff to develop and implement measures to improve verification of applicants' educational record and work history. If the board chooses to continue delegating verification of applicants' educational records and work histories to hiring agencies, the State Personnel Board should require its staff to post-audit a purposeful sample of applicants employed by hiring agencies and devise procedures which inform agencies of the files they must keep.
6. SPB staff should establish internal timeliness standards for responding to agency requests for certificates of eligibles and for processing applications. If certain types of requests or applications require substantially more processing time than others, SPB should establish separate standards for these requests.
7. SPB staff should monitor its timeliness in responding to requests for certificates of eligibles by aging requests and reporting the status of each active request in relation to SPB's standard. SPB should also establish internal standards for evaluating job applications and for performing other pro-

cessing tasks. SPB should monitor its timeliness in performing these tasks through reports similar to those described above.

Classification and Compensation

8. To obtain a more precise definition of the relevant labor market, the State Personnel Board should promulgate a rule requiring all agencies hiring state service personnel to conduct exit interviews with employees who voluntarily terminate their state service (other than retirees). The primary purpose of such exit interviews would be to determine whether salary was the reason for the employees' departure. The State Personnel Board should require hiring agencies to transmit exit interview information relative to salary levels to SPB staff on a monthly basis.

Exit interview information can be used by SPB staff to refine its concept of relevant labor market for its salary survey process and to validate its benchmarking efforts.

9. The Legislature should consider amending MISS. CODE ANN. § 25-9-107 by deleting the statutory requirement for the State Personnel Director to approve personal services contract requests. State law should provide state agencies with authority to employ personal services contractors in compliance with statutory guidelines.

Training

10. The State Personnel Board should devise a needs assessment system which identifies specific training needs and courses which would assist hiring agencies in achieving their statutory and program objectives. SPB's needs assessment system could consist of focus groups with agency managers and employees to discuss missions and ob-

jectives as well as areas in which training could directly impact the agency's achievement of its objectives.

Fiscal Management

11. The Legislature should consider amending MISS. CODE ANN. § 25-9-141 to require the State Personnel Board to bill hiring agencies based on the agencies' proportionate costs of the board's operations rather than a set fee assessment.
12. Regardless of whether the Legislature amends the State Personnel Board's fee assessment authority, SPB staff should immediately develop and implement a revenue billing and accounting system to meet the federal requirements described in this report and provide an equitable system to bill state agencies for actual direct costs and fair shares of indirect costs of the personnel system. (For specific details on such a system, see page 63 of this report.)
13. As required by DHHS regulations, SPB staff should adjust annual differences (over or under recoveries) between its billings to state agencies and its actual costs (direct and indirect) within the state agencies' billings. SPB must adjust future years' billing rates or directly credit the differences to the state agencies/programs in direct proportion to its actual charges.
14. The State Personnel Director should implement measures to ensure that appropriate agency personnel always sign and date invoices as verification that goods and services have been received as ordered. Also, SPB staff should develop internal written procedures for verification of receipt of goods and services and for any other agency-specific accounting and purchasing procedures and should distribute the procedures to all affected personnel.

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A Performance Evaluation and Expenditure Review of the State Personnel Board

Introduction

Like other states, Mississippi has a significant investment in state-funded personnel. In FY 1993, Mississippi spent \$1.6 billion on full-time salaries for the 80,229 full-time employees of state agencies, institutions of higher learning, and local government entities which receive subsidies from the state. Thus the role of the State Personnel Board, which regulates approximately one-third of the state's public employees, has become increasingly important and more complex.

Authority

The PEER Committee conducted a performance evaluation and expenditure review of the State Personnel Board pursuant to MISS. CODE ANN. § 5-3-51 (1972), which authorizes the Committee to conduct *“performance evaluations, investigations and examination of expenditures and all records, relating thereto, of any agency at any time as the committee deems necessary.”*

Scope

The PEER Committee reviewed how the State Personnel Board (SPB) performs its primary functions of recruitment and selection, classification and compensation, and training.

The Committee evaluated the State Personnel Board's administration and controls over its revenues and expenses and trends in the outlay of funds for FY 1989 through FY 1993. The Committee also audited a sample of the board's expenses for the most complete fiscal year, FY 1993, and the first six months of FY 1994.

Method

During the course of this review, PEER:

- reviewed applicable state law and State Personnel Board regulations, policy memoranda, and internal memoranda relating to the board's performance of its legal duties and responsibilities;
- reviewed the State Personnel Board's financial information and budget requests;

- reviewed requests for certificates of eligibles, reallocations, reclassifications, personal services contracts, and reorganizations; and,
- interviewed and discussed matters of personnel administration with staff of the State Personnel Board and major state agencies under the board's jurisdiction.

PEER's 1987 Review of the State Personnel Board

The PEER Committee, on December 10, 1987, issued its report entitled *A Management and Operational Review of the State Personnel Board*, which contained the following major conclusions regarding the State Personnel Board's operations:

- The State Personnel Board should engage in strategic planning, improve the sophistication and technical precision of staff operations, and increase its level of communications and services to state agencies.
- The board's salary budget control and its regulatory activities clash with the board's mission to assist state agency heads in organizing and motivating the state work force.
- The Variable Compensation Plan as designed is a model program, but the State Personnel Board has not administered the "realignment" feature in accordance with the original concept.
- Although conducted in good faith by the board's staff, labor market surveys are methodologically flawed by sample selection oversights, subjective adjustments, and erroneous interpretations which result in incomplete and inaccurate comparative data on the salary levels needed to attract applicants and retain state employees.

While PEER's 1994 review of the State Personnel Board was not designed to be a follow-up of the Committee's 1987 review, several areas of the board's operations have significantly improved since 1987, as evidenced by certain findings contained in this report. Some areas of weaknesses noted in 1987 continue to be areas of weakness as detailed in the findings of this report.

Overview

Although several areas of the State Personnel Board's operations have significantly improved since PEER's 1987 management and operational review, weaknesses still exist. As it has with other statutory

agencies, the Legislature has the option of dismantling the State Personnel Board and redistributing its functions. However, no assurance exists that any functions transferred to other agencies would be performed better than they are now and a review of Mississippi's history with respect to personnel administration suggests otherwise. The more prudent approach to solving problems in state personnel management would be for the State Personnel Board to correct its current deficiencies noted in the areas below, and to maximize agency flexibility with respect to the recruitment, selection, and retention of the best persons without sacrificing the objectives of fairness, uniformity, and accountability.

Internal Evaluation

The State Personnel Board has not defined its statutory mission in measurable terms and therefore cannot assess its effectiveness in fulfilling its mission. Rather than tracking progress through data elements reported in comparison to quantifiable goals and objectives linked to an agency-wide strategic plan, SPB collects and reports process data indicating the frequency with which it performs certain activities. These indicators are not sufficient to evaluate the organization's effectiveness in achieving its legislated mission.

Recruitment and Selection

The State Personnel Board does not effectively train and oversee test monitors who administer SPB's tests at sites throughout the state. When applicants submit their applications for review, the State Personnel Board does not ensure that its evaluators consistently apply evaluation criteria. Also, although the State Personnel Board has statutory responsibility for recruiting qualified applicants, SPB makes hiring agencies "ultimately accountable" for the verification of the correctness of applicants' experience and training.

To assess SPB's timeliness in responding to agencies' needs throughout the hiring process, PEER reviewed a sample of files on agency requests to SPB during FY 1994. On average, SPB responded to agency requests for certificates of eligibles in about six days and evaluated job applications in an average of three days. However, SPB does not have an internal system for monitoring and improving its timeliness in responding to agency requests or in evaluating applications.

Classification and Compensation

Concerning the Variable Compensation Plan, SPB does not appropriately identify the relevant labor market for all job classes, resulting

in inappropriate salary recommendations for some job classes relative to their true market worth.

State law requiring the State Personnel Director to approve personal services contracts requires a review as to whether the requesting agency has a state service position which can perform the contractor's function, but does not require that agencies establish a process to evaluate need for contractual services or a means of selecting a successful contractor competitively. In at least three recent personal services contract requests, the State Personnel Director exceeded statutory approval authority.

Training

Although the State Personnel Board has increased the number of its training courses since PEER's 1987 review, the agency has not formulated and implemented a formal method of determining state agency training needs.

Fiscal Management

As an internal service activity, the State Personnel Board should serve agencies on a cost-reimbursement basis. Nevertheless, SPB has billed agencies amounts above costs, causing assessment revenues to exceed what is needed to fund operations. SPB's billings to state agencies are not supported by or based on actual costs of services, a situation which contributes to SPB's significant and inappropriate accumulation of cash balances.

The State Personnel Board does not consistently maintain records of the dates of inspection and approval of purchased goods and services as required by state law.

Background

Functions of Public Personnel Management

Success or failure in public personnel management easily and readily translates into corresponding success or failure in the delivery of public services. Personnel management is one of the most important support functions in state government, as it provides the principles by which employees are utilized efficiently and effectively. Governments spend more money on the salaries and fringe benefits of personnel than on other assets capable of producing services. The importance of personnel management explains why most states have established central personnel management agencies which oversee agency use of human resources.

Generally, public personnel administration is devoted to the processes by which work is classified, workers are compensated and selected, and personnel are trained to perform their jobs better. While there is some variance in duties of personnel administrators among the fifty states, some of the principal functions performed include the following:

- *Classification*--This function designs job classes on the basis of job tasks and determines what jobs are worth by setting minimum and maximum ranges of compensation. Failure to establish a uniform classification system can result in variance between what employees are paid from agency to agency for performing the same jobs.
- *Recruitment and Selection*--This function is responsible for reviewing a job applicant's education, experience, and test scores, and determining whether these enable the applicant to meet the minimum qualifications for a particular position. This is one of the oldest forms of public personnel management associated with the civil service reforms of the late nineteenth century. Such selection methods are part of selection systems commonly known as merit systems.
- *Training*--Training has sometimes been added to central personnel agency functions in recent years. Central personnel agency training helps agencies with common training needs have access to training which meets those needs.
- *Grievance Procedures*--States which confer upon their public employees property rights in employment often provide a centralized review agency to hear appeals of actions taken against employees. Twenty states have a completely centralized employee appeals review procedure.
- *Other Functions*--In some states, central personnel agencies administer functions which do not affect the selection, classification,

or allocation of personnel, but do affect the benefits of public employees. Some states place the responsibility of administering employee health insurance, workers' compensation, and retirement in the central personnel agency.

In general, most states have found it prudent to establish a central personnel agency. Only Texas has a decentralized personnel system wherein individual agencies have a high degree of control over the personnel selection, classification, and allocation functions. Most states assign some, if not all, of the functions briefly discussed above to a central personnel agency or a component of a larger central administrative agency.

Control and service are two major functions of a personnel agency. States may choose the degree of emphasis placed on each function by the types of responsibilities they assign to their agencies. Control functions are characterized by the central personnel agency's promulgation of regulations and some form of audit capacity to ensure that line agencies comply with the regulations. An example of a control function would be the development and administration of a classification scheme and plans of compensation. Service functions are those which agencies may choose to avail themselves of as they see fit. One example of a service function would be human resources development.

Growth in Mississippi State Government Employment Since FY 1985

The following discussion provides general information on the size of the state-funded workforce. PEER examined general growth trends but did not analyze whether the state uses its employees efficiently. Such an analysis would require an in-depth review of each state agency.

Mississippi's Growth in Non-Education State Government Employment Compared to the National Trend

Between 1985 and 1991, the latest year for which published public employment census data was available, Mississippi's growth in full-time state government employment other than education paralleled the national growth trend. As shown in Appendix A on page 65, during this period, Mississippi state government employment other than education per 10,000 population grew by 11.3%, while the national growth rate was 11.9%.

The fact that Mississippi employs more non-education state government workers per 10,000 population than the nation as a whole is not necessarily indicative of waste or excessive public employment in Mississippi. As Appendix B, page 66, shows, in Mississippi, as well as in thirty-six other states, the state government employee to population ratio

exceeds the national ratio. That Mississippi's ratio exceeded the national ratio is counterbalanced by the fact that Mississippi ranks forty-third (see Appendix C on page 67) in the number of general government and financial administration workers as a percentage of total state government full time equivalent employees; i.e., Mississippi has a higher proportion of state workers engaged in service delivery than forty-two other states. Appendices D and E, pages 68 and 69, depict employment (other than education) per 10,000 population data for local government and for state and local government combined.

*Mississippi's Growth in State Service Employment
by State Agency/Function*

PEER also examined growth in Mississippi state government employment by state agency/function for the period of FY 1985 through FY 1993 (see Exhibit 1 on page 8). While the growth rate for all agencies/functions combined was 18.3% over this period, growth rate by agency/function varied significantly, with some agencies, such as the Tax Commission, losing a significant number of employees due to reorganization and others (such as the Department of Corrections) adding significant numbers of employees. In fact, position growth in only three agencies/functions (Corrections, Mental Health, and Human Services) accounted for 65% of the total gross position growth during this period. For these three agencies/functions, which employed 12,088 workers in FY 1985, total position growth during this eight-year period was 3,799 (a 31% increase). Position changes in the remaining fifty-six agencies/functions accounted for little of the overall net change. For these fifty-six agencies/functions, gross losses (1,001 positions lost by 17 agencies/functions) offset almost half of the group's gross gains (2,046 positions gained by 31 agencies/functions; 8 agencies/functions had no position growth.) These agencies/functions, which employed 14,420 workers in FY 1985, experienced a net growth of 1,045 positions (a 7% increase) during the period from FY 1985 through FY 1993.

Exhibit 2 on page 9 illustrates the growth in the three agencies/functions (Corrections, Mental Health, and Human Services) which accounted for 65% of the total gross position growth during the period of FY 1985 through FY 1993 relative to the position growth in all other agencies/functions which experienced net growth during the period. A brief explanation of personnel growth in each of the three major areas follows.

Mississippi's 68.9% increase in full-time correctional employees during the period of FY 1985 through FY 1993 resulted from the staffing needs generated by the construction and operation of three new state prison facilities: the Central Mississippi Correctional Facility, the South Mississippi Correctional Facility, and a 1,000-bed maximum security unit at Parchman (Unit 32). Mississippi's growth in corrections paralleled an

Exhibit 1
Position Growth in State Agencies/Functions
FY1985 - FY1993*

Agency/Function	FY1985	FY1993	Change, FY1985- FY1993	Percent Change, FY1985- FY1993
Mental Health Department	5,562	6,870	1,308	23.5%
Corrections Department--Institutions	1,829	3,089	1,260	68.9%
¹ Human Services Agencies	4,697	5,928	1,231	26.2%
² Transportation Agencies	3,123	3,756	633	20.3%
Health Board	2,516	3,008	492	19.6%
³ Economic Development Agencies	166	374	208	125.3%
Medicaid Division	147	277	130	88.4%
⁴ Fiscal Management Agencies	244	359	115	47.1%
⁵ Public Safety	938	1,030	92	9.8%
Attorney General	100	182	82	82.0%
Central Data Processing Authority	83	157	74	89.2%
⁶ Department of Education	630	666	36	5.7%
Public Employees Retirement System	57	83	26	45.6%
Public Service Commission	115	140	25	21.7%
Secretary of State	43	66	23	53.5%
⁷ Insurance Department	96	117	21	21.9%
Workers' Compensation Commission	72	87	15	20.8%
Narcotics Bureau	87	100	13	14.9%
Treasury, State	16	27	11	68.8%
Soil & Water Conservation Commission	7	16	9	128.6%
Medical Licensure Board	6	13	7	116.7%
Veterans Affairs Board	21	27	6	28.6%
Nursing Board	9	15	6	66.7%
Stadium Commission	6	11	5	83.3%
Arts Commission	9	12	3	33.3%
Oil & Gas Board	40	43	3	7.5%
Banking & Consumer Finance Department	32	34	2	6.3%
Cosmetology Board	10	12	2	20.0%
Public Contractors Board	5	7	2	40.0%
Real Estate Commission	13	14	1	7.7%

Agency/Function	FY1985	FY1993	Change, FY1985- FY1993	Percent Change, FY1985- FY1993
Dental Examiners Board	2	3	1	50.0%
Motor Vehicle Commission	4	5	1	25.0%
Architecture and Landscape Board	1	2	1	100.0%
Spec. Proj.--Emergency Management Agency	41	42	1	2.4%
Judicial Performance Commission	3	3	0	0.0%
Grand Gulf Military Monument Commission	4	4	0	0.0%
Archives & History Department	111	111	0	0.0%
Veterans' Farm & Home Board	13	13	0	0.0%
Funeral Services Board	2	2	0	0.0%
Barber Examiners Board	2	2	0	0.0%
Athletic Commission	1	1	0	0.0%
Pharmacy Board	6	6	0	0.0%
Pearl River Basin Development District	12	11	(1)	(8.3%)
Savings Association Department	6	5	(1)	(16.7%)
Agricultural Aviation Board	2	1	(1)	(50.0%)
Professional Engineers and Land Surveyors	7	5	(2)	(28.6%)
Personnel Board, State	77	73	(4)	(5.2%)
Tombigbee River Valley Water Management	22	18	(4)	(18.2%)
Library Commission	78	63	(15)	(19.2%)
Educational Television Authority	171	142	(29)	(17.0%)
Pearl River Valley Water Supply District	106	74	(32)	(30.2%)
Forestry Commission	659	623	(36)	(5.5%)
Auditor of Public Accounts	242	199	(43)	(17.8%)
Pat Harrison Waterway District	38	43	(4)	(51.3%)
⁸ Natural Resources Agencies	511	417	(94)	(18.4%)
⁹ Wildlife Conservation Agencies	942	831	(111)	(11.8%)
Agriculture & Commerce Department	563	404	(159)	(28.2%)
Employment Security Division	1,100	900	(200)	(18.2%)
Tax Commission	1,053	829	(224)	(21.3%)
TOTAL	26,608	31,352	4,744	18.2%

* Contains full-time state and non-state service positions in agencies hiring state service personnel. Agencies with less than ten years' history are not included.

¹ This broad category includes the present Department of Human Services and Rehabilitation Services. Information prior to FY1990 includes an aggregation of these agencies' predecessors, the Departments of Public Welfare, Vocational Rehabilitation for the Blind, and Rehabilitation Services.

² Includes the Mississippi Highway Department, plus positions from the Aeronautics Commission and Energy and Transportation Board, which ultimately were transferred to the Mississippi Department of Transportation in FY1993.

³ Includes present Department of Economic and Community Development, its predecessor the Department of Economic Development, plus positions formerly housed in the University Research and Development Center. This does not include for any year, aeronautics, energy, or transportation positions which were housed in the agency from FY1990 through FY1993. Those positions were ultimately transferred to the Mississippi Department of Transportation.

⁴ Includes present Department of Finance and Administration plus this agency's predecessors, the Fiscal Management Board (including public accounts), and the Office of General Services.

⁵ Includes Criminal Justice Planning and Minimum Standards personnel.

⁶ Includes positions which were once assigned to the Textbook Procurement Commission, and the Schools for the Blind and Deaf.

⁷ Includes positions which were once subordinate to the Insurance Commission and the Fire Marshal.

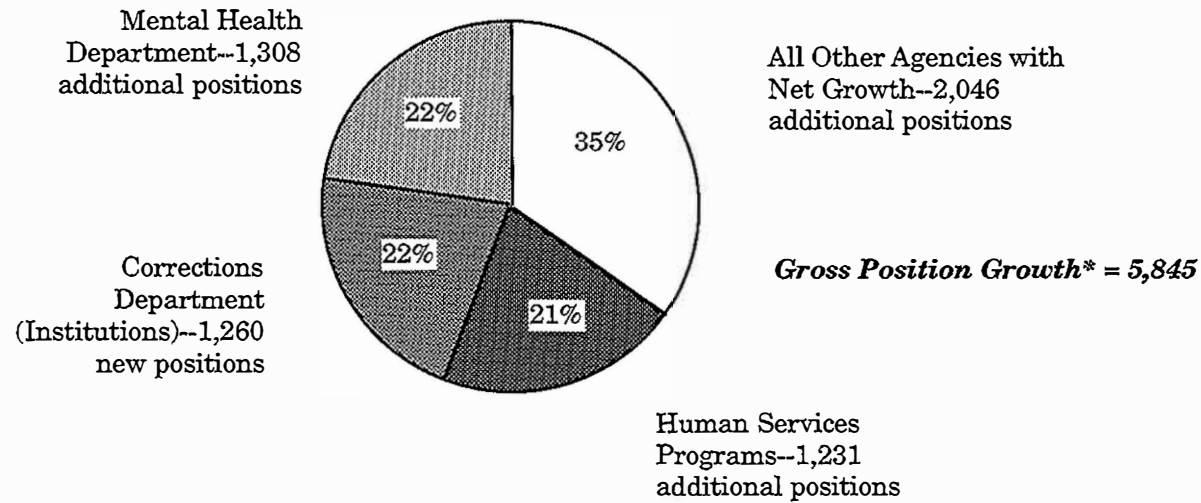
⁸ Includes present Department of Environmental Quality and its predecessor, the Department of Natural Resources.

⁹ Includes present Department of Wildlife, Fisheries, and Parks and predecessor Department of Wildlife Conservation

SOURCE: State Personnel Board reports.

Exhibit 2

Proportion of Gross Position Growth* Attributable to the Three Agencies/Functions with the Highest Personnel Increases from FY 1985 through FY 1993



* Gross position growth = increase in number of positions for the thirty-four agencies experiencing growth from 1985 through 1993. Seventeen agencies' gross losses of 1,001 positions during this period partially offset gross gains, resulting in a net change of +4,844 positions in fifty-one state agencies/functions during this eight-year period.

SOURCE: State Personnel Board data.

explosive 89.9% nationwide increase in the number of state correctional workers employed during the decade of 1982-1992. Mississippi's significant increase in mental health employees (1,308 new employees) is primarily due to the opening of several community-based facilities, as well as the conversion of several unused buildings at Mississippi State Hospital at Whitfield into Medicaid-eligible skilled nursing facilities. The increase in human service employees (1,231 employees) is primarily due to the hiring of additional eligibility and social workers to handle increased caseloads, as well as the hiring of a large group of new child support workers.

Comparison of Growth in State Service Employment by State Agency/Function to Growth in Education Personnel

Finally, as illustrated in Appendix F on page 70, PEER examined changes in the size of the state-funded workforce between FY 1985 and FY 1993 for four categories of personnel: Institutions of Higher Learning, Community and Junior Colleges, Public Schools-Certificated, and State Service Agencies. The state service agencies discussed previously realized the largest increase of the four categories at 18.3%, followed by community and junior colleges at 17.6%, Institutions of Higher Learning at 9.2% and Public Schools-Certificated at 8.1%. Mississippi's growth in IHL personnel was significantly lower for the eight-year period than the national increase in higher education employment of 27.3% which occurred during the decade of 1982 through 1992.

Organization and Functions of the State Personnel Board

While personnel administration for state agency employees has been centralized since creation of the State Personnel Board in 1980, the board does not regulate all state-funded personnel (see MISS. CODE ANN. 25-9-107). The Board of Trustees, Institutions of Higher Learning, is the constitutionally created body (MISS. CONST. Section 213-A) which regulates personnel of the institutions of higher learning, and local governing boards regulate community college and public school personnel. The State Personnel Board actually regulates approximately one-third of the state's public employees. This regulation is accomplished by the board, State Personnel Director, and the board's staff.

State Personnel Board Structure and Operations

State Personnel Board Membership

MISS. CODE ANN. § 25-9-109 (1972) establishes a State Personnel Board comprised of five members appointed by the Governor with the advice and consent of the Senate. The State Personnel Board has the responsibility to promulgate policies and procedures and formulate general goals and objectives for the state's personnel administration system. Exhibit 3, pages 12 and 13, details the board's statutory duties and responsibilities.

State Personnel Director

MISS. CODE ANN. § 25-9-119 (1972) requires the board to select a State Personnel Director to administer the state personnel system and propose rules and regulations for uniform administration governing classification and compensation, selection, performance appraisal, leave and other phases of personnel administration. The director manages and controls the board's technical and administrative staff.

State Personnel Board Staff

To assist the State Personnel Director in carrying out statutorily imposed duties, MISS. CODE ANN. § 25-9-119 (1972) provides for the hiring of professional and technical assistance. Currently, the SPB staff consists of sixty-five full-time authorized positions and is divided into five major operational and support offices. Exhibit 4, page 14, lists the board's offices and provides a brief description of each.

Exhibit 3

Statutory Duties of the State Personnel Board

- (a) Represent the public interest in the improvement of personnel administration in the state departments, agencies and institutions covered by the State Personnel System;
- (b) Determine appropriate goals and objectives for the State Personnel System and prescribe policies for their accomplishment, with the assistance of the Mississippi Personnel Advisory Council;
- (c) Adopt and amend policies, rules and regulations establishing and maintaining the State Personnel System. . . .;
- (d) Ensure uniformity in all functions of personnel administration in those agencies required to comply with the provisions of this chapter;
- (e) Appoint an employee appeals board, consisting of three (3) hearing officers, for the purpose of holding hearings, compiling evidence and rendering decisions on employee dismissals and other personnel matters as provided for in Sections 25-9-127 through 25-9-131;
- (f) Assure uniformity in the administration of state and federal laws relating to merit administration;
- (g) Establish an annual budget covering all the costs of board operations;
- (h) With the assistance of the Mississippi Personnel Advisory Council, promote public understanding of the purposes, policies and practices of the State Personnel System and advise and assist the state departments, agencies and institutions in fostering sound principles of personnel management and securing the interest of institutions of learning and of civic, professional and other organizations in the improvement of personnel standards under the State Personnel System;
- (i) Recommend policies and procedures for the establishment and abolishment of employment positions within state government and develop a system for the efficient use of personnel resources;
- (j) Cooperate with state institutions of higher learning in implementing a career management program in state agencies for graduate students in public administration in order to provide state government with a steady flow of professional public managerial talent;
- (k) Prescribe rules which shall provide that an employee in state service is not obliged, by reason of his employment, to contribute to a political fund or to render political service, and that he may not be removed or otherwise prejudiced for refusal to do so;

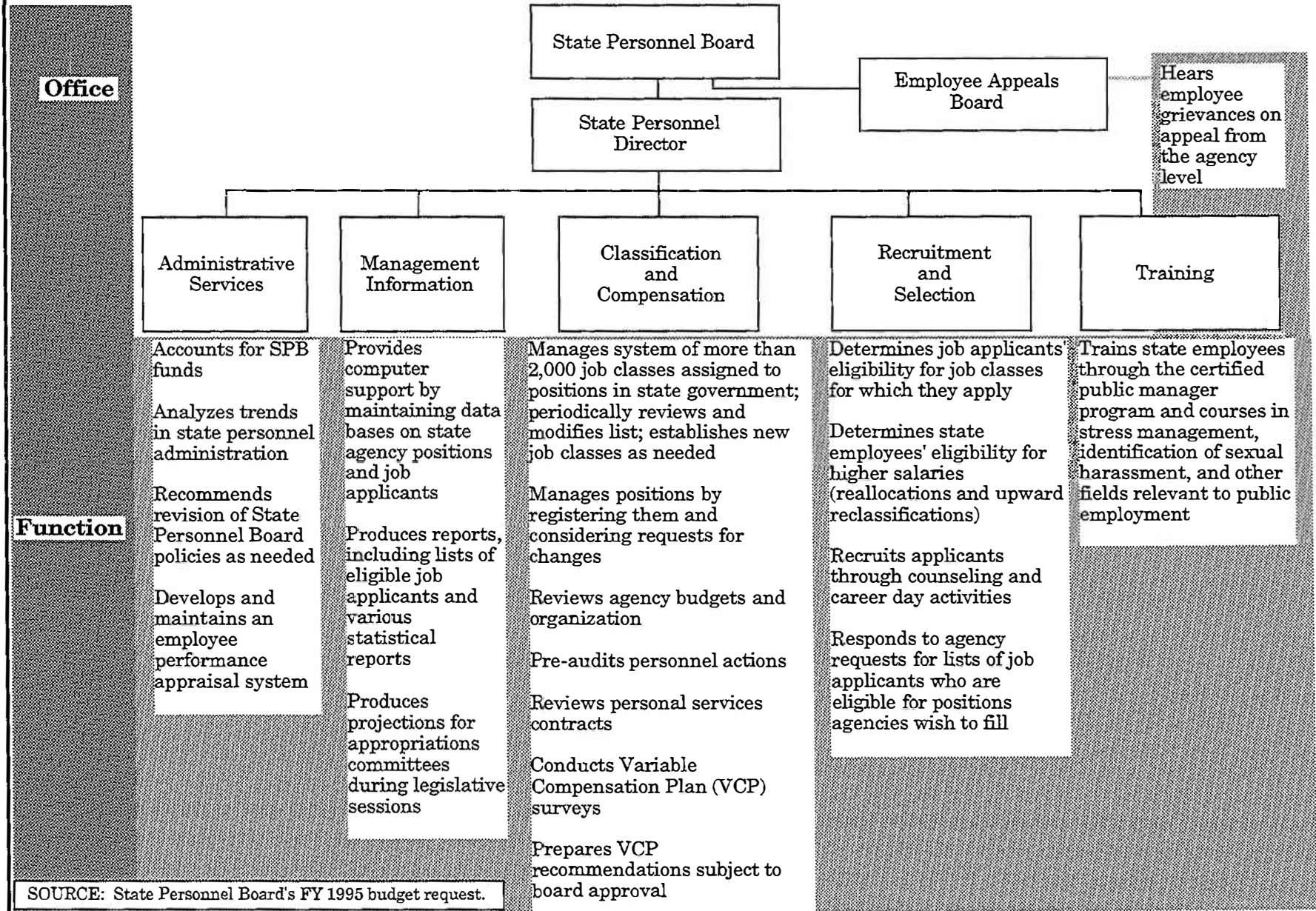
Exhibit 3 (continued)

- (l) Prescribe rules which shall provide that an employee in state service shall not use his official authority or influence to coerce the political action of a person or body;
- (m) Annually report to the Governor and Legislature on the operation of the State Personnel System and the status of personnel administration in state government;
- (n) Require submission and approve organization and staffing plans. . . ;
- (o) In coordination with appointing authorities, set annual salaries of those appointed officials whose salaries are not otherwise set by statute;
- (p) Authorize the director to enter into formal agreements with department executive directors and agency directors in which employment positions within their agencies may be reallocated and organization charts amended without prior State Personnel Board approval. . . ;
- (q) Require that if an employment position has been determined to be in need of reallocation from one occupational class to another, the employee occupying the position shall meet the minimum qualifications for the occupational class to which the position is being reallocated in order for the position to be eligible for reallocation. . . ;
- (r) Implement a reduction-in-force policy. . . ;
- (s) Implement a furlough. . . policy. . . ;

SOURCE: MISS. CODE ANN. § 25-9-115 (1972)

Exhibit 4

Organizational Structure and Major Functions of the State Personnel Board



State Personnel Advisory Council

MISS. CODE ANN. § 25-9-117 (1972) establishes a Mississippi Personnel Advisory Council, composed of personnel directors of five major state agencies to be appointed by the Governor. State law requires the council to advise the SPB regarding public employment policies and programs; assist in the formulation of rules and regulations; and assist in the public understanding of the state's personnel system purposes, policies, and practices.

Funding

The State Personnel Board functions as a special fund agency relying on fee assessments based on the number of state service employees employed by agencies under the jurisdiction of the board. Page 48 of this report provides additional information regarding the board's funding.

Characteristics of the State Personnel Board's High Control/High Service Structure

In theory, the Mississippi State Personnel Board is a high control/high service agency. The Legislature made a policy choice to establish a high control/high service personnel agency when it established the SPB in 1980. The Legislature authorized the State Personnel Board's central control by allowing the board to regulate agency personal services budgets in order to end the agency practice of reorganizing and promoting personnel as a means of earning an automatic increase in appropriation for the following fiscal year. (Agencies sometimes used the argument that employees' duties had changed as a result of reorganization in order to justify promotions or raises not contemplated during the legislative appropriations process.) Control techniques utilized by the SPB include pre-approval of agency reorganizations, new hire salaries, promotion salaries, and reallocations (moving a position identification number from one classification to another). Such a system of pre-implementation controls is known as a pre-audit system. In addition to its budgetary control function, state law allows the SPB to exercise pre-audit control in the areas of classification, salary surveys, and merit selection procedures. The SPB provides services to line agencies in the areas of legal advice, training, and counseling. Generally, this arrangement of controls and services exists for the purpose of fostering the development of a better trained, more efficient, and more professional state service.

One problem with the high control/high service structure is that the SPB's budget control function conflicts with the service and non-budgetary control functions. SPB's service role could place the board in the position of advocating increased expenditures for personal services, training, and education programs, while its budget control function would be directed

toward minimizing the expenditure of personal services dollars. This conflict could result in the agency's minimization of or disregard for one of the conflicting functions.

Findings

Internal Evaluation

The State Personnel Board has not defined its statutory mission in measurable terms and therefore cannot assess its effectiveness in fulfilling its mission.

A statutory mission is a statement in an agency's enabling legislation describing what the Legislature created the agency to do. An agency cannot know and demonstrate that it fulfills its statutory mission unless it formally adopts a system to track its success in meeting its legislated purpose. An agency uses the data collected from such a system to redirect its resources as needed to fulfill its mission as effectively and efficiently as possible.

The basis for such a tracking system is an agency-wide strategic plan made up of goals linked to every aspect of the agency's mission and measurable objectives linked to each goal. A goal is a general target relative to one specific aspect of an entity's mission (e.g., to improve the quality of applicants for state positions). A measurable objective is a specific target with a definite completion date, every element of which is clearly defined and quantifiable. Agencies develop measurable objectives to assess progress made towards goal achievement (e.g., by June 30, 1995, to increase the number of applicants hired for managerial positions with advanced degrees by 5% over the July 1, 1994, level). Several measurable objectives may address one goal. Exhibit 5 on page 18 contains a discussion of the different categories of measures which an agency may use to assess progress towards its mission and goals. Of these types, outcome measures are the best indicators of an agency's progress toward its mission.

Section 25-9-101 of MISS. CODE ANN. (1972) defines the State Personnel Board's mission as follows:

. . .to establish in the State of Mississippi a system of personnel administration based on sound methods of personnel administration governing the establishment of employment positions, classification of positions and the employment conduct, movement and separation of state employees; to build a career service in government which will attract, select and retain the best persons, with incentives in the form of equal opportunities for initial appointment and promotions in the state service; and to establish a system of personnel management that will ensure the effective and efficient use of employees in the state service.

SPB does not track progress made towards fulfillment of its statutory mission. While the State Personnel Board began work on development of an agency-wide strategic plan in December of 1993 pursuant to the mandate under S.B. 2995 that every state agency develop such a plan and outcome measures as part of the FY 1996 budgetary process, SPB does not expect to

Exhibit 5

Types of Measures Used in an Internal Evaluation

Agencies should use four major categories of measures in an internal evaluation: *input, output, outcome and efficiency.*

Inputs: the amount of resources channeled into a program--e.g., money, personnel, material--also referred to as "efforts." Dollar inputs can be reported in "current" dollars or "constant" dollars--i.e., dollars adjusted for price level changes. Inputs can come from within or outside the organization.

Examples: dollars, full-time equivalent years, employee-hours, square feet of building space

Outputs: the amount of workload accomplished; the quantity of goods and services provided. Agencies often mistakenly report these measures as indicators of their effectiveness, when in fact these measures, also referred to as "process measures," only indicate how much work was done, not what it achieved.

Examples: number of students graduated, number of applications processed, tons of solid waste processed, number of reports released, number of criminals arrested

Outcomes: accomplishments or results that occur, at least partially, because of services provided. Outcomes vary from immediate to long-term. For example, an immediate outcome of a job training program might be the number of participants who obtained jobs. A long-term outcome may be whether program graduates are more likely to obtain and retain higher paying jobs than non-participants with similar backgrounds. Outcomes may be intended or unintended and they may be affected by factors external to the program.

Examples: infant mortality rates, crime rates, job growth, per capita income, pollution levels, highway fatalities

Efficiency: ratios of outputs and outcomes relative to costs.

Examples: Output ratios: average cost per student, cost per inmate
Outcome ratios: cost per unit gained on achievement tests, cost per percentage reduction in highway fatalities

SOURCE: Hatry, Harry, in *Service Efforts and Accomplishments Reporting: Its Time Has Come* (Governmental Accounting Standards Board, 1989); Comptroller General of the United States, *Government Auditing Standards*, 1994 Revision (U. S. General Accounting Office, 1994); PEER analysis.

complete its plan until August 1994. During the course of PEER's review, the only type of data that SPB collected and reported relative to its performance was data indicating the frequency with which SPB performed certain activities. Examples of the frequency data that SPB collects, as reported in its FY 1995 budget request, include the number of:

- career days/speaking engagements
- training sessions completed and employees trained
- employee appeals processed
- personal service contracts reviewed
- agency organization charts reviewed
- agencies reviewed and analyzed
- personnel records processed and maintained
- job applications screened and evaluated
- tests scheduled
- counseling sessions conducted

While this type of process data may play a useful role in an ongoing internal evaluation of the State Personnel Board's operations, particularly from an internal efficiency standpoint, these indicators are by no means sufficient to evaluate the organization's effectiveness in achieving its legislated mission.

In devising outcome measures which to assess its effectiveness, SPB could first analyze the components of its statutory mission, then operationalize these components to identify what indicators to use. For example, according to CODE Section 25-9-101, the Legislature established the State Personnel Board to "attract, select, and retain the best persons." Measures SPB could use to indicate the "best" could include an applicant's years of experience, years of education, advanced degrees, or certification in a given field. To create outcome indicators, the SPB could divide its job classes into subcategories and determine what data it could collect to measure success in attracting, selecting, and retaining the best persons in each category (e.g., indicators of the "best persons" for managerial positions could be years of relevant experience and education. Some type of certification beyond minimum qualifications might be an outcome indicator for another job category.) To demonstrate whether the state was retaining the "best persons," SPB could collect data on turnover rates among employees in various categories related to their qualifications. Of course, the ultimate test of the "best persons" would not be in terms of credentials such as years of experience, but would be in terms of employee productivity as measured by an individual's contributions towards his or her own agency's success in meeting its mission and objectives. (For additional information on devising outcome measures related to SPB's statutory mission, see recommendation 1, page 60.)

Without a system to track an agency's progress relative to its mission, an organization merely exists; it may not achieve its full potential, direct its resources towards their best use, or know when it has outlived its

purpose. By not being able to provide other state agencies, evaluators, and legislators with performance data, the organization risks forcing these external entities to make generalizations about the organization's performance based on isolated experiences, which may or may not be indicative of the organization's true impact.

An organization such as the State Personnel Board, with control authority over other agencies, should carefully articulate the reasons for its existence, the reasons for its controls, and how it measures progress made towards its outcome objectives, including the objectives which the controls were designed to address. Otherwise, agencies may perceive the State Personnel Board as existing to control them arbitrarily and inhibit them from performing their own missions. Objective outcome data would help agencies to understand why the State Personnel Board does what it does--i.e., what it attempts to achieve with its rules and regulations. Active, ongoing internal evaluation forces an organization to recognize when the reason for a control no longer exists and therefore to eliminate the control.

While outcome must be measured, often there is no direct link between cause and effect (e.g., whether a highly qualified person's resignation is related to SPB or agency actions or completely unrelated, for example, due to transfer of a spouse). Sometimes the effect is a result of numerous factors outside of a single agency's and even government's control. Also, at times agencies are confronted with competing objectives (in the case of the State Personnel Board, it is possible that the objective of "fairness" is gained at times at the expense of "efficiency"--e.g., when human resources cannot readily be redeployed because of civil service rules designed to protect employees against arbitrary actions. However, one could argue whether there is a true conflict in the long term, as ignoring fairness would create a very unmotivated and inefficient work force). The need for caution in interpreting outcome measures does not, however, obviate the need for collecting and reporting this information and using it as a basis for directing agency resources. The complexity involved in interpreting outcome data merely points toward the need for consistent refinement of these measures and for using information on outcomes to help agencies to evaluate and improve their own performance, not to punish them for failure to meet objectives over which they do not have full control.

Recruitment and Selection

Testing

One method the State Personnel Board uses to determine a job applicant's eligibility for a position is competitive testing. SPB tests are designed to assess whether applicants for certain job classes possess sufficient knowledge, skills, and abilities to perform the job duties an incumbent must perform immediately upon accepting a position.

The State Personnel Board does not effectively train and oversee test monitors who administer SPB's tests at sites throughout the state.

The State Personnel Director is charged with administering a program of job-related tests designed to demonstrate an applicant's ability to perform the particular duties of the occupational class for which he/she has applied. SPB administers proficiency tests for typing skills and written tests for technical knowledge and skills in its Jackson office and at nine regional testing sites located at selected community colleges and universities. SPB enters into contractual agreements with individuals to oversee the administration of tests, including checking in examinees, determining their identities, and observing the testing process. SPB provides test monitors with a *Monitor's Manual*, which is designed to assist them in administering SPB tests and in maintaining an adequate supply of test materials. The manual includes policies and procedures to be followed in administering tests, including controls for test administration.

Section 4.14.2 of SPB's *Policies and Procedures Manual* states the following regarding individuals who contract with SPB to monitor tests.

- *Monitors designated as necessary to conduct examinations shall ensure proper examination administration and examination security and shall be compensated for their services.*
- *All examination monitors shall receive training prior to conducting an examination.*
- *All monitors shall conduct examinations in accordance with approved testing procedures developed by the State Personnel Director.*

The SPB staff does not conduct training sessions for test monitors. Successful implementation of SPB's test administration policies and procedures depends on the effectiveness of individuals who administer such tests. SPB limits the effectiveness of its test monitors by failing to have an ongoing training program and by failing to assess periodically test monitors' compliance with the board's testing procedures. With regard to training, SPB relies exclusively on the *Monitor's Manual* to provide necessary information relative to test administration. No evidence exists to show that the SPB staff actually requires test monitors to read the manual and demonstrate knowledge of its contents. With regard to oversight of test monitors, SPB does not conduct regular and/or unannounced inspections of test monitors to gauge compliance with the board's testing procedures. SPB staff provided documentation of only two site inspections within the past four calendar years. SPB staff conducted site inspections on February 10, 1990, and April 19, 1994, at Parchman Penitentiary and Jackson State University, respectively. SPB staff did not detect any test administration discrepancies at either site.

As evidenced by the following language contained in the *Monitor's Manual*, SPB recognizes the importance of test monitors' compliance with uniform testing procedures. However, SPB has not provided the training and oversight needed to ensure test monitors' uniformity in test administration.

A well administered examination will produce more accurate results; the applicant will have been given a fair opportunity to demonstrate their abilities; and the agencies will be better able to select qualified people for employment. . . .It is important that uniformity in test administration exist among the various testing centers in the state to insure a high quality service to the public and to the agencies which the State Personnel Board serves.

The effect is that SPB cannot ensure that test monitors are fully informed of the board's testing guidelines. During the administration of three tests at two testing sites (SPB's walk-in testing site in Jackson and Jackson State University), the following instances of non-compliance with SPB's testing procedures occurred:

- A technical examination for the Accounting Clerk position, administered at SPB offices, did not begin on time. Also, prior to beginning the examination, the monitor left the examinees unattended in the room after distributing the test materials. Because the test booklets are used more than once and are resealable, it was possible for examinees to review the testing materials prior to the beginning of the exam.
- A PEER staff member sat for a written mathematical examination for a Clerk Senior position. The testing monitor allowed an examinee to enter the room and take the test without presenting picture identification, although the monitor requested such identification. SPB informs applicants in its scheduling letter to be prepared to present such identification. The monitor also admitted two examinees after having already read the testing instructions to other examinees. Further, the monitor never closed the door to the control the noise level of the room in which the exam was taken.

Application Evaluators

SPB staff are responsible for determining which applicants for state service positions are qualified to be added to a certificate of eligibles. The determination process differs for tested and non-tested positions. For tested positions, the applicant must meet the minimum qualifications for the position sought before being approved for testing. Once approved, the applicant's test score serves as the evaluation score that is ranked relative to the scores of other applicants. The procedure for tested positions is an objective process with little room for rater bias or judgment. Applicants

ranked by test score from highest to lowest on a certificate of eligibles provide the selection group for agencies seeking a particular class of employee.

For non-tested positions, the process is more subjective, with evaluation scores based on a judgment of the quantity and quality of an applicant's education and experience. Quantity, expressed in months, refers to how much education and experience an individual has. Quality refers to how related an applicant's education and experience are to the position sought, with relatedness determined by the examples of work used in the job description and other evaluation aids provided by the agencies.

Although some components of the evaluation process for non-tested positions are objective, such as the calculation of the number of months of work experience an applicant has, evaluators must use their judgment in deciding whether the applicant's education and experience are directly related, closely related, or semi-related to the position being sought. The assignment of a relatedness code to an applicant's education and experience provides for the degree of subjectivity on the part of evaluators and places a burden on the State Personnel Board to ensure uniformity among evaluators in assigning the code.

The State Personnel Board does not ensure that its evaluators consistently apply evaluation criteria.

Some evaluator subjectivity is, to a certain extent, unavoidable and is a factor in most personnel decisions. The preferred method for controlling subjectivity is to measure inter-rater reliability, a procedure that determines whether ratings assigned by one individual are comparable to those of other raters and the ratings assigned by experts. Checking inter-rater reliability is important because, by identifying potential areas of inconsistency among raters, an agency can improve the reliability (and therefore the fairness) of raters' evaluations. The State Personnel Board's evaluation policies and procedures do not include such controls.

The absence of reliability checks is significant because any failure on the part of the State Personnel Board to apply evaluation criteria consistently could result in the limitation of qualified candidates and/or the certification of unqualified candidates. Should either occur, the process of merit selection is not fulfilled.

Any adequate method for maintaining inter-rater reliability would have to address at least two issues:

- training to acceptable performance levels; and,
- monitoring of reliability ratings.

Currently, the State Personnel Board does not adequately address either of these critical issues.

When an evaluator is expected to make a subjective judgment that is to serve as the basis for a certification, he or she must first be trained in the rules or guidelines that are to serve as the standard for that judgment. While SPB provides written procedures and on-the-job training to newly hired evaluators, the agency does not provide formal training or require new evaluators to demonstrate competence with the rating procedure prior to assuming full work responsibilities. Neither does SPB provide ongoing in-service training for its new and veteran evaluators to ensure the consistent and objective application of evaluation criteria.

The SPB also has not formulated a work product sampling procedure that would provide assurance that its evaluators consistently apply evaluation criteria. Currently, SPB's chief evaluator checks for evaluator consistency by conducting periodic and informal reviews of evaluated applications before they are transmitted to other SPB offices for further processing. The chief evaluator also monitors evaluators' abilities to rate applications through the number of complaints lodged by applicants. Such complaints may result in SPB staff re-evaluating an applicant's application.

A sample of applications selected for a blinded matched pair review by co-workers and/or supervisors would provide the needed reliability data and would better ensure consistent application of evaluation criteria. In a review of this type, "blinded" co-workers or supervisors (i.e., reviewers who were unaware of the original results) would assign ratings to a sample of previously evaluated applications. SPB staff would then compare the original evaluation results with the set of scores subsequently assigned by co-workers or supervisors. SPB could use this procedure to determine the extent to which evaluators apply evaluation criteria in a consistent manner.

Verification

Although the State Personnel Board has statutory responsibility for recruiting qualified applicants, SPB makes hiring agencies "ultimately accountable" for the verification of the correctness of applicants' experience and training.

MISS. CODE ANN. § 25-9-103 (a) requires the State Personnel Board "to recruit, select and advance employees on the basis of their relative ability, knowledge and skills, including open consideration of *qualified* applicants for initial appointment." [Emphasis added.] Similarly, Section 4.21.1 of SPB's *Policies and Procedures Manual* requires the State Personnel Director to establish and maintain lists of eligibles necessary to provide an adequate supply of "*qualified* candidates for positions in the state service"

and Section 4.21.1 (A) states that after the State Personnel Director has determined that an “applicant has *met the selection criteria* for an occupational class, the applicant’s name is added to the appropriate list of eligibles.” [Emphasis added.]

The use of the phrases “qualified applicant” and/or “qualified candidate” in state law and SPB’s *Policies and Procedures Manual* creates the expectation that the State Personnel Board would warrant that applicants are deemed qualified for employment. State law and SPB policies and procedures imply that applicants deemed eligible for employment after SPB’s review possess the educational and training experiences stated on their employment applications and are in compliance with the minimum qualifications of the positions for which they are applying.

In determining eligibility and compliance with minimum qualifications, SPB should verify applicants’ claims regarding educational record and work history. SPB’s *Experience and Training Record* (job application form) collects information about an applicant’s training and experience, and SPB staff evaluate an applicant’s qualifications based solely on the *Experience and Training Record* and supplemental information or documentation requested from the applicant. SPB’s evaluation practices do not require SPB evaluators to verify routinely an applicant’s educational records and work history. When such verification occurs, it is informal in nature and performed only when an evaluator suspects that an applicant may have written false information on the job application.

The State Personnel Board, through policy and practice, delegates the burden of verifying the correctness of an applicant’s training and experience to hiring agencies. Section 4.11.7 of SPB’s *Policies and Procedures Manual* states the following regarding verification of an applicant’s training and experience:

- (A.) *An applicant’s or employee’s educational record and work history may be investigated by the State Personnel Director or the hiring agency.*
- (B.) *Such investigative procedures may include but not necessarily be limited to contacting present and previous employers and/or schools, colleges, or other institutions in order to verify information contained in the Experience and Training Record or related documents supplied by the applicant.*
- (C.) *The hiring agency shall ultimately be held accountable for verifying the correctness of information recorded in the Experience and Training Record.*

The State Personnel Board, through its policies, has chosen to limit processing time associated with applications by delegating verification to hiring agencies. Although such delegation occurs and makes hiring

agencies "accountable," SPB has no policy which requires its staff to post-audit agencies' verification of applicants' training and experience. Therefore, it is possible that hiring agencies could receive certificates of eligibles containing names of "qualified" applicants from the State Personnel Board, fail to verify the training and experience of the preferred applicant, and employ an individual who does not satisfy the minimum qualifications of the position to be filled. The State Personnel Board cannot abdicate its statutory responsibility to ensure that names of "qualified" applicants are provided to hiring agencies as potential employees.

Timeliness

All state agencies under SPB's regulatory jurisdiction must interact with SPB to fill positions. Some agency personnel and job applicants have complained of delays in the hiring process caused by SPB's alleged failure to carry out its responsibilities promptly in this interactive process. Following are complaints PEER received regarding the hiring process:

- SPB sometimes takes as long as ninety days to respond to agency requests for lists of eligible job applicants. This problem is especially serious, according to these allegations, in attempts by the Department of Corrections to fill correctional officer positions.
- SPB is not prompt in processing job applications. As a result, qualified applicants wait months to be hired.

A review of SPB's timeliness in interacting with agencies and in processing applications (see Appendix G, page 71), yields the following conclusions:

- *On average, SPB responded to agency requests for certificates of eligibles in about six days.* SPB's response took fewer than thirty days for all cases in PEER's representative sample, and for all FY 1994 correctional officer requests.
- *On average, SPB evaluated job applications in three days.* Qualified applicants waited months to be hired primarily because at the time those applicants filed their state job applications, the positions they sought were not open or because agencies chose not to hire these applicants for positions for which they were qualified.
- *SPB does not have an internal system for monitoring and improving its timeliness in responding to agency requests or in evaluating applications.*

*The Hiring Process: SPB's Interaction with Agencies and Applicants--*For agencies seeking to hire new employees, the hiring process begins with the agency's request to SPB for a certificate of eligible applicants drawn from SPB's data base. The process ends with the placement of a new employee on the payroll or termination of the hiring process (upon expiration of the ninety-day active status of the certificate or through cancellation of the agency's request for a certificate of eligibles).

For an applicant, the process begins with submission of a job application to SPB and ends with removal of the applicant's name from the data base of eligible applicants. The applicant's name is removed from the data base when he or she obtains a job, fails to show up for an interview, or permits the application to expire after one year without asking SPB to reactivate it.

*PEER's Approach to Measuring SPB's Timeliness--*To determine how long the hiring process typically takes, PEER reviewed a representative sample of 225 cases in which agencies wanted to fill positions (randomly chosen from the 2,923 agency requests received by SPB in FY 1994). PEER noted the duration of various stages of this process, including stages for which SPB was solely responsible and others for which the agencies had sole responsibility or shared responsibility with SPB.

To analyze the time SPB and the hiring agencies spent on major portions of the hiring process, PEER divided the hiring process into four steps:

1. The hiring agency transmits the request for a list of eligible applicants to SPB (begins with the agency's completion of the request form and ends with SPB's receipt of the request).
2. SPB generates a list of eligible applicants.
3. SPB retrieves and photocopies the applications of all individuals appearing on the list of eligibles.
4. The hiring agency selects an employee from the list and places him or her on the payroll.

In a separate series of case studies, PEER reviewed an additional eleven cases. For those eleven instances (cases in which agencies initiated activity toward filling one or more positions in a particular job class), PEER also reviewed related data on the 306 individuals who applied for positions in those eleven job classes, noting the time the process took from the applicant's point of view. In selecting cases for this review, PEER selected recent requests which represented a broad range of agency request types. Finally, because of complaints about the time consumed in filling

correctional officer positions, PEER examined 100% of the FY 1994 requests for certificates of eligibles for those positions (26 requests).

SPB responded to requests for certificates of eligibles in fewer than thirty days for all 217 cases in PEER's 225-member sample for which complete data were available.

PEER's review of SPB records showed that SPB was responsible for a relatively small share of the time agencies spent in selecting new employees. On average, approximately 9% of the time agencies spent in the hiring process in FY 1994 was directly attributable to SPB activity (an average of six days out of seventy-two). The remaining 91% of the time in the process was primarily attributable to activities of the hiring agencies themselves.

SPB's share of the time consumed in the hiring process (as opposed to the agency's share) was highest in cases in which agencies asked that lists of eligible candidates include only people with special qualifications beyond the minimum qualifications required for the job class. Also, SPB spent more time on cases in which the agency requested one or more additional lists of eligible candidates after receiving the first list of eligibles from SPB. However, even in cases involving special qualifications or requests for additional lists of eligibles, the hiring agencies themselves were responsible for most of the time consumed in the hiring process.

Average SPB Response Time--When agencies requested certificates of eligibles during the period reviewed (FY 1994), SPB responded to agencies' requests in an average of 6.3 calendar days, plus or minus 0.9 day (sampling error). SPB's responses included:

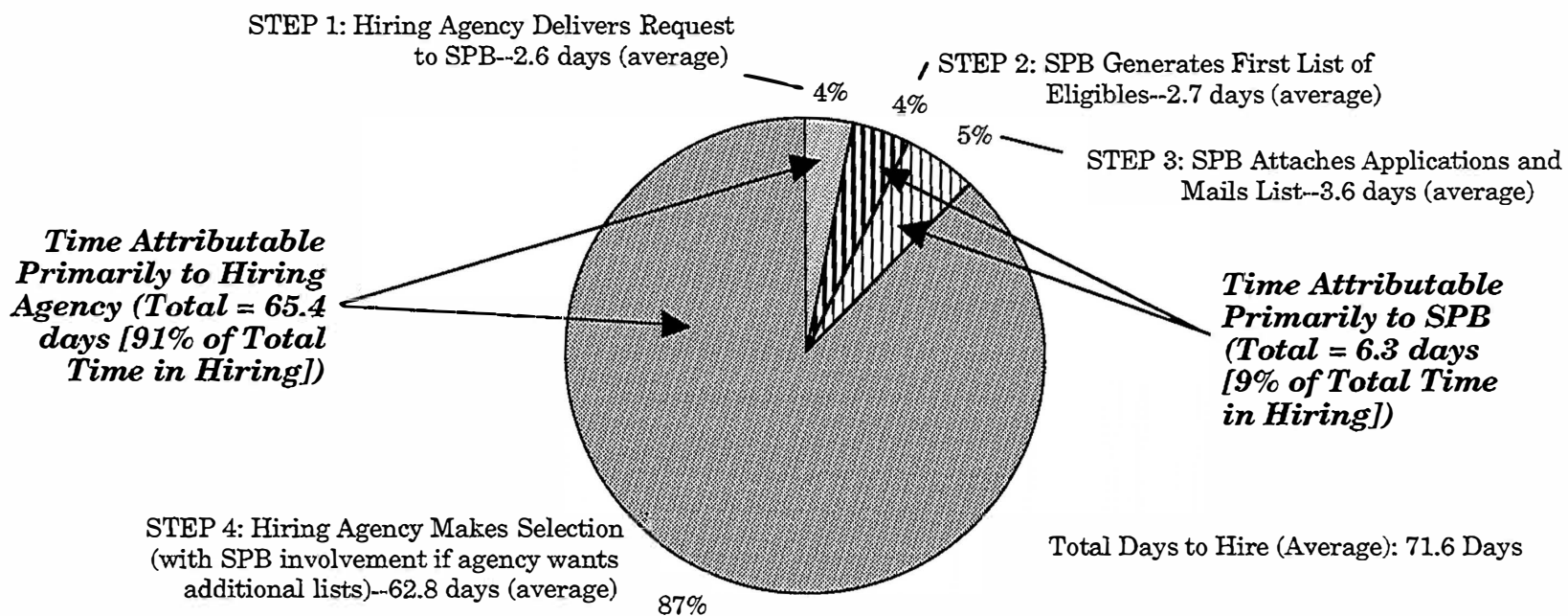
- producing a list of eligible candidates from an electronic data base (Step 2 of Exhibit 6, page 29); and,
- photocopying application forms for all candidates on the list and certifying the list of eligible applicants (Step 3 of Exhibit 6, page 29).

On average, SPB's generation of a list of eligibles took 2.7 days, plus or minus 0.4 day. SPB spent an additional 3.6 days, plus or minus 0.5 day, retrieving, copying, and attaching applications to the list of eligibles before mailing it to the requesting agency. This six-day period represents about 9% of the average 71.6-day hiring period. (See Exhibit 6, page 29.)

Although the average time spent on SPB's portion of the hiring process was about six days, SPB completed this process in five calendar days or less for almost half of the cases in the sample (47%). SPB completed the process within six calendar days for two-thirds (67%) of the 217 agency requests on which SPB records provided complete data. (SPB data was

Exhibit 6

Review of the State Personnel Board's Timeliness in the Hiring Process: Average Calendar Days and Proportion of Total Time in Hiring Attributable to State Personnel Board and Hiring Agencies for All Cases in PEER Sample (225 Cases)



SOURCE: PEER review of State Personnel Board records.

incomplete for eight of the 225 requests in PEER's sample.) Exhibit 7, page 31, shows the time SPB took to respond to the 217 agency requests for which SPB records contained the relevant data.

The hiring agencies themselves were responsible for 91% of the time elapsing from the date the agency requested a certificate of eligibles to the date the agency reported selecting a new employee (or the date on which the agency permitted the certificate to expire without notifying SPB that it had made a selection). The agency portion of the hiring process included the first step of the process, delivering or mailing the request for a certificate of eligibles to SPB (a segment of the process that took an average of 2.6 days, plus or minus 0.8 day), and the final step, selecting the individual to be hired (62.8 days, plus or minus 4.9 days). To make their selections, the agencies reviewed applications, arranged for and conducted interviews, and prepared the paperwork to be returned to SPB for placing the newly hired employee on the payroll.

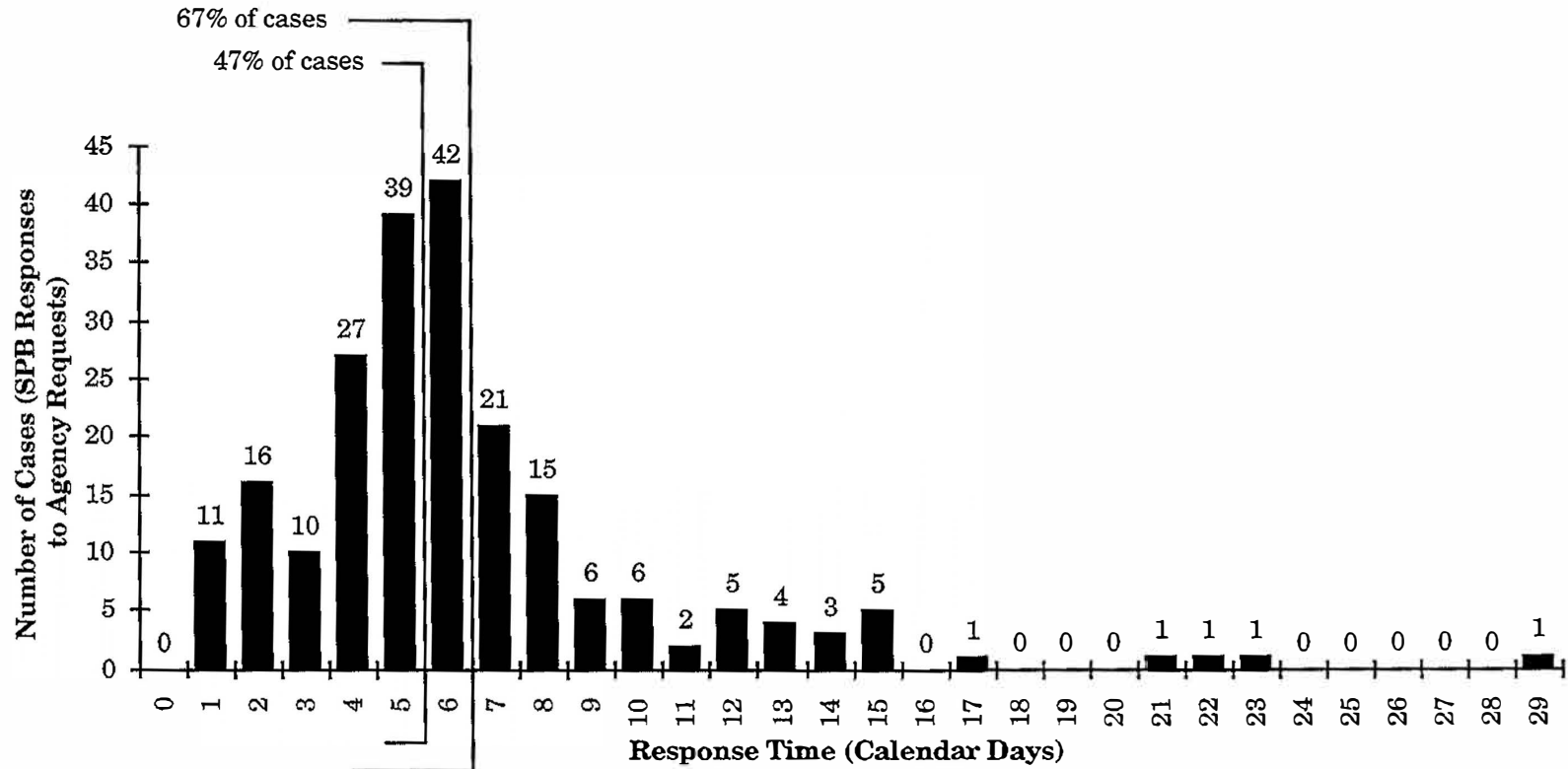
When agencies requested more than one certificate of eligibles, SPB's average response time was about two weeks (rather than six days). Agencies ask SPB for additional lists of eligibles when they are not satisfied with the qualifications of applicants on the original list, when the specific person they want to hire does not show up on the original list, or when they want additional applicants in the selection pool for some other reason. Also, SPB's response time was about two weeks in cases in which agencies asked SPB to include on a list of eligibles only those applicants who met certain special criteria beyond the minimum qualifications required for the job class. Appendix G, page 71, describes SPB's timeliness under both these conditions.

Cases Involving Selection of Correctional Officers--PEER analyzed twenty-six correctional officer requests separately from its analysis of data from the randomly-drawn sample described above. Within the group of all FY 1994 requests for correctional officer certificates of eligibles, SPB responded to these Department of Corrections requests at about the same rate of timeliness as it responded to requests in PEER's representative sample. SPB responded to DOC correctional officer requests in 6.5 days on average for the twenty-six correctional officer hiring processes for which the Department of Corrections requested certificates of eligibles in FY 1994. This is comparable to the 6.4-day average SPB response time for requests in PEER's representative sample.

SPB maintained relatively prompt response patterns in fulfilling Department of Corrections requests which required lengthier lists. For example, the three processes DOC initiated to hire correctional officers for the Mississippi State Penitentiary at Parchman involved generating longer lists of eligibles than the lists needed for the other DOC correctional officer hiring processes. DOC needed longer lists for these hiring processes because the Parchman facility often hires large groups of correctional officers at once. Even in these cases, when SPB's response included

Exhibit 7

**The State Personnel Board's Response Time in Providing
First Certificates of Eligible Applicants to Requesting
Agencies (Cases Analyzed = 217)**



SOURCE: PEER review of State Personnel Board records.

copying applications for more than one hundred eligible applicants, SPB took a maximum of twenty-two days to respond to requests for certificates of eligibles. (See Exhibit 8, page 33.)

For the 306 individual employment applications PEER included in its review, SPB evaluated applications within an average of three days of the date it received them.

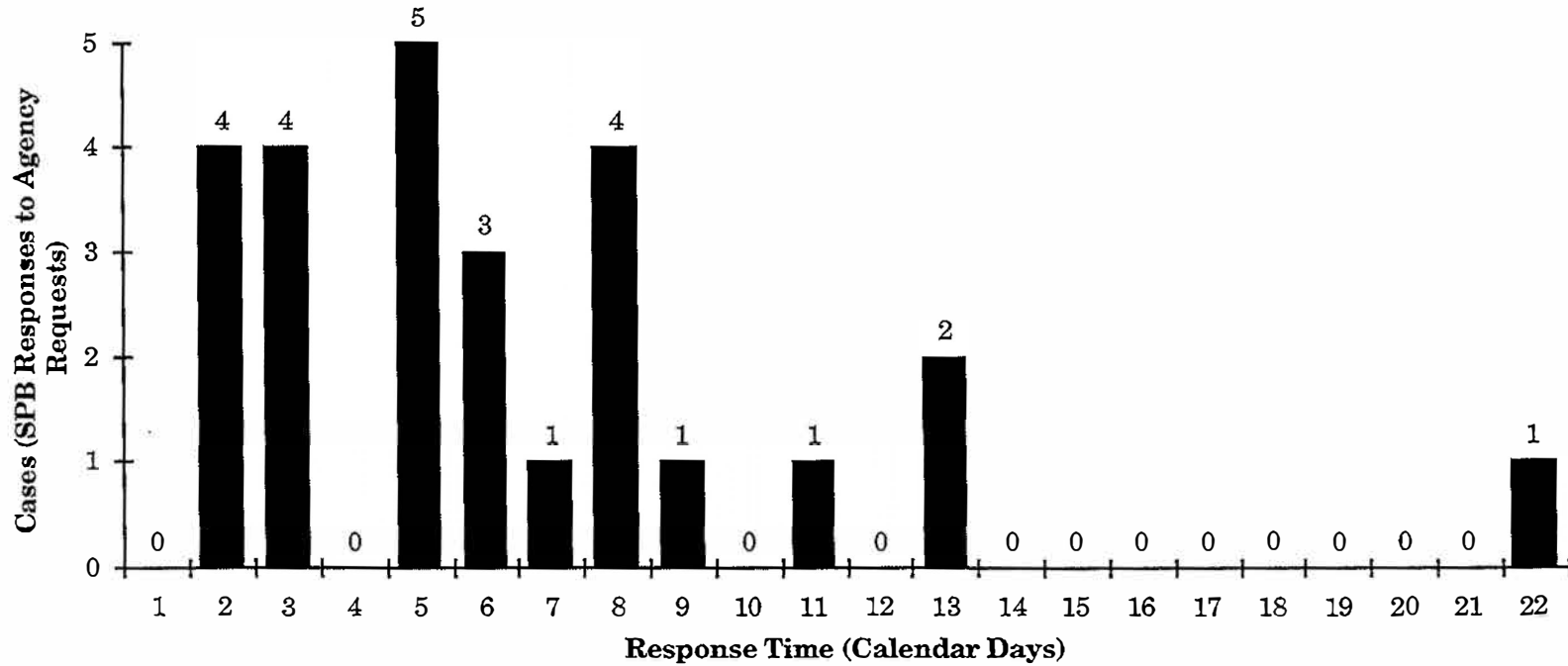
After an individual submits a job application, SPB evaluates the application to determine whether the individual meets the minimum qualifications for the job class for which he or she has applied. If the applicant meets these requirements and if the position has a testing requirement, SPB notifies the individual of the time and place at which the applicant may take the test. After scoring the test, SPB places the names of applicants with passing scores in its electronic data base, which includes all applicants meeting the minimum requirements for the job class.

*PEER's Method for Reviewing the Process--*To obtain information on SPB's timeliness in processing applications, PEER examined the individual application process for each applicant on the list of eligibles SPB created for eleven hiring processes covering a broad range of positions and agency types. To conduct this review, PEER first identified several job classes and asked SPB to provide the agency documents and SPB documents associated with the most recent hiring processes in those job classes. Exhibit 9, page 34, lists the criteria used in selecting a broad range of job classes for this purposive sample. PEER collected data on the agency hiring processes (including certificates of eligibles created by SPB and provided to the agency), as well as data on SPB's processing of employment applications associated with filling eleven positions in the job classes selected. (Unlike the 225-member sample of agency hiring processes described above, these eleven hiring processes and the 306 associated individual applications do not constitute a scientific sample. While the results of this records review help describe the application and hiring process, they are not intended to be representative of all SPB hiring processes or all SPB application processing.)

*SPB's Average Application Evaluation Time--*For the 306 applications reviewed, SPB performed its evaluation from one to thirty-five days after receiving the application. On average, SPB evaluated job applications 2.5 days after receiving them. Because a few unusually lengthy waiting periods skewed this average, Exhibit 9, page 34, presents a more complete view of SPB's processing time. As this exhibit shows, SPB completed its application evaluation process within one day of receiving the application material for 52% of the 305 applications for which SPB had complete data.

Exhibit 8

**SPB's Response Time in Providing First Certificates of Eligible Applicants for Correctional Officer Positions
(Cases Analyzed = 26)**



SOURCE: PEER review of State Personnel Board records.

Exhibit 9

PEER's Criteria For Selecting the Eleven Cases for Study

To obtain information about SPB's application processing, as well as information on the interaction between SPB and agencies hiring new employees, PEER selected the following hiring processes for review:

- three correctional officer trainee positions (a category of hiring for which the hiring agency had reported delays);
- a secretary principal position (a category for which SPB continuously recruits applicants and therefore should not have had to build a list of eligible applicants);
- an entomologist position (a type of job in which a vacancy rarely occurs and for which SPB had to recruit applicants in order to build a list of eligible applicants);
- several data processing positions (more commonly available classifications for which SPB had to build lists of eligibles);
- two medical records clerks (a type of job that remains on open recruitment); and,
- one education specialist (an example of a job class that often is associated with agency requests for special qualifications).

SOURCE: PEER project files.

Further review of selected records showed that applicant errors sometimes were responsible for initial delays in the application evaluation process. SPB returned forms to applicants or requested additional information before evaluating applications when a preliminary review showed that critical information was missing. For example, in the case in which SPB waited thirty-five days before evaluating an application, SPB screened the application soon after receiving it, informed the applicant that transcripts would be needed, then waited thirty-five days after the transcripts arrived (i.e., thirty-five days after the application file was complete) before evaluating the application. As Exhibit 10, page 36, shows, this is one of three cases of the 305 cases for which SPB provided complete data in which the waiting period for evaluating an application exceeded two weeks.

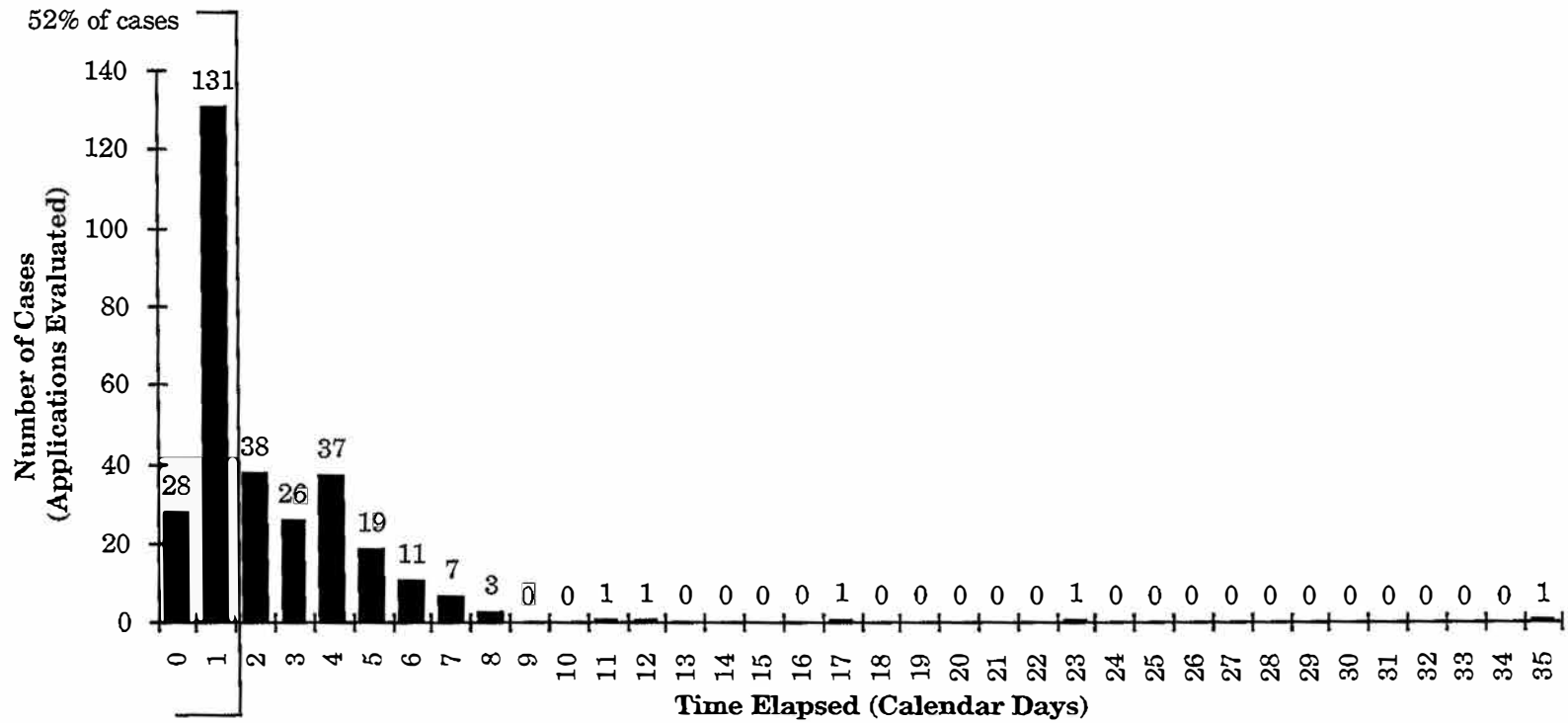
Timeliness in Providing Testing Opportunities--The final hurdle for applicants attempting to establish eligibility for positions in many job classes is the testing process. Timeliness in test taking depends on SPB's provision of testing opportunities at convenient times and places, as well as the applicant's cooperation in appearing for scheduled testing sessions. Twenty-eight (about 9%) of the 305 individuals considered for the eleven positions PEER reviewed already had taken and passed the relevant test before submitting their most recent application for that job class. (Some applicants submitted a new application form without having to take another test because test scores remain valid for three years, but applications expire after one year.) The remaining 277 applicants took and passed the test twenty-seven days on average after submitting their application forms to SPB. About half of these applicants took the test within twenty-eight days of submitting their application forms to SPB.

Nature of SPB's Continuous Hiring Process--Some observers of the state's personnel system consider the system slow and cumbersome because even successful applicants typically wait months before being hired. Often, this wait is related to the continuous nature of Mississippi state government's hiring process. For many job classes, SPB continuously accepts application forms, processes them, and places applicants' names in a data base until an agency initiates action to fill a position in that job class. Individuals rarely apply at a time when a vacancy exists and SPB is openly recruiting applicants.

The 306 applications reviewed help illustrate the waiting period that applicants sometimes must endure. These job-seekers had submitted their applications an average of 180 days *before* the position examined became available. Only 7% of all applicants whose names appeared on lists of eligibles for the eleven positions reviewed had submitted their application forms *after* the position became available. The individuals whom the agencies eventually hired for these eleven positions (with the exception of one position for which no one was hired) had applied for a position in that

Exhibit 10

Time Elapsing between the State Personnel Board's Receipt of Application Material and Evaluation of the Application (Cases Analyzed = 305)



SOURCE: PEER review of State Personnel Board records.

job class 156 days (about five months) before the position they were hired to fill became available.

Because SPB's recruitment for the most frequently filled job classes is ongoing, the waiting period between the individual's completion of an application form and an agency's consideration of the applicant for a specific opening often is several months. A two- to three-month delay attributable to an SPB failure to process applications promptly would have been unacceptable. However, SPB evaluated applications within a few days of receiving them and no applicant who initially submitted all necessary application material waited more than two weeks for processing. For the ten applicants hired for the positions reviewed, waiting periods associated with SPB's evaluation of the application accounted for 3.8 days (2%) of the 185 days that elapsed on average from the date the individual applied for that job class to the date the agency hired that applicant.

The typical sequence of events for the ten successful applicants whom state agencies hired for the positions reviewed was as follows:

- The individual submitted an application to SPB for a particular job class.
- About five months (156 days) later, the position in the job class reviewed became available--that is, an agency asked SPB to provide a certificate of eligible applicants.
- Within about thirteen days of the agency's request, SPB sent the agency a certificate of eligibles.
- About thirty-six days after SPB mailed the certificate of eligibles to the agency, the agency notified SPB that it had selected the successful applicant.

To avoid a portion of the waiting period for job applicants, SPB could refuse to accept any applications until a vacancy becomes available. SPB currently uses this approach in recruiting for small, specialized job classes. However, such a policy would introduce additional recruitment and processing delays in frequently used job classes because the data base of eligible job-seekers would have to be built before a list of eligible applicants could be compiled. Even if agencies themselves handled recruitment and selection and avoided delays in hiring by using the open recruitment approach currently used by SPB, job applicants would encounter delays while waiting for vacancies to become available.

At the time of PEER's review, SPB had no formal system for using information in its own files to monitor and improve its timeliness in responding to agency requests for certificates of eligibles or in evaluating applications.

No major points of delay existed in SPB's system for responding to agency requests for certificates of eligibles and evaluating applications. However, such a system potentially could be more responsive to agency and applicant needs. As of May 1994, SPB had not established timeliness goals and had not systematically evaluated its own performance in relation to its own internally developed standards. Because SPB had not compiled timeliness data on its processes for responding to agency requests and for reviewing applications, PEER designed and implemented a procedure for drawing timeliness information from SPB files. The above sections (page 26) summarize the results of PEER's study.

As PEER completed field work at SPB, the agency had begun developing a system for reporting the status of active requests for certificates of eligibles. This system provides descriptive information, including the number of names that SPB has included thus far in certificates of eligibles sent to the requesting agency. The report does not provide information on SPB's timeliness in responding to the request. For example, it does not "age" each request by showing the date SPB received it or by reporting days elapsed since its receipt. SPB also had not developed timeliness standards, such as maximum days that should elapse from receiving a request for a certificate of eligibles to mailing a certificate of eligibles to the requesting agency. Without timeliness standards and routine internal monitoring, SPB cannot systematically identify and eliminate delays that interfere with optimum service to state agencies.

Classification and Compensation

Variable Compensation Plan

Although the State Personnel Board has improved its methods of determining job worth for state employment positions since the 1987 PEER report, SPB does not appropriately identify the relevant labor market for all job classes, resulting in the SPB's making inappropriate salary recommendations for some job classes relative to their true market worth.

Mississippi's Variable Compensation Plan, which the state adopted in FY 1982, is a method of paying state employees on the basis of their job worth and performance. One of the purposes of the plan is to help fulfill the statewide personnel system objective of recruiting and retaining a competent work force. Appendix H on page 73 contains an overview of the Variable Compensation Plan.

“Job Worth” and Benchmarking--The “job worth” component of the plan seeks to compensate state employees at salary levels commensurate with similar jobs in the relevant labor market, the justification being that the state is more likely to attract and retain competent employees if they are paid salaries which are competitive. To determine the “job worth” component of state employee compensation, the State Personnel Board identifies the relevant labor markets and collects salary survey data from these markets for 300 of the state’s 2,056 job classes. In developing its salary recommendations, the board averages the survey results for each of the 300 job classes surveyed. Using a procedure called “benchmarking,” the board also applies its survey results to the remaining 1,756 classes. The board links classes together (i.e., “benchmarks” job classes) based on the similarity of their job experience and educational requirements. For example, among the job classes which SPB has benchmarked to the job class “Office Manager I” are Office Manager II, Office Manager III, and Office Manager IV. Where job classes are well matched, benchmarking is a legitimate tool for reducing the substantial costs in both time and money that would be required for SPB to conduct a salary survey for each of the state’s 2,056 job classes.

SPB’s Progress in Solving Problems Noted in PEER’s 1987 Review--The PEER Committee noted the following weaknesses in the State Personnel Board’s salary survey methods:

- improper identification of “relevant labor market,” which is the market from which the board draws its salary survey data. In 1987, SPB relied exclusively on salary data from public sector jobs in the four surrounding states, rather than surveying national, local, and private sector employers for salary information, when appropriate;
- benchmarking unrelated job classes; and,
- application of improper statistical methods to survey data in its computation of recommended salary levels; e.g., averaging “average salaries.”

In 1987, the PEER Committee also noted incomplete salary survey files for some job classes, making it impossible to determine the method that the board used to establish salary recommendations for these classes.

Since 1987, the State Personnel Board has made the following significant improvements in its salary survey methods:

- The State Personnel Board has begun to benchmark jobs to survey classes on the basis of similarity of function or education. Before PEER’s review in 1987, some jobs were not

similar in any way to the jobs to which they were benchmarked.

- The State Personnel Board has abandoned the practice of averaging average salaries which was a problem in 1987. Now, SPB computes both a simple and weighted average of all survey responses and retains both in its files.

Also, SPB solved many of the documentation problems noted in PEER's 1987 report by upgrading its computer capabilities to produce complete files for every job class, including documentation of SPB's method of computing recommended salary levels.

Identification of the Relevant Labor Market--Accurate identification of the relevant labor market is the one lingering deficiency. While the State Personnel Board has improved its efforts in this regard by including respondents other than public sector agencies in the four surrounding states in its survey, its current procedures are not sufficient to ensure proper identification of the relevant labor market for each job class. The concept of the relevant labor market connotes that Mississippi will pay public employees what such employees could receive in a market consisting of competitors with the same job skills. In order for the system to be fully in compliance with the Legislature's original concept, the methods the State Personnel Board uses should reflect the need to show that the board's survey sources are in the relevant labor market of state employee positions.

In developing its FY 1994 salary recommendations (which it based on salary surveys conducted in 1992), SPB used a combination of public and private sector salary information or private sector salary information alone for 85 of the job classes for which it conducted a salary survey (which is a considerable expansion over its 1987 efforts) and salary data obtained from public sector employers alone for the remaining 215 job classes surveyed.

While public sector and surrounding state salary data are relevant for some job classes (e.g., the only competition for some jobs is out of state, such as highway patrolman, public health physician, correctional officer), surrounding states' salary information is not relevant for all of the job classes for which SPB uses this information. For example, the relevant labor market for the job classes of Clerk-Typists, Accountants, and Respiratory Therapists is local or statewide since positions such as these are plentiful in the local/state area; the relevant labor market is not the surrounding state sources which the State Personnel Board currently uses as points of comparison for these job classes.

Based on PEER's sample, the surrounding state salary data which the State Personnel Board used to produce its FY 1994 salary recommendations for the job class of accountant/auditors resulted in salaries that were lower than the salaries being paid for similar positions

in Mississippi. The differential could be the result of differences in salary policies in other states, which is a general problem in relying heavily on salary data from this source. Some states allow agencies flexibility in range to hire new employees rather than realigning job classes, which results in their reporting comparatively low salaries in response to SPB's salary surveys which ask for the start step salary.

Based on the examples above, SPB's use of surrounding states' salaries can influence the survey process. For accountant/auditors, the salary survey for FY 1993 showed a need for an increase of \$1,419.24. Without the salaries of the four surrounding states in the survey, the needed amount would have been \$833 higher. In the case of clerk-typists, the inclusion of surrounding states' salaries made the FY 1993 recommendation \$11,854, or \$960 above the start step salary for FY 1992. Exclusion of the surrounding states in a simple average of other statewide employers would have made the recommendation \$11,976, or \$1,082 above the FY 1992 start step salary.

For respiratory therapists, the inclusion of surrounding states in the survey caused the FY 1993 recommendation to be slightly higher than it would have been if those states had not been included. The FY 1992 recommendation was for a salary of \$10,727.88, a \$855.72 increase over the FY 1992 start step salary. Without including the salaries of surrounding states' respiratory therapists, the salary recommendation for in-state employers of these positions would have been \$10,489, or \$238 less than the FY 1993 salary survey average. In summary, whenever information which is not derived from the relevant labor market is inserted into the salary survey process, it can cause the State Personnel Board's recommendation to be somewhat higher or lower than it would have been otherwise.

The State Personnel Board's use of salary information which is not relevant results in realignment recommendations being skewed higher or lower than dictated by the relevant labor market. This could result in either unnecessary or insufficient expenditures on certain positions' salaries, thus hindering achievement of the goal of recruiting and retaining a competent labor force. Further, any errors that SPB makes in basing its salary recommendations on the relevant labor market are compounded by the board's benchmarking process, which in the case of an error, links the salary recommendations of many other job classes to the error.

The State Personnel Board's continued use of information from the four surrounding states is a product of custom and of necessity in those cases where the board cannot find a comparable position class containing similar duties and tasks in the private sector. Also, SPB has no feedback mechanism in place, such as requiring agencies to conduct formal exit interviews, which could provide information to indicate that the salary level for a job class is not competitive and that therefore SPB may need to reexamine what constitutes the "relevant labor market" for that job class.

Contracts

State law requiring the State Personnel Director to approve personal services contracts limits review to determining whether the requesting agency has a state service position which can perform the contractor's function, and does not require agencies' justification for use of contractual services or a competitive contracting process.

During the 1984 session, the Legislature enacted Senate Bill 3050, which consolidated and created various functions and departments within the executive branch of state government. S. B. 3050 amended MISS. CODE ANN. Section 25-9-107, which defined the necessary terms for the statewide personnel system and identified employees not included in the system. With regard to contract personnel, subsection (c) (x) of Section 25-9-107 states:

. . . any agency which employs state service employees may enter into contracts for personal and professional services only with the prior written approval of the State Personnel Director. The State Personnel Director shall disapprove such contracts where the services to be provided could reasonably be performed by an employee in an authorized employment position. Prior to paying any warrant for such contractual services, the auditor of public accounts, or the successor to those duties, shall determine whether the contract involved was for personal or professional services, and, if so, shall determine whether it was properly submitted to the State Personnel Director and approved; provided, however, that physicians, dentists, architects, engineers, veterinarians, attorneys and utility rate experts who are employed for the purposes of professional services, and other specialized technical services related to facilities maintenance, shall be excluded from the provisions of this paragraph.

This subsection applies to agencies which employ state service personnel and are subject to the purview of the State Personnel Board. Since the state service system does not include employees of universities and junior colleges, contract personnel hired by those entities are not subject to the approval of the State Personnel Board.

- *During the first six months of FY 1994, the State Personnel Director approved 98% of all contract personnel request transactions requiring approval.*

MISS. CODE ANN. Section 25-9-107 (c) (x) does not specifically enumerate the criteria the State Personnel Director is to utilize when deciding whether to approve or disapprove a request. The section only requires the director to disapprove the request if the services "could reasonably be performed by an employee in an authorized employment position." Currently, SPB staff members review each personal services contract request for amount, contractor name, and function to be

performed. SPB staff then review in detail the functions to be performed by the contractor against the duties of personnel in the agency to determine whether the agency has personnel who could perform the duties required of the contractor.

During the first six months of FY 1994, State Personnel Board staff reviewed 918 contract personnel transactions. Of this total, the State Personnel Director eventually approved 902 (98%) of the requests, representing expenditures of \$41 million of public funds, and disapproved 16 (2%) of the requests, representing expenditures of \$185,382 of public funds.

The high number of personal services contract requests approved by the State Personnel Director is primarily attributable to the limited contract justification requirements of Section 25-9-107 (c) (x). This particular section is not a mandate for the State Personnel Director to perform detailed oversight of processes by which agencies determine need, select, and monitor the performance of personal services contractors. (Currently, no statutory provisions mandate the process by which governmental entities must contract for personal services.) The Legislature enacted Section 25-9-107 (c) (x) to ensure that agencies would not routinely use contractors to perform tasks and functions which should be performed by state employees.

During this review, state agency representatives reported that their agencies expend considerable time preparing and submitting contract personnel requests to the State Personnel Director. This commitment of time includes composition of agency contracts, reviews of agency staffing, and in some cases, limited fieldwork. Based on the State Personnel Board staff's assessments, the personnel of the Office of Classification and Compensation spend approximately one-third of their work time on contract reviews and documentation. With current office staffing of sixteen and an annual payroll of \$411,653.88, SPB expends the efforts of 5 1/3 employees and \$135,845.78 in annual salary funds performing such functions. In view of the fact that this office performs other functions such as organization structure reviews, reallocation approvals, reclassification approvals, and budget analyses, the time spent on contractual review is considerable considering that it represents only one major activity of the office.

- *Approval of at least three recent personal services contract requests was inconsistent with review provisions of MISS. CODE ANN. § 25-9-107 (c) (x).*

As described on page 42, Section 25-9-107 (c) (x) is clear as to the State Personnel Director's authority for approving personal services contract requests. The State Personnel Director must approve such requests unless the requesting agency has a state service position which could perform the function. In at least three recent personal services contract requests, the

State Personnel Director exceeded the approval authority provided in Section 25-9-107 (c) (x).

*Pearl River Valley Water Supply District's Selection of Real Estate Consultants--*PEER's 1993 report *A Review of the Pearl River Valley Water Supply District's Use of Real Estate Consultants* noted that Pearl River Valley Water Supply District (PRVWSD) had continuously procured the services of real estate consultants since May 10, 1963. In 1992, the State Personnel Board, which had previously approved the contract, disapproved the contract on the basis that PRVWSD had employment positions which could perform the requested services. The State Personnel Board also based its disapproval on a concern that the contract was not "truthful" and had been obtained non-competitively. The State Personnel Board subsequently reversed itself when a different contractor entered into negotiations with PRVWSD to provide the requested services. In this matter, the State Personnel Board's concern over the lack of competitiveness of the contractor selection process as a basis for contract denial shows that the SPB stepped beyond the law and its own procedures to disallow the contract initially.

The State Personnel Board, rather than the State Personnel Director, acted in the case of the PRVWSD consultant. MISS. CODE ANN. § 25-9-107 (c) (x) makes no provision for the board to approve such contract requests. Further, the initial basis for the rejection of PRVWSD's contract request was extralegal in that SPB rejected the initial request because the contractor was selected non-competitively and PRVWSD was allegedly not truthful with the State Personnel Board on the subject of expenditures.

*Department of Corrections' use of a contract employee to perform the functions of the Director of the Drug and Alcohol Program--*In February 1994, the Department of Corrections received approval from the State Personnel Director to employ on contract the department's former Drug and Alcohol program director after that person retired from state service. At the time the Department of Corrections had hired the former director on contract, the department had a vacant position which could have been filled and a list of eligibles from which department managers could have interviewed potential candidates. In this instance, the State Personnel Director did not meet the criterion set in law to disapprove a contract when the agency has a position which could perform the tasks and functions to be performed by the contractor.

In the case of the Department of Corrections alcohol and drug administrator, the State Personnel Director should have told departmental managers to select an employee to fill the director's job or, in the interim, detail the deputy director to temporary duty as the program director.

*The Department of Human Services' employment of a contractor to perform child support enforcement functions--*Since late 1993, the Department of Human Services has been exploring the possibility of privatizing its child support enforcement functions. The departmental leadership believes that privatization can make collections more efficient. This function has been the responsibility of the department and has been carried out by employees in authorized employment positions. A strict application of CODE Section 25-9-107 would not allow privatization of a function when the Legislature has appropriated personal services funds to employ agency personnel to perform the function. However, in June 1994, the State Personnel Board approved a reduction in force of employment positions in the Department of Human Services child support enforcement function and subsequently approved a contract with MAXIMUS, Inc., to perform certain administrative functions relative to the collection and disbursement of funds collected from defaulting fathers who owe child support.

The State Personnel Board staff presented an argument to its board that the current system did not make collections effectively and that only a reduction in force coupled with a contract could result in effective collections of child support from defaulting fathers. This approach represents a departure from the customary understanding of the agency function of contract review, in that it:

- required the State Personnel Board to accept or reject an agency argument that efficiency or effectiveness justifies the use of contractors, rather than authorized employment positions, thus expanding the scope of review under Section 25-9-107(c)(x) beyond a review of agency manpower and classifications; and,
- allowed reduction in force policies to be used as a device for eliminating staffing so that the agency would require a contractor to perform the functions previously performed by agency employees.

Training

Although the State Personnel Board has increased the number of its training courses since PEER's 1987 review, the agency has not formulated and implemented a formal method of determining state agency training needs.

In its 1987 review of the State Personnel Board, the PEER Committee was critical of SPB's training efforts, as noted in the following excerpt from PEER's earlier report.

Despite the board's policy which requires an aggressive training program with line agency interaction, PEER concludes that SPB's training efforts for the past seven fiscal years primarily have been limited to the

implementation of the state's employee performance appraisal system and the provisions of the Variable Compensation Plan.

PEER criticized SPB's training efforts for being little more than an adjunct support service to other activities of the board. This criticism was made in view of the fact that SPB had been making little effort to devise training programs in response to agency needs, was not publishing training catalogues, and had not been developing training programs for other agencies. In summary, the agency was not carrying out its mandate to provide training to state employees.

Since release of PEER's 1987 report, the State Personnel Board has made considerable improvements in its training efforts. Training is now under a separate Office of Training and includes the Certified Public Manager Program, training in the employee performance appraisal system, and general professional development training (e.g., stress management, communications skills, budgeting). As detailed below, the number of training classes offered by SPB has increased within the past two fiscal years.

Fiscal Year	Certified Public Manager Classes	Performance Appraisal Classes	General Professional Development Classes
1993	22	11	170
1994	25	31	314

The number of persons trained in SPB classes has also increased over the same period.

Fiscal Year	Certified Public Manager Trainees	Performance Appraisal Trainees	General Professional Development Trainees
1993	358	107	2,880
1994	500	620	5,160

However, while SPB has improved its training efforts considerably since 1987, the board does not have a formal method of determining state agency training needs. SPB has not conducted any type of comprehensive needs assessment since 1991 and cannot address critical questions regarding state agencies' training needs--i.e., who should be trained and when and how training should be offered.

Section 7.10.1 of SPB's *Policies and Procedures Manual* states the following:

The State Personnel Director shall assess the training needs of the state service and take necessary steps to meet those needs consistent with funding and resources.

To determine the types of training needed, SPB staff distributed a questionnaire to line agency managers in 1991 requesting input on the types of training courses the State Personnel Board should provide. The questionnaire requested agency managers to give priority to twenty-two training topics. Managers in forty-two agencies representing 60% of the state's employees responded to the questionnaire and ranked the following as the most important training needs.

- evaluating performance
- written communication skills
- oral communication skills
- time management
- problem solving
- ethics
- budgeting
- stress management
- dealing with difficult people
- the planning process

While SPB training catalogues distributed since the board's 1991 assessment show that course offerings are addressing these priorities, SPB's assessment process did not identify specifically who should be trained, when, and how. Any of the priority areas discussed above could have course offerings designed for an assortment of employees involved in such areas as planning, budgeting, or service delivery. Such course offerings would need to be carefully designed to accommodate employees' varying levels of skills and abilities in order to make the training useful and effective. Further, SPB's 1991 survey did not place emphasis on training in programs which would assist in accomplishing the goals and objectives of each entity in state government.

Within the last three fiscal years, the State Personnel Board has relied primarily on post-course evaluations of persons who took courses, as well as informal telephone conversations or meetings with state agency employees to determine training needs and courses to be offered. While SPB's increase in the number of training courses has undoubtedly provided state agency employees with increased opportunities for general and

management training, the State Personnel Board's lack of a comprehensive needs assessment methodology makes planning of training programs an informal product of intuition and judgment.

Fiscal Management

As a provider of services to other state agencies the State Personnel Board represents an internal service type activity for financial purposes. The agency accounts for fiscal transactions through two special state treasury account funds, as follows:

<u>Fund Number</u>	<u>Description</u>	<u>Revenue Source</u>
3610	Training seminars	Registration fees
3614	SPB operations	Agency assessments

The State Personnel Board receives authority to fund operations directly from these "special funds" from annual legislative appropriations (budgets). The State Treasurer holds and manages the monies within these accounts until needed and requested for SPB's expenses. SPB fiscal transactions are subject to the state's normal budgetary and purchasing controls monitored by the Department of Finance and Administration (DFA).

As authorized by MISS. CODE ANN. Section 25-9-141, the State Personnel Board receives the majority of its funding from annual assessments to state agencies of \$100 per authorized position. It uses these revenues to fund its general operations along with administrative support including:

- Classification and Compensation;
- Recruitment and Selection;
- Employee Appeals Board; and
- Training - Employee Performance Appraisal System.

SPB also receives a small portion of its account 3614 revenues (less than one percent) from the Employees Appeals Board fees. SPB also administers training seminar registration fees and associated costs from account 3610. Training fees represent approximately four percent of the agency's total collections.

PEER evaluated the State Personnel Board's administration and controls of its revenues and expenses to include its trend in the outlay of

funds. SPB has experienced no unusual or unexplained increases in operational costs. However, SPB's use of the position assessment system to bill state agencies causes an inequitable distribution of the agency's costs and has provided SPB an inappropriately large cash reserve.

The State Personnel Board bills state agencies for the per-position assessments at the beginning of each fiscal year, allowing them the option to split payments equally by allotment period. Most agencies pay through this allotment method.

The majority of SPB's expenses are in the personal and contractual services categories (96 percent in fiscal year 1993). As presented to the Legislature through its annual budget requests for the past two complete fiscal years, SPB has spent the majority of its funds in the area of Recruitment and Selection. This represents a change since fiscal year 1991, wherein the agency expended the majority of funds within the Classification and Compensation Division. Exhibit 11, page 50, presents PEER's analysis of SPB's revenues and compiled program costs per annual budget requests. Appendix I, page 78, provides expense details by major object code and programs.

Revenues

As an internal service activity, the State Personnel Board should serve agencies on a cost-reimbursement basis. Nevertheless, SPB has billed agencies amounts above costs, causing assessment revenues to exceed what is needed to fund operations. SPB's billings to state agencies are not supported by or based on actual costs of services, a situation which contributes to SPB's significant and inappropriate accumulation of cash balances.

As defined by the Governmental Accounting Standards Board and supported by MISS. CODE ANN. Section 25-9-101, the State Personnel Board is an internal service organization and should serve agencies on a cost-reimbursement basis. There should be no profit motive or fund accumulation at the expense of other agencies. This governmental accounting theory is supported by recent guidelines from the federal government, as discussed at page 53.

MISS. CODE ANN. Section 25-9-141 authorizes the State Personnel Board to fund operations by assessing state agencies per authorized agency position. However, this funding method incorrectly assumes that all of

Exhibit 11
State Personnel Board
Budgetary Basis Revenues and Expenses
Fiscal Years Ended June 30, 1989 through 1993

	<u>FY1989</u>	<u>FY1990</u>	<u>FY1991</u>	<u>FY1992</u>	<u>FY1993</u>
<i>Treasury Account 3614</i>					
Revenues:					
Agency Assessments	\$2,781,697	\$3,100,815	\$3,215,684	\$3,269,758	\$3,211,711
Other	--	21,463	10,308	17,489	--
Total Revenues	<u>\$2,781,697</u>	<u>\$3,122,278</u>	<u>\$3,225,992</u>	<u>\$3,287,247</u>	<u>\$3,211,711</u>
Expenses:					
Classification/Compensation	\$1,276,522	\$1,411,669	\$1,135,300	\$1,063,251	\$1,059,109
Recruitment/Selection	1,044,976	770,003	1,085,583	1,246,383	1,168,582
Employee Appeals Board	164,199	153,999	204,125	188,227	208,581
Training - EPAS	359,572	231,001	348,695	424,533	399,406
Total Expenses	<u>\$2,845,269</u>	<u>\$2,566,672</u>	<u>\$2,773,703</u>	<u>\$2,922,394</u>	<u>\$2,835,678</u>
Income Before Transfers	(63,572)	555,606	452,289	364,853	376,033
Less Transfers (Out)	<u>(115,000)</u>	<u>--</u>	<u>(419,641)</u>	<u>(600,000)</u>	<u>--</u>
Budgetary Basis Net Income	<u>(\$178,572)</u>	<u>\$555,606</u>	<u>\$32,648</u>	<u>(\$235,147)</u>	<u>\$376,033</u>

<i>Treasury Account 3610</i>					
Registration Fee Revenue	\$60,711	\$68,020	\$88,977	\$105,421	\$126,836
Training Seminars Expenses	44,037	61,418	90,157	116,796	117,078
Income Before Transfers	\$16,674	\$6,602	(\$1,180)	(\$11,375)	\$9,758
Less Transfers (Out)	--	--	(7,701)	--	--
Budgetary Basis Net Income	<u>\$16,674</u>	<u>\$6,602</u>	<u>(\$8,881)</u>	<u>(\$11,375)</u>	<u>\$9,758</u>

<i>Combined - 3614 / 3610</i>					
Income Before Transfers to General Fund	<u>(\$46,898)</u>	<u>\$562,208</u>	<u>\$451,109</u>	<u>\$353,478</u>	<u>\$385,791</u>
Combined Net Income	<u>(\$161,898)</u>	<u>\$562,208</u>	<u>\$23,767</u>	<u>(\$246,522)</u>	<u>\$385,791</u>

SOURCE: PEER analysis of actual revenues and expenses as presented per SPB legislative budget requests.

SPB's services are within the same category, relate directly to, and are a product of the number of positions only. It does not take into account the actual amount of time spent in servicing various agencies or account for the number of the State Personnel Board transactions performed for individual state agencies. Again, the end result is that state agencies do not pay into SPB their actual proportionate share of personnel services, which is demonstrated by SPB's accumulation of large cash balances. If state agencies paid SPB for the actual costs of personnel services only, the agencies could use the funds to fulfill their operational missions, not provide SPB surplus funds.

Cash Position

PEER's analysis of SPB's cash position since fiscal year 1987 confirms that revenue collections from state agencies are above its costs. See Exhibit 12, page 52, for cash positions based on generally accepted accounting principles. Even after legislatively mandated transfers to the state's general fund, SPB's balances remained unnecessarily high. For example, cash balances increased from \$881,296 at June 30, 1987, to \$1,599,070 at June 30, 1993, even after legislatively mandated transfers.

SPB transferred a total of \$1,142,342 to the general fund in fiscal years 1987, 1991, 1992, and 1993 based on these legislative mandates. During Fiscal Year 1991, \$427,342 in transfers included a 5% budget reduction of \$177,342 ordered by the Executive Director of the Department of Finance and Administration (DFA) due to state revenue shortfalls.

As shown in Exhibit 12, page 52, SPB's revenues exceeded expenses by an average of at least \$300,000 per year in fiscal years 1987 to 1993. If the State Personnel Board had not transferred the \$1,142,342 to the general fund, cash balances would have topped \$2,700,000 (GAAP basis) at June 30, 1993.

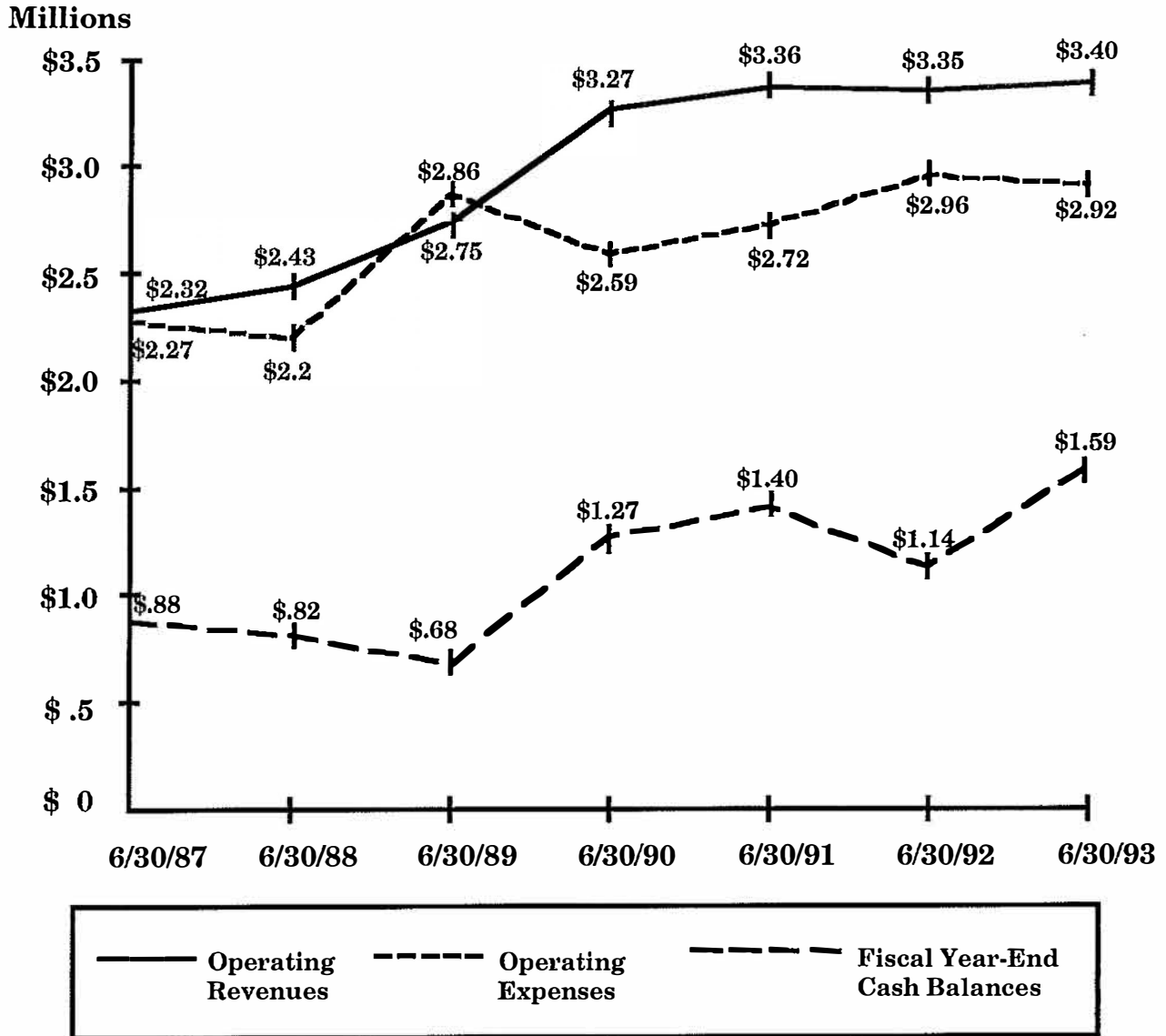
Inequitable Billings

PEER compared information compiled by SPB listing transactions and services provided to state agencies to actual billings. These transactions represent information SPB has been using as "outputs." (See finding at page 17.)

SPB noted that the transaction information that it maintains does not account for all of its activities for state agencies. Therefore, PEER did not attempt to compare SPB's billings with the cost associated with this incomplete transaction data. Nevertheless, analysis of the data shows that the assessment system is inequitable and that all agencies do not pay their fair share of the costs of the personnel system. For example, one of the state's larger employers, the Department of Human Services (DHS), paid

Exhibit 12

State Personnel Board
Revenues, Expenses, and Year-End Cash Balances*
Fiscal Years 1987 Through 1993



NOTES:

* Includes both Treasury Accounts 3610-Training, and 3614-SPB Operations.
Accounting Basis: Accrual / GAAP (Generally Accepted Accounting Principles) excluding depreciation. Not materially different from year-end Budgetary Basis amounts.

GAAP 6/30/93 Cash balance: \$1,599,070 Budgetary 6/30/93 Cash balance: \$1,209,416

SOURCE: PEER's analysis of State of Mississippi CAFRs (Comprehensive Annual Financial Statements) for Fiscal Years Ended June 30, 1987 - June 30, 1993

the State Personnel Board \$425,600 (or 13% of FY 93 total \$3.2 million fees). (See Exhibit 13, page 54, per agency FY 93 collections.) SPB's number of transactions (outputs) performed for Human Services (42,663) totaled 20% of the State Personnel Board's 210,889 transactions for the year.

These percentages are not directly comparable because:

- SPB performs additional services (e.g., telephone consultations) for agencies which are not included in the total transaction figure;
- percentage of services does not take into consideration the time factor related to transaction (some transactions consume more SPB personnel time than other transactions); and,
- SPB has not determined or allocated its indirect costs of operations (overhead and services performed for the state as a whole).

However, the variability of SPB's service outputs in relation to agency billings, and SPB's lack of a reliable method to account for, allocate, and bill for actual time demonstrate the inadequacy of a system of assessment that is based only on agencies' total authorized positions. As in the DHS example above and with other federally funded agencies, a transaction-based billing system could allow the state to receive possibly substantially increased federal fund reimbursements.

Federal Requirements

The federal government does not allow service agencies to bill a profit margin (above and beyond actual costs) to agencies which pay for services out of federal funds. The federal government funds many state agencies, setting mandates for certain services. Along with this funding, the federal government regulates the indirect costs of administration and central services costs supporting the programs. State agencies receiving federal funds must justify expenditures claimed against the federal revenue sources.

The U. S. Office of Management and Budget (OMB) has named the U.S. Department of Health and Human Services (DHHS) as the federal agency responsible for oversight of states' plans for claiming indirect costs. OMB's Circular A-87 states that DHHS, in collaboration with other federal agencies concerned, will be responsible for negotiation, approval, and audit of states' cost allocation plans which will cover central support service costs of the states. Also, Circular A-87, Attachment A, Section G.1., states that the "cost of service provided by other agencies [such as the State Personnel Board] may only include allowable direct costs of the service plus a pro rata share of allowable supporting costs."

Exhibit 13
State Personnel Board Assessment Collections by Agency for Fiscal Year 1993

Agency	Amount Collected	% of Total	Agency	Amount Collected	% of Total
Agricultural Aviation Board	\$200	0.01%	Forestry Commission	\$102,100	3.16%
Arts Commission	\$1,200	0.04%	Funeral Services Board	\$200	0.01%
Attorney General's Office	\$16,800	0.52%	Gaming Commission	\$1,600	0.05%
Banking and Consumer Finance Department	\$3,400	0.11%	Grand Gulf Military Monument Commission	\$500	0.02%
Barber Examiners Board	\$600	0.02%	Judicial Performance Commission	\$90	0.00%
Board of Animal Health	\$7,000	0.22%	Library Commission	\$6,700	0.21%
Board of Architecture	\$200	0.01%	Medicaid Division	\$27,700	0.86%
Board of Professional Engineers and Land Surveyors	\$500	0.02%	Medical Licensure Board	\$1,300	0.04%
Central Data Processing Authority	\$15,100	0.47%	Military Department (National Guard)	\$1,410	0.04%
Cosmetology Board	\$600	0.02%	Motor Vehicle Commission	\$500	0.02%
Dental Examiners Board	\$300	0.01%	Nursing Board	\$1,500	0.05%
Department of Insurance	\$11,800	0.36%	Nursing Home Administrators Board	\$200	0.01%
Department of Agriculture and Commerce	\$34,100	1.05%	Oil and Gas Board	\$4,400	0.14%
Department of Archives and History	\$14,600	0.45%	Pat Harrison Waterway District	\$11,600	0.36%
Department of Audit	\$20,000	0.62%	Pearl River Basin Development District	\$1,600	0.05%
Department of Corrections	\$312,300	9.66%	Pearl River Valley Water Supply District	\$8,700	0.27%
Department of Economic and Community Development	\$36,900	1.14%	Pharmacy Board	\$700	0.02%
Department of Education	\$74,600	2.31%	Public Accountancy Board	\$100	0.00%
Department of Environmental Quality	\$40,100	1.24%	Public Contractors Board	\$700	0.02%
Department of Finance and Administration	\$36,400	1.13%	Public Employees Retirement System	\$8,500	0.26%
Department of Health	\$304,900	9.43%	Public Service Commission	\$14,100	0.44%
Department of Human Services	\$425,600	13.16%	Real Estate Commission and Appraisal Board	\$1,700	0.05%
Department of Mental Health	\$683,550	21.14%	Secretary of State	\$6,600	0.20%
Department of Public Safety	\$113,300	3.50%	Soil and Water Conservation Commission	\$1,600	0.05%
Department of Rehabilitation Services	\$117,100	3.62%	State Treasurer's Office	\$2,700	0.08%
Department of Savings Institutions	\$500	0.02%	Supreme Court	\$2,250	0.07%
Department of Transportation	\$376,900	11.66%	Tax Commission	\$85,200	2.63%
Department of Wildlife, Fisheries, and Parks	\$111,700	3.45%	Tombigbee River Valley Water Management	\$1,900	0.06%
Educational Television Authority	\$14,300	0.44%	Veterans Affairs Board	\$2,800	0.09%
Emergency Management Agency	\$4,300	0.13%	Veterans Memorial Stadium	\$1,200	0.04%
Employment Security Commission	\$139,900	4.33%	Veterans Home Purchase Board	\$1,300	0.04%
Fair Commission	\$5,500	0.17%	Workers' Compensation Commission	\$7,800	0.24%
			Total	\$3,233,500	100.00%

SOURCE: State Personnel Board financial records

DHHS currently audits the State Personnel Board's and other state agencies' charges to federally funded programs. As a part of its monitoring system, DHHS requires DFA to compile reports annually showing excess billings among state agencies. For fiscal year 1993, DFA reported that the State Personnel Board overbilled state agencies in total \$355,023.

DHHS continues to scrutinize SPB's billings to determine the impact on the federal government of agencies reimbursing amounts which exceed costs of SPB's operations. If the State Personnel Board continues its current assessment process and accumulation of cash balances, DHHS may take action against SPB (or the state) to compensate for any overbilling of federal funds that DHHS identifies. Such action could include:

- requiring that SPB make direct payments to appropriate federal agencies for the amounts overbilled;
- requiring SPB to reduce its yearly billings in order to reduce the overcharge balance;
- asking the state to refund overcharges to state agency programs which have been overbilled.

Subsequent to a study of data processing agency billing methods, DHHS in 1992 required Mississippi's Central Data Processing Authority and other state data processing operations to revise their methods of billing in accordance with Circular A-87. DHHS required that CDPA's billing reflect the actual costs of services to agencies and that CDPA not hold cash balances beyond a sixty-day period of cash flow need.

SPB's Reaction to Previous Recommendations for an Improved Billing System

In its 1987 review entitled *A Management and Operational Review of the State Personnel Board*, PEER recommended that the State Personnel Board study its fee assessment system and explore methods of billing based on transaction costs to minimize the fiscal impact on state general funds. However, the State Personnel Board has neither studied the possible billing methods nor developed a time-accounting system to capture personnel time per agency, recording all types of its varied transactions performed.

SPB management may not have seen the need to develop a more cost-oriented billing system because DHHS has not directly mandated changes to its method of billing in the past. However, DHHS in the future most likely will penalize the State Personnel Board and other state personnel agencies which do not have cost-oriented billing systems. The State Personnel Board does not have documentation to justify its method of billing in compliance

with OMB Circular A-87. Unless the State Personnel Board develops a means to bill individual agencies which accurately reflects the direct costs of servicing those agencies, it could be faced with a mandate from the federal government requiring it to bill in a specific manner, and possibly requiring SPB to compensate federal agencies affected by its overbilling of federal funds.

Expenses

The State Personnel Board does not consistently maintain records of the dates of inspection and approval of purchased goods and services as required by MISS. CODE ANN. Section 31-7-305.

PEER tested purchasing procedures of the State Personnel Board by reviewing a random sample of sixty-six transactions for which payment vouchers were issued between July 1, 1992, and December 31, 1993.

State Purchasing Laws

No instances of noncompliance with state purchasing laws and regulations had occurred related to the obtaining of bids, DFA approval, or Central Data Processing Authority (CDPA) approval. However, in four of the sixty-six transactions reviewed, State Personnel Board staff did not prepare purchase orders until after an invoice had been received by a vendor (six percent of tested transactions). Three of the four exceptions related to lease payments on office equipment or service contracts, one of which had received prior approval from the State Personnel Director.

MISS. CODE ANN. Section 7-7-23 states that "purchases of equipment, supplies, materials or services of whatever kind or nature. . . may be made only by written purchase orders." Invoices, which serve as documentation of the purchase, must not predate the purchase order. The law exists to strengthen internal controls by requiring managers and DFA to authorize appropriateness of expenditures and verify availability of funds before the purchase. PEER's sample tests of SPB transactions demonstrate that the State Personnel Board has not consistently processed purchases in accordance with state law.

Documentation of Receipt of Goods and Services

In nineteen transactions (twenty-nine percent of the items sampled), SPB personnel did not obtain signatures on invoices to signify that goods and services had been received as ordered:

- eight outside vendors' invoices without signatures verifying proper receipt and correctness--three for goods, five for services
- eleven instances of unsigned invoices for which non-verification posed less risk to the agency--e.g., invoices for services from state agencies, monthly equipment rental installments, and maintenance contracts pre-approved with the initial purchase orders.

SPB's "unwritten" internal procedures require these signatures on invoices from individuals within the agency responsible for receiving goods and knowledgeable of services to be received. In addition to protecting timely payments to vendors, CODE Section 31-7-305 requires agencies to keep a record of the date of receipt, inspection, and approval of the goods and services. Good internal controls and effective business practices necessitate verification signatures, as discussed in the *MAAPP* (Mississippi Agency Accounting Policy and Procedures) *Manual's* "Internal Control" section. Without control signatures, risks increase that payment for goods and services not received/performed or not in accordance with the purchase order may occur. These breakdowns in internal control could result in waste of state and federal funds.

Conclusion

As it has with other statutory agencies, the Legislature has the option of dismantling the State Personnel Board and redistributing its functions. While this could be done, some functions exist which individual agencies alone could not perform (e.g., maintaining a uniform system, providing a central source of personnel data). No assurance exists that any functions transferred to other agencies would be performed better than they are now and a review of Mississippi's history with respect to personnel administration suggests otherwise.

Before the creation of the State Personnel Board in 1980, Mississippi had an unregulated, highly fragmented, decentralized approach to managing its public employees. With the exception of a few agencies under federal mandate to implement the rudiments of a civil service system (e.g., the Department of Public Welfare, now the Department of Human Services), agency managers in Mississippi and their governing boards had broad discretion to manage the personnel under their supervision. Use of political patronage was widespread in selecting and promoting state employees, and agencies freely created positions then promoted personnel into higher-paying job classes regardless of whether the attendant expenditure of additional state funds had been legislatively authorized. The Legislature had no idea how many employees were in the state service, whether these employees were qualified for their jobs, or what jobs they were performing.

A centralized personnel system is necessary to ensure objectivity and uniformity in personnel administration. Some independent entity, such as the State Personnel Board, is necessary to promote the efficient and effective utilization of the state's personnel resources. A centralized system is best capable of delivering:

- a data base from which personnel cost projections and other analyses can be prepared;
- a system of personnel management which assists the Legislature in determining agency needs for positions and the costs of these positions, as well as determining whether funding for other personnel actions such as promotions is available on an annualized basis in an agency's budget;
- a uniform classification system which ensures that persons performing the same job tasks are classified and compensated similarly; and,
- a merit system which provides valid selection and promotion criteria based on qualifications necessary to the successful performance of the job's critical tasks; discipline only for

cause; and, compensation within ranges appropriate for the work that the class performs.

- a merit selection system for those agencies receiving federal funds. 5 CFR 900.601 et. seq. requires states receiving federal program funds to operate merit selection systems. In an appendix to this provision, citations to specific state statutes appear which impose upon states the requirement of ensuring that personnel are selected on the basis of merit.

For additional functions, such as training, the state can achieve economies of scale through the centralized development and offering of courses of value to classes of state employees which cut across agency lines--e.g., managers, purchasing clerks.

Rather than dissolution of the SPB, the more prudent approach to solving problems in state personnel management would be for the State Personnel Board to correct its current deficiencies. SPB's affirmative response to and implementation of PEER's recommendations in the areas of internal evaluation, recruitment and selection, classification and compensation, contracts, training, and fiscal management would help ensure correction of these problems. SPB should also actively pursue a course of maximizing agency flexibility with respect to the recruitment, selection, and retention of the best persons without sacrificing the merit system objectives of fairness, uniformity, and accountability.

Recommendations

Internal Evaluation

1. By July 1, 1995, the State Personnel Board should develop a system of outcome measures which could be used to evaluate the agency's effectiveness in accomplishing its statutory mission. These outcome measures should be used to assess progress toward specific goals contained within an agency-wide strategic plan which is periodically updated.

SPB should operationalize each concept stated in its statutory mission (see MISS. CODE ANN. Section 25-9-101) and determine what indicators would best demonstrate progress toward accomplishing fulfillment of that portion of its mission. Then SPB should determine what data it should collect to measure its success in that area.

In addition to the SPB outcome measures suggested on pages 17 through 20 of this report, the following is an additional example of outcome measures related to SPB's mission:

"Efficient Use of Employees in the State Service"--Activities which the State Personnel Board undertakes in this regard include approval over statements of job content, new positions, reorganizations, and conducting of position audits. Outcome indicators could include: personal service expenditure changes by year and by type (e.g., as a result of promotions, reclassifications, new hires). SPB could keep a record of the financial impact of its personnel decisions. Collection and analysis of this type of data should lead the State Personnel Board into better ways of ensuring the efficient utilization of personnel resources--i.e., ensuring that employee productivity is maximized, that employees/agencies do not duplicate or otherwise inefficiently perform activities, and that the state identifies and implements the most efficient organization and best utilization of agency positions for every state agency.

Recruitment and Selection

2. The State Personnel Director should direct the board's Testing Branch staff to establish a training schedule which would ensure that all test administrators/monitors are properly trained on SPB test administration guidelines and procedures. The Testing Branch should maintain records which provide evidence of SPB's training of test administrators/monitors.
3. The SPB Testing Branch staff should inspect test sites periodically to ensure that test monitors and applicants comply with SPB testing policies and procedures. Testing Branch staff should conduct at least

one unannounced inspection of each testing site each year to determine whether examinations are being administered in accordance with SPB policies and procedures. SPB staff should maintain a log of all announced and unannounced inspections, including details on findings of the inspections.

4. The State Personnel Director should require the board's Education Branch chief to implement quality controls which ensure the consistent application of selection criteria. Quality controls should include an evaluator training program which would permit evaluators to perform independently only after demonstrating the required level of competence in applying evaluation criteria. Supervisors should monitor evaluators' consistent application of evaluation criteria by periodically performing inter-rater reliability reviews on a sample of applications.
5. The State Personnel Board should direct its staff to develop and implement measures to improve verification of applicants' educational records and work histories. SPB's evaluation procedures should require board staff to verify a purposeful sample of all applicants applying for a position who appear to be qualified that group. If the board chooses to continue delegating verification of applicants' educational records and work histories to hiring agencies, the State Personnel Board should require its staff to post-audit a purposeful sample of applicants employed by hiring agencies and devise procedures which inform agencies of the files they must keep.
6. SPB staff should establish internal timeliness standards for responding to agency requests for certificates of eligibles and for processing applications. These standards should state the maximum number of days that should elapse at various stages in processing (e.g., from receipt of a request to generating the first list of eligibles; from generating that list to mailing the certificate). If certain types of requests or applications require substantially more processing time than others, SPB should establish separate standards for these requests.
7. SPB staff should monitor its timeliness in responding to requests for certificates of eligibles by aging requests and reporting the status of each active request in relation to SPB's standard. For example, in addition to listing which requests are active (SPB's newly developed report), SPB's management information system could report that SPB received request 111 from agency A four days ago and {has two days before exceeding the standard} or {has already exceeded the standard by one day}. SPB should periodically summarize timeliness data by listing the number of requests SPB filled during that month or quarter within one day, two days, etc., of receipt. All of the above

information could be made available by entering a few additional items per request, such as receipt date and mail date.

Similarly, SPB should establish internal standards for evaluating job applications and for performing other processing tasks. SPB should monitor its timeliness in performing these tasks through reports similar to those described above.

Classification and Compensation

8. To obtain a more precise definition of the relevant labor market, the State Personnel Board should promulgate a rule requiring all agencies hiring state service personnel to conduct exit interviews with employees who voluntarily terminate their state service (other than retirees). The primary purpose of such exit interviews would be to determine whether salary was the reason for the employees' departure. The State Personnel Board should require hiring agencies to transmit exit interview information relative to salary levels to SPB staff on a monthly basis.

Exit interview information can be used by SPB staff to refine its concept of relevant labor market for its salary survey process and to validate its benchmarking efforts.

9. The Legislature should consider amending MISS. CODE ANN. § 25-9-107 by deleting the statutory requirement for the State Personnel Director to approve personal services contract requests. State law should provide state agencies with authority to employ personal services contractors in compliance with statutory guidelines. (Such authority could be similar to that currently provided to state agencies relative to the purchase of commodities.) State law should require hiring agencies to report on a monthly basis to the State Personnel Board the names of personal services contractors employed by state agencies and compensation provided. State law should require state agencies to establish a contracting system which contains the following components.

- needs assessment
- requests for proposals
- approval by governing board/authority
- written contract
- contract monitoring
- evaluation of contractor performance

State law should require the State Auditor to audit annually a sample of state agencies' personal services contracts to ensure compliance with statutory requirements and to take exception and seek civil penalties for violators.

(See proposed legislation in Appendix J, page 80.)

Training

10. The State Personnel Board should devise a needs assessment system which identifies specific training needs and courses which would assist hiring agencies in achieving their statutory and program objectives. SPB's needs assessment system could consist of focus groups with agency managers and employees to discuss missions and objectives as well as areas in which training could directly impact the agency's achievement of its objectives.

Fiscal Management

11. The Legislature should consider amending MISS. CODE ANN. § 25-9-141 to require the State Personnel Board to bill hiring agencies based on the agencies' proportionate costs of the board's operations rather than a set fee assessment. (See proposed legislation in Appendix J, page 80.)
12. Regardless of whether the Legislature amends the State Personnel Board's fee assessment authority, SPB staff should immediately develop and implement a revenue billing and accounting system to meet the federal requirements described in this report and provide an equitable system to bill state agencies for actual direct costs and fair shares of indirect costs of the personnel system. Such a system would involve SPB staff:
 - developing and documenting an understanding of the board's separate activities, divisions, and applicable personnel, dividing the categories for direct billing assignments versus an indirect pool of costs to operate (a) SPB internally and (b) the state personnel system;
 - establishing a time-accounting and billing system wherein employees record time to projects or state agency codes reflecting direct time worked on the specific agencies;
 - establishing direct-bill rates for the time-accounting and billing system based on the actual activity costs from the most

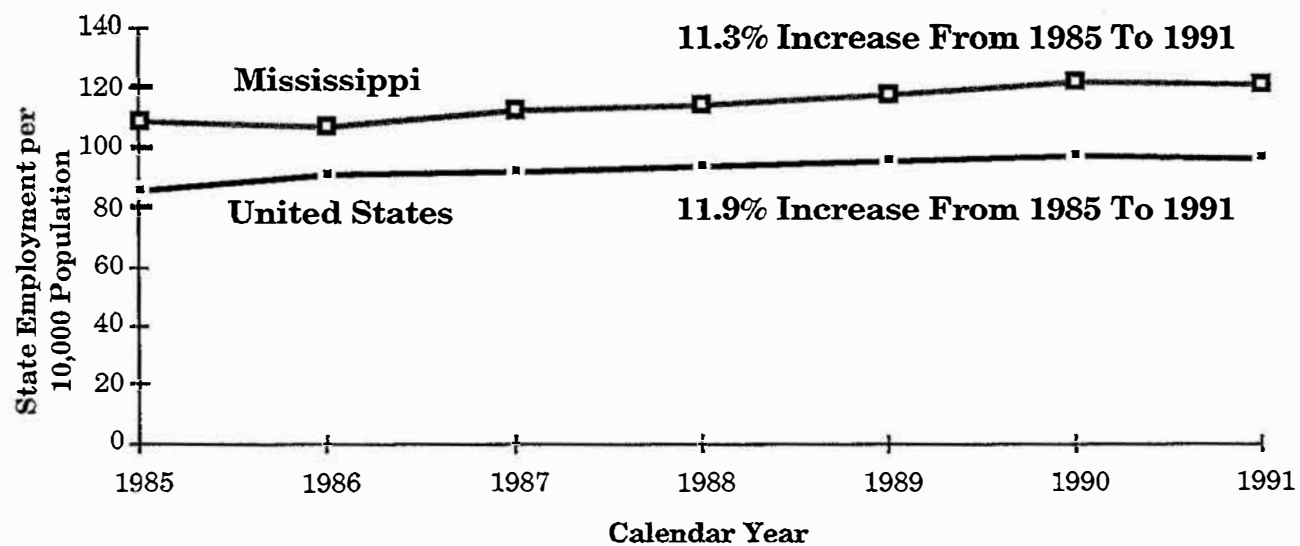
complete recent fiscal year, to include complete personnel costs presented on an hourly basis;

- estimating indirect costs of the state's basic personnel system and functions benefiting all regulated state agencies;
- establishing annual indirect cost pools based on most recent complete fiscal data and allocating the indirect costs to state agencies on a basis reasonable and consistent with the indirect services provided to state agencies; and,
- developing a recurring billing system meeting federal standards (OMB Circular A-87 and other federal regulations/guidelines) to include only allowable costs.

13. As required by DHHS regulations, SPB staff should adjust annual differences (over or under recoveries) between its billings to state agencies and its actual costs (direct and indirect) within the state agencies' billings. SPB must adjust future years' billing rates or directly credit the differences to the state agencies/programs in direct proportion to its actual charges.
14. The State Personnel Director should implement measures to ensure that appropriate agency personnel always sign and date invoices as verification that goods and services have been received as ordered. Also, SPB staff should develop internal written procedures for verification of receipt of goods and services and for any other agency-specific accounting and purchasing procedures and should distribute the procedures to all affected personnel.

Appendix A

Full-time Equivalent State Government Employment* per 10,000 Population, 1985-1991, Mississippi and United States



* Includes employment in all state government functions other than education

SOURCE: Census Data, U. S. Department of Commerce

Appendix B

State Government Employees* per 10,000 Population, 1990

Rank	State	State Government Employees Per 10,000 Population	Rank	State	State Government Employees Per 10,000 Population
1	Alaska	264	26	Nebraska	115
2	Delaware	210	27	West Virginia	113
3	Hawaii	179	28	Alabama	111
4	Wyoming	166	29	Iowa	107
5	New Mexico	152	30	Utah	106
6	Vermont	150	31	Washington	105
7	South Carolina	140	32	New Jersey	104
8	Rhode Island	135	33	Idaho	103
9	Louisiana	130	34	Nevada	101
10	Oklahoma	130	35	Missouri	99
11	Maryland	129	36	North Carolina	99
12	New York	129	37	Tennessee	98
13	Montana	129	38	New Hampshire	96
14	Connecticut	128	39	Florida	93
15	South Dakota	127	40	Michigan	83
16	Mississippi	123	41	Texas	81
17	North Dakota	122	42	Illinois	80
18	Maine	120	43	Pennsylvania	80
19	Virginia	117	44	Arizona	78
20	Kentucky	117	45	Minnesota	74
21	Massachusetts	117	46	Indiana	74
22	Kansas	116	47	Colorado	73
23	Oregon	116	48	California	69
24	Georgia	116	49	Ohio	66
25	Arkansas	115	50	Wisconsin	64

U. S. average = 97 state employees per 10,000 population

* Includes all state government functions other than education.

SOURCE: PEER Analysis of U. S. Census Data.

Appendix C

State General Government and Financial Administration Workers* as a Percent of Total Full-Time Equivalent State Employment, 1991

Rank	State	General Govt. & Financial Workers as % of Total FTE Employment	Rank	State	General Govt. & Financial Workers as % of Total FTE Employment
1	Montana	8.1	26	Delaware	5.1
2	Pennsylvania	7.9	27	Indiana	4.9
3	Oregon	7.8	28	Minnesota	4.9
4	Idaho	7.3	29	Colorado	4.6
5	Massachusetts	7.2	30	New Hampshire	4.4
6	Rhode Island	7.2	31	Missouri	4.3
7	New Jersey	6.9	32	South Carolina	4.3
8	Arizona	6.9	33	Utah	4.2
9	Nevada	6.7	34	Virginia	4.2
10	Connecticut	6.7	35	Oklahoma	4.2
11	Illinois	6.5	36	Texas	4.1
12	Vermont	6.5	37	Ohio	4.1
13	New Mexico	6.5	38	Kansas	4.1
14	Maine	6.4	39	Louisiana	4.1
15	New York	6.2	40	Tennessee	4.1
16	Wisconsin	6.1	41	Alabama	3.7
17	Maryland	6.0	42	Washington	3.7
18	Alaska	5.9	43	Mississippi	3.5
19	Kentucky	5.7	44	North Dakota	3.4
20	West Virginia	5.5	45	Iowa	3.3
21	Wyoming	5.3	46	Nebraska	3.3
22	Arkansas	5.3	47	North Carolina	3.2
23	California	5.3	48	Hawaii	3.1
24	Florida	5.3	49	Georgia	3.0
25	South Dakota	5.2	50	Michigan	2.8

U. S. average = 5.1%

* Workers who generally are not engaged in provision of direct services to the public.

SOURCE: States in Profile, 1993 (Birmingham, Alabama: State Policy Research, Inc., 1993)

Appendix D
Local Government Employees* per 10,000 Population, 1990

Rank	State	Local Government Employees Per 10,000 Population	Rank	State	Local Government Employees Per 10,000 Population
1	New York	267	26	Idaho	145
2	Wyoming	211	27	Louisiana	145
3	Nebraska	199	28	Virginia	144
4	Georgia	197	29	New Mexico	144
5	California	191	30	Oklahoma	142
6	Colorado	187	31	Oregon	140
7	Florida	181	32	Maryland	139
8	Nevada	181	33	Montana	136
9	Alaska	180	34	Missouri	136
10	Tennessee	180	35	South Carolina	131
11	Minnesota	179	36	Michigan	130
12	New Jersey	174	37	Pennsylvania	126
13	Illinois	173	38	Hawaii	120
14	Ohio	171	39	South Dakota	119
15	Alabama	169	40	New Hampshire	119
16	Arizona	165	41	North Dakota	115
17	Wisconsin	165	42	Arkansas	112
18	Washington	165	43	Connecticut	110
19	Kansas	163	44	Utah	104
20	Texas	159	45	Kentucky	104
21	Mississippi	155	46	Maine	104
22	Indiana	154	47	Rhode Island	101
23	Massachusetts	148	48	West Virginia	96
24	North Carolina	148	49	Delaware	78
25	Iowa	145	50	Vermont	72

U. S. average = 166 local employees per 10,000 population

* Includes all local government functions other than education.

SOURCE: PEER Analysis of U. S. Census Data.

Appendix E
State and Local Government Employees* per 10,000 Population, 1990

Rank	State	State & Local Government Employees Per 10,000 Population	Rank	State	State & Local Government Employees Per 10,000 Population
1	Alaska	444	26	Oregon	256
2	New York	396	27	Illinois	253
3	Wyoming	377	28	Minnesota	253
4	Nebraska	314	29	Iowa	252
5	Georgia	313	30	Idaho	249
6	Hawaii	299	31	North Carolina	247
7	New Mexico	295	32	South Dakota	246
8	Delaware	288	33	Arizona	243
9	Nevada	282	34	Texas	240
10	Alabama	280	35	Connecticut	238
11	Kansas	279	36	Ohio	237
12	New Jersey	279	37	North Dakota	237
13	Tennessee	278	38	Rhode Island	236
14	Mississippi	277	39	Missouri	236
15	Louisiana	275	40	Wisconsin	229
16	Florida	275	41	Arkansas	228
17	Oklahoma	272	42	Indiana	228
18	South Carolina	271	43	Maine	224
19	Washington	270	44	Vermont	222
20	Maryland	269	45	Kentucky	221
21	Montana	265	46	New Hampshire	215
22	Massachusetts	265	47	Michigan	213
23	Virginia	261	48	Utah	210
24	Colorado	261	49	West Virginia	209
25	California	260	50	Pennsylvania	206

U. S. average = 263 state and local employees per 10,000 population

* Includes all state and local government functions other than education.

SOURCE: PEER Analysis of U. S. Census Data.

Appendix F

Change in Size of State-Funded Workforce, FY 1985-FY 1993

Area of State Government	FY 1985	FY 1993	8-Year Change	Percent Change
Institutions of Higher Learning	11,006	12,018	1,012	9.2%
¹ Community and Junior Colleges	3,986	4,689	703	17.6%
² Public Schools-Certificated Employees	28,861	31,205	2,344	8.1%
³ Agencies	26,660	31,353	4,693	17.6%
TOTAL	70,513	79,265	8,752	12.4%

- ¹ Full-time equivalents
- ² Teachers and administrators
- ³ State service agencies (full-time only)

SOURCE: Reports produced by the State Superintendent of Education, the State Personnel Board, the Community and Junior College Board, and the Legislative Budget Office.

Appendix G

SPB's Timeliness in Cases Involving Requests for Multiple Lists of Eligibles

The selection stage of the hiring process, Step 4, was exclusively the responsibility of the hiring agency in 50% of the cases PEER reviewed. (All references to steps in the hiring process refer to the steps listed on page 27 of this report.) In these cases, the agency did not request additional lists of eligibles. After SPB provided the first certificate of eligibles, no more interaction with SPB was necessary for the agency to make a selection decision. In the remaining 50% of the cases, subsequent interaction with SPB was necessary because the agency needed additional names and applications to make a selection decision. Agencies generally ask SPB for additional lists of eligibles when they are not satisfied with the qualifications of applicants on the original list, when the specific person they want to hire does not show up on the original list, or when they want additional applicants in the selection pool for some other reason.

When agencies requested one or more additional certificates of eligibles, the hiring phase of the process took about nine days longer than when agencies requested only one list. The time used in requesting these certificates and waiting for SPB to send additional certificates was part of the 62.8-day average selection time (Step 4) reported above. This additional nine-day period included the time SPB took to generate and deliver additional lists of eligibles, as well as the time agencies spent interviewing candidates appearing on subsequent lists of eligibles.

SPB's Timeliness in Cases Involving Special Qualifications

A need for additional lists of eligibles is one condition that typically lengthened the duration of the agency hiring process. As noted above, this condition involved both SPB and the hiring agencies. A condition that added to the time for which SPB alone was responsible was the agency's specification of certain additional qualifications in its request for a certificate of eligibles. The proportion of processing time attributable to SPB was higher for the eight cases involving special qualifications (about 4% of the 225-case sample) than for those in which the agencies did not specify special qualifications.

Special qualifications are additional selection criteria beyond the minimum qualifications required for the job class of the position to be filled. Examples of special qualifications include experience with certain types of computer software, such as spreadsheet software, or a teaching certificate in a particular subject area. On average, SPB spent an additional nine days on its portion of the hiring process in cases in which agencies requested that candidates have special qualifications (fifteen days to respond to requests involving special qualifications compared to six days to respond to requests that did not involve special qualifications).

To explain SPB's processing delays attributable to special qualifications, SPB personnel said designation of special qualifications requires additional work on SPB's part. That work consists of a special evaluation of applications to determine which of the applicants appearing on a preliminary list of job applicants with minimum qualifications for a particular job class also possess the special qualification requested by the agency. As a result of the additional time commitment associated with the special qualifications review, SPB was responsible on average for 22% of the total time spent in the hiring process (fifteen

of seventy days) in the eight cases in PEER's sample that involved special qualifications. In cases with no special qualification designation, SPB was responsible on average for 8% of the total time spent in the hiring process (six of seventy-two days).

Extent of SPB's Involvement in Step 4 of the Hiring Process

SPB's lack of detailed timeliness data on its own tasks and those of the hiring agency in Step 4 precluded a precise analysis of time attributable to SPB within the Step 4 phase of the hiring process. Using the information available, however, PEER concluded that SPB's involvement in Step 4 was minor. If precise information were available, this information would not substantially alter PEER's conclusion that SPB's involvement in the hiring process accounted for a relatively small proportion of the hiring process.

As mentioned in the report (Exhibit 6, page 29), the selection stage of the hiring process, Step 4, was exclusively the responsibility of the hiring agency in the cases in which the agency required only one list of eligibles in making a selection decision. The agencies asked for only one list in about half the cases in PEER's sample. On average, requesting additional lists added about nine days to the selection period (Step 4). Only a portion of this nine-day addition could be attributable to SPB because that additional time also included the time the agency took to contact and interview candidates on the subsequent lists of eligibles. PEER concluded that SPB's share of the average sixty-three-day selection period could not have exceeded 7% (four of the average sixty-three days) [(the entire nine-day additional selection time divided by the sixty-seven-day selection time for multiple lists of eligibles), averaged with a 0% SPB share for other half of the cases = $(14\% + 0\%)/2 = 7\%$].

If SPB's maximum average share of the entire seventy-two-day process included this four-day period in Step 4, as well as Steps 2 and 3, SPB's share would have accounted for 14% of the combined SPB and agency hiring period, instead of the 9% average that includes only Steps 2 and 3. This proportion (14% of the seventy-two-day period) is the maximum possible SPB involvement in the average case.

SPB's actual involvement in Step 4 of the hiring process probably averaged less than four days. Because SPB most likely was responsible for only a portion (e.g., one-half) of the additional nine-day period associated with more than one request for certificates of eligibles, instead of the entire nine-day period used in calculating SPB's maximum possible involvement in the average case, it is more likely that SPB's total involvement (Step 2, Step 3, and a portion of Step 4) amounted to approximately eight days (11% of the entire hiring period) [$1/2$ of $9/67$ averaged with 0% for the cases that did not involve additional lists of eligibles and added to the six-day total for Steps 2 and 3].

Appendix H

The Variable Compensation Plan's History

The Variable Compensation Plan represented a major change in the way Mississippi planned and implemented compensation packages for its state employees. Prior to the plan's implementation in FY 1982, Mississippi had allocated pay increases to its state employees by percentages. The state utilized a pay grade system with salary ranges assigned to each grade as a percentage of that grade's current salary. Each grade contained a certain number of pay steps. A salary increase was not supposed to take any employee above the highest step in his/her pay grade.

During the late 1970's state government, like the remainder of the public sector and the private sector, experienced high inflation. Agency budget requests contained pay increases, as well as requests for more employment positions. Because of these increased demands on state revenues, the State Personnel Board, created in 1980, was asked to study compensation of employees and determine if a better way to accomplish compensation could be developed.

In general, conclusions reached by the State Personnel Board were that Mississippi was not competitive with surrounding states and the private sector in compensating state employees in certain areas. The state also lacked the capacity to reflect job worth in its method of compensating employees, as pay raises were given across the board without regard to the market value of a job. Related to these problems were that agency employers had no means of paying employees more than the authorized starting salary for a job and could not pay employees for high productivity.

In response to these problems, the State Personnel Board proposed the development and implementation of the Variable Compensation Plan. This plan, if properly implemented, would eliminate the problems noted above.

The plan's key components were:

Realignment: Realignment is a component of compensation which insures that the pay ranges for jobs compensate incumbents what they are worth in the relevant labor market.

When the State Personnel Board makes a realignment recommendation to the Legislature, it is based on what that agency thinks is the amount of funding needed to make compensation for each position class equivalent to that paid similar positions in the relevant labor market. For realignment to work properly for state government and its employees, the following must happen:

- The State Personnel Board's methods for surveying the relevant labor market must be reasonable and completely defensible against any controversies line agencies and others might generate regarding the realignment recommendations.
- The Legislature must accept that when it appropriates less than the amount needed to fund realignment in a year, it has not achieved the purposes of the Variable Compensation Plan.

Productivity: Productivity or merit provisions pay employees for their high productivity. Productivity is measured by job performance. Since the implementation of the Variable Compensation Plan in FY 1982, the State Personnel Board and line agencies have developed the Employee Performance Appraisal System, which is a task-based instrument which measures an employee's performance of tasks which he or she must be able to perform to be competent to do the job. The performance appraisal system is used to allocate productivity pay when such is made available through appropriations. In order for an agency to give such pay, it must implement pay raises in accordance with State Personnel Board Variable Compensation Plan rules regarding the use of performance appraisals and the implementation of productivity raises. The Legislature has not appropriated productivity funds since FY 1986.

Other Areas: To implement these forms of compensation, the State Personnel Board abandoned traditional step and grade systems of compensation which would hinder the implementation of any system of compensation which would pay for jobs what the market or individual performers performance makes them worth. Cost-of-living raises are still available through the Variable Compensation Plan, when the Legislature provides for them through the appropriations process, but cost-of-living and other percentage-based raises are no longer the only raises state employees may receive through the appropriations process. Other forms of compensation such as longevity or educational benchmarks may be provided when appropriations language so authorizes.

Related Matters

The following matters affect the way the Legislature appropriates and the way agencies implement the Variable Compensation Plan affects the way agencies compensate newly hired or promoted employees. The first matter relates to the State Personnel Board's survey for realignment. The second relates to the rules governing compensation of promoted or specially recruited personnel.

The Survey Process

In order to devise a recommendation for realignment, the State Personnel Board must review salaries paid to comparable positions in the relevant labor market. The State Personnel Board has over the last five years devised a system of surveying 300 job classes. It benchmarks other classes to these surveyed classes. The State Personnel board sends its surveys to regular recipients of the survey, which include the surrounding states and major private and public employers in Mississippi.

As depicted by the chart, the State Personnel Board does share its analysis of survey results with agencies for comment and review. At that time the agencies may make suggestions as to modifications. Usually in December of each year, the State Personnel Board devises its final realignment recommendations to the Legislature. These inform legislators how much each position class should be realigned to make it competitive with other employers of similarly classified persons.

Compensation Formulas

Related to these concepts are the recruitment, hiring, and promotional formulas the State Personnel Board uses to determine employee compensation in certain cases. As noted earlier, the methods of compensation which pre-dated the Variable Compensation

Plan did not allow for paying employees more than the start step salary. In some cases, because of education or experience in excess of what the job requires, an employer may want to offer a new employee more than starting salary so that he may successfully recruit the employee. Except when appropriations language denies such, State Personnel Board rules allow for paying a new employee up to 10% above the start step salary (new hire flexibility). There have been a few problems with new hire flexibility, specifically in the lack of oversight the State Personnel Board has exercised over agency use of this compensation method. The State Personnel Board has recently made efforts to remedy these problems. Under new rules, the requesting agency must obtain permission to apply new hire flexibility to a job classification. It must also inform the State Personnel Board of how it will extend additional increments of compensation to new employees on the basis of additional education and directly relevant job experience.

Related to new hire flexibility is recruitment flexibility. In some cases, employers cannot hire persons in at the starting salary. This can happen where a few large private competitors pay more than the competing state employer. In some cases this will happen even when realignment has been properly administered, as there are always some employers which pay more than others in the relevant labor market. When recruitment difficulties arise, an employer can try to get recruitment flexibility. This allows paying a salary within the authorized pay range that is higher than any which could be paid under new hire flexibility. This must be approved by the State Personnel Board. Under new provisions for recruitment flexibility, agencies must be able to show that they cannot have recruitment difficulties for a particular job classification, which can be attributed to a minimum qualification and/or insufficient supply or availability of applicants complicated by a salary range which is not competitive with the relevant labor market.

Promotional formulas also relate to the Variable Compensation Plan. These formulas, appearing in State Personnel Board Rule 5.16, provide the acceptable method for setting a salary of a promoted employee when the position into which the employee is being promoted has been realigned. Rule 5.16 provides that a promoted employee may not receive a salary in excess of the end step for the job class into which he is promoted. The agency may choose the highest step produced by any of the three following methods when determining a salary for a promoted employee.

Method one would provide that when an employee is at a salary below his new position's old start , and the new position's new start step is above both, the start step for the newly promoted employee is the appropriate start step salary.

Method two would allow an employee whose current step is above the new position's old start step to have a salary equal to the new start step salary plus a number of steps equal to the number of steps the employee had in excess of the old start step salary.

When an employee's current salary is in excess of the old and new start step for the position in to which he is to be promoted, the State Personnel Board allows the agency to pay the promoted employee a salary equal to the employee's current step plus the number of steps equal to the difference between the new position's old and new start step. An agency may use any of the above formulas to determine the promoted employee's salary. The purpose for these formulas is to insure that an employee is not penalized in salary for not taking a promotion.

These formulas are under review by the State Personnel Board for possible revision in the coming fiscal year.

Summary

The Variable Compensation Plan was designed for the principal purpose of providing compensation to employees based on job worth and merit. It can accommodate such components as cost-of-living and longevity. Three critical factors will affect the implementation of the Variable Compensation Plan. These are:

- accuracy of the realignment survey;
- use and acceptance of a valid performance appraisal system for productivity pay; and,
- legislative appropriations authorizing the use of these methods of compensation.

The lack of any of the above makes the Variable Compensation Plan less likely to accomplish the goals of compensating persons on job worth and merit than the developers of the plan had hoped.

Appendix I
State Personnel Board - Fund 3614
Program Budgetary Basis Operating Expenses
Fiscal Years 1989 Through 1993

Classification/Compensation*	FY1989	FY1990	Increase (Decrease) from Prior Year		FY1991
			Amount	%	
Classification/Compensation*					
Salaries and Fringe Benefits	\$834,792	\$978,278	\$143,486	17.19%	\$762,628
Travel	10,593	12,319	\$1,726	16.29%	5,969
Contractual Services	391,057	351,747	(\$39,310)	(10.05%)	298,005
Commodities	23,843	36,716	\$12,873	53.99%	24,659
Capital Outlay-Equipment	16,237	32,609	\$16,372	100.83%	44,039
Totals	\$1,276,522	\$1,411,669	\$135,147	10.59%	\$1,135,300
Recruitment/Selection					
Salaries and Fringe Benefits	\$661,764	\$533,606	(\$128,158)	(19.37%)	\$799,994
Travel	7,564	6,720	(\$844)	(11.16%)	5,450
Contractual Services	343,040	191,862	(\$151,178)	(44.07%)	226,524
Commodities	20,928	20,028	(\$900)	(4.30%)	22,298
Capital Outlay-Equipment	11,680	17,787	\$6,107	52.29%	31,317
Totals	\$1,044,976	\$770,003	(\$274,973)	(26.31%)	\$1,085,583
Employee Appeals Board					
Salaries and Fringe Benefits	\$117,350	\$106,721	(\$10,629)	(9.06%)	\$138,691
Travel	3,889	1,344	(\$2,545)	(65.44%)	4,715
Contractual Services	38,621	38,372	(\$249)	(0.64%)	51,597
Commodities	2,254	4,005	\$1,751	77.68%	3,250
Capital Outlay-Equipment	2,085	3,557	\$1,472	70.60%	5,872
Totals	\$164,199	\$153,999	(\$10,200)	(6.21%)	\$204,125
Training - EPAS**					
Salaries and Fringe Benefits	\$242,316	\$160,082	(\$82,234)	(33.94%)	\$204,065
Travel	3,809	2,016	(\$1,793)	(47.07%)	3,813
Contractual Services	92,320	57,559	(\$34,761)	(37.65%)	114,310
Commodities	11,129	6,008	(\$5,121)	(46.01%)	9,870
Capital Outlay-Equipment	9,998	5,336	(\$4,662)	(46.63%)	16,637
Totals	\$359,572	\$231,001	(\$128,571)	(35.76%)	\$348,695
Sum Of All Programs					
Salaries and Fringe Benefits	\$1,856,222	\$1,778,687	(\$77,535)	(4.18%)	\$1,905,378
Travel	25,855	22,399	(\$3,456)	(13.37%)	19,947
Contractual Services	865,038	639,540	(\$225,498)	(26.07%)	690,436
Commodities	58,154	66,757	\$8,603	14.79%	60,077
Capital Outlay-Equipment	40,000	59,289	\$19,289	48.22%	97,865
Totals	\$2,845,269	\$2,566,672	(\$278,597)	(9.79%)	\$2,773,703

Notes:

* Personnel Management Division combined with
Classification and Compensation Division for 1989 expenses.

** Training was entitled Human Resources Development during 1989.

**SOURCE: PEER's compilation of actual expenses per State Personnel Board's
Fund 3614 legislative budget requests.**

Increase (Decrease) from Prior Year				Increase (Decrease) from Prior Year				Increase (Decrease) from Prior Year	
Amount	%	FY1992	Amount	%	FY1993	Amount	%	Amount	%
(\$215,650)	(22.04%)	\$727,948	(\$34,680)	(4.55%)	\$641,262	(\$86,686)	(11.91%)		
(\$6,350)	(51.55%)	3,770	(\$2,199)	(36.84%)	4,200	\$430	11.41%		
(\$53,742)	(15.28%)	260,600	(\$37,405)	(12.55%)	369,963	\$109,363	41.97%		
(\$12,057)	(32.84%)	19,788	(\$4,871)	(19.75%)	20,921	\$1,133	5.73%		
\$11,430	35.05%	51,145	\$7,106	16.14%	22,763	(\$28,382)	(55.49%)		
(\$276,369)	(19.58%)	\$1,063,251	(\$72,049)	(6.35%)	\$1,059,109	(\$4,142)	(0.39%)		
\$266,388	49.92%	\$906,404	\$106,410	13.30%	\$831,311	(\$75,093)	(8.28%)		
(\$1,270)	(18.90%)	4,701	(\$749)	(13.74%)	2,966	(\$1,735)	(36.91%)		
\$34,662	18.07%	257,778	\$31,254	13.80%	289,480	\$31,702	12.30%		
\$2,270	11.33%	30,191	\$7,893	35.40%	28,221	(\$1,970)	(6.53%)		
\$13,530	76.07%	47,309	\$15,992	51.06%	16,604	(\$30,705)	(64.90%)		
\$315,580	40.98%	\$1,246,383	\$160,800	14.81%	\$1,168,582	(\$77,801)	(6.24%)		
\$31,970	29.96%	\$129,743	(\$8,948)	(6.45%)	\$145,479	\$15,736	12.13%		
\$3,371	250.82%	2,591	(\$2,124)	(45.05%)	3,440	\$849	32.77%		
\$13,225	34.47%	45,757	(\$5,840)	(11.32%)	56,448	\$10,691	23.36%		
(\$755)	(18.85%)	2,464	(\$786)	(24.18%)	2,713	\$249	10.11%		
\$2,315	65.08%	7,672	\$1,800	30.65%	501	(\$7,171)	(93.47%)		
\$50,126	32.55%	\$188,227	(\$15,898)	(7.79%)	\$208,581	\$20,354	10.81%		
\$43,983	27.48%	\$280,409	\$76,344	37.41%	\$246,453	(\$33,956)	(12.11%)		
\$1,797	89.14%	4,975	\$1,162	30.47%	1,651	(\$3,324)	(66.81%)		
\$56,751	98.60%	110,329	(\$3,981)	(3.48%)	141,328	\$30,999	28.10%		
\$3,862	64.28%	7,084	(\$2,786)	(28.23%)	8,511	\$1,427	20.14%		
\$11,301	211.79%	21,736	\$5,099	30.65%	1,463	(\$20,273)	(93.27%)		
\$117,694	50.95%	\$424,533	\$75,838	21.75%	\$399,406	(\$25,127)	(5.92%)		
\$126,691	7.12%	\$2,044,504	\$139,126	7.30%	\$1,864,505	(\$179,999)	(8.80%)		
(\$2,452)	(10.95%)	16,037	(\$3,910)	(19.60%)	12,257	(\$3,780)	(23.57%)		
\$50,896	7.96%	674,464	(\$15,972)	(2.31%)	857,219	\$182,755	27.10%		
(\$6,680)	(10.01%)	59,527	(\$550)	(0.92%)	60,366	\$839	1.41%		
\$38,576	65.06%	127,862	\$29,997	30.65%	41,331	(\$86,531)	(67.68%)		
\$207,031	8.07%	\$2,922,394	\$148,691	5.36%	\$2,835,678	(\$86,716)	(2.97%)		

Appendix J

Proposed Legislation to Change Personal Services Contracts Procedures and State Personnel Board Funding

Mississippi Legislature

Regular Session 1995

BY:

BILL

AN ACT TO AMEND SECTION 25-9-107, MISSISSIPPI CODE OF 1972, TO REQUIRE THAT CERTAIN PERSONAL SERVICES CONTRACTS BE REGISTERED WITH THE STATE PERSONNEL BOARD; TO AMEND SECTION 25-9-115, MISSISSIPPI CODE OF 1972, TO REQUIRE THAT THE STATE PERSONNEL BOARD DEVELOP AND IMPLEMENT A SYSTEM OF BILLING USER AGENCIES BASED ON THE COST OF PROVIDING SUCH AGENCIES WITH SERVICES; TO DEVISE A PROCEDURE WHICH STATE AGENCIES MUST FOLLOW TO ENTER INTO PERSONAL SERVICES CONTRACTS; TO PROVIDE THAT THE DEPARTMENT OF FINANCE AND ADMINISTRATION, THE ATTORNEY GENERAL, AND THE STATE AUDITOR SHALL DEVISE RULES AND REGULATIONS NECESSARY TO IMPLEMENT THE PURPOSES OF PROVISIONS RELATING TO PERSONAL SERVICES CONTRACTING; TO PROVIDE FOR AUDITING OF STATE AGENCIES' COMPLIANCE WITH LAWS ON PERSONAL SERVICES CONTRACTING; TO REPEAL SECTION 25-9-141, MISSISSIPPI CODE OF 1972, WHICH PROVIDES FOR POSITION ASSESSMENT FEES; AND FOR RELATED PURPOSES.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MISSISSIPPI:

Section 1. Section 25-9-107, Mississippi Code of 1972, is amended as follows;

§ 25-9-107. Definitions.

The following terms, when used in this chapter, unless a different meaning is plainly required by the context, shall have the following meanings:

(a) "Board" shall mean the State Personnel Board created under the provisions of this chapter.

(b) "State service" shall mean all employees of state departments, agencies and institutions as defined herein, except those officers and employees excluded by this chapter.

(c) "Nonstate service" shall mean the following officers and employees excluded from the state service by this chapter. The following are excluded from the state service:

(i) Members of the State Legislature, their staffs and other employees of the legislative branch;

(ii) The Governor and staff members of the immediate office of the Governor;

(iii) Justices and judges of the judicial branch or members of appeals boards on a per diem basis;

(iv) The Lieutenant Governor, staff members of the immediate office of the Lieutenant Governor and officers and employees directly appointed by the Lieutenant Governor;

(v) Officers and officials elected by popular vote and persons appointed to fill vacancies in elective offices;

(vi) Members of boards and commissioners appointed by the Governor, Lieutenant Governor or the State Legislature;

(vii) All academic officials, members of the teaching staffs and employees of the state institutions of higher learning, the State Board for Community and Junior Colleges, and community and junior colleges;

(viii) Officers and enlisted members of the National Guard of the state;

(ix) Prisoners, inmates, student or patient help working in or about institutions;

(x) Contract personnel; provided, that any agency which employs state service employees may enter into contracts for personal and professional services only after registering with the State Personnel Director.

(xi) Part-time employees; provided, however, part-time employees shall only be hired into authorized employment positions classified by the board, shall meet minimum qualifications as set by the board, and shall be paid in accordance with the variable compensation plan as certified by the board;

(xii) Persons appointed on an emergency basis for the duration of the emergency; the effective date of the emergency appointments shall not be earlier than the date approved by the State Personnel Director, and shall be limited to thirty (30) working days. Emergency appointments may be extended to sixty (60) working days by the State Personnel Board;

(xiii) Physicians, dentists, veterinarians, nurse practitioners and attorneys, while serving in their professional capacities in authorized employment positions who are required by statute to be licensed, registered or otherwise certified as such, provided that the State Personnel Director shall verify that the statutory qualifications are met prior to issuance of a payroll warrant by the auditor;

(xiv) Personnel who are employed and paid from funds received from a federal grant program which has been approved by the Legislature or the Department of Finance and Administration whose length of employment has been determined to be time-limited in nature. This paragraph shall apply to personnel employed under the provisions of the

Comprehensive Employment and Training Act of 1973, as amended, and other special federal grant programs which are not a part of regular federally funded programs wherein appropriations and employment positions are appropriated by the Legislature. Such employees shall be paid in accordance with the variable compensation plan and shall meet all qualifications required by federal statutes or by the Mississippi Classification Plan;

(xv) The administrative head who is in charge of any state department, agency, institution, board or commission, wherein the statute specifically

authorizes the Governor, board, commission or other authority to appoint said administrative head; provided, however, that the salary of such administrative head shall be determined by the state personnel board in accordance with the variable compensation plan unless otherwise fixed by statute;

(xvi) The State Personnel Board shall exclude top level positions if the incumbents determine and publicly advocate substantive program policy and report directly to the agency head, or the incumbents are required to maintain a direct confidential working relationship with a key excluded official. Provided further, a written job classification shall be approved by the board for each such position, and positions so excluded shall be paid in conformity with the variable compensation plan; and

(xvii) Employees whose employment is solely in connection with an agency's contract to produce, store or transport goods, and whose compensation is derived therefrom.

(d) "Agency" means any state board, commission, committee, council, department or unit thereof created by the Constitution or statutes if such board, commission, committee, council, department, unit or the head thereof, is authorized to appoint subordinate staff by the Constitution or statute, except a legislative or judicial board, commission, committee, council, department or unit thereof.

SOURCES: Laws, 1994, ch. 377, § 1, eff from and after July 1, 1994.

Section 2. Section 25-9-115, Mississippi Code of 1972, is amended as follows;

§ 25-9-115. Specific duties and functions of board.

It shall be the specific duty and function of the State Personnel Board to:

(a) Represent the public interest in the improvement of personnel administration in the state departments, agencies and institutions covered by the State Personnel System;

(b) Determine appropriate goals and objectives for the State Personnel System and prescribe policies for their accomplishment, with the assistance of the Mississippi Personnel Advisory Council;

(c) Adopt and amend policies, rules and regulations establishing and maintaining the State Personnel System. Such rules and regulations shall not be applicable to the emergency hiring of employees by the Public Employees' Retirement System pursuant to Section 25-11-15(7). The rules and regulations of the Mississippi Classification Commission and the Mississippi Coordinated Merit System Council serving federal grant-aided agencies in effect on February 1, 1981, shall remain in effect until amended, changed, modified or repealed by the board;

(d) Ensure uniformity in all functions of personnel administration in those agencies required to comply with the provisions of this chapter;

(e) Appoint an employee appeals board, consisting of three (3) hearing officers, for the purpose of holding hearings, compiling evidence and rendering decisions on employee dismissals and other personnel matters as provided for in Sections 25-9-127 through 25-9-131;

(f) Assure uniformity in the administration of state and federal laws relating to merit administration;

(g) Establish an annual budget covering all the costs of board operations;

(h) With the assistance of the Mississippi Personnel Advisory Council, promote public understanding of the purposes, policies and practices of the State Personnel System and advise and assist the state departments, agencies and institutions in fostering sound principles of personnel management and securing the interest of institutions of learning and of civic, professional and other organizations in the improvement of personnel standards under the State Personnel System;

(i) Recommend policies and procedures for the establishment and abolishment of employment positions within state government and develop a system for the efficient use of personnel resources;

(j) Cooperate with state institutions of higher learning in implementing a career management program in state agencies for graduate students in public administration in order to provide state government with a steady flow of professional public managerial talent;

(k) Prescribe rules which shall provide that an employee in state service is not obliged, by reason of his employment, to contribute to a political fund or to render political service, and that he may not be removed or otherwise prejudiced for refusal to do so;

(l) Prescribe rules which shall provide that an employee in state service shall not use his official authority or influence to coerce the political action of a person or body;

(m) Annually report to the Governor and Legislature on the operation of the State Personnel System and the status of personnel administration in state government;

(n) Require submission and approve organization and staffing plans of departments and agencies in state and nonstate service on such forms and according to such regulations as the board may prescribe to control and limit the growth of subordinate executive and administrative units and positions and to provide for agency staff reorganization without prior board approval when authority to reorganize has been delegated to an agency as provided in paragraph (p);

(o) In coordination with appointing authorities, set the annual salaries of those appointed officials whose salaries are not otherwise set by statute who work on a full-time basis in the capacity of agency head, executive director or administrator of any state department, agency, institution, board or commission under the jurisdiction of the State Personnel Board as provided in Section 25-9-101 et seq., in conformity with the State Personnel Board's compensation plan;

(p) Authorize the director to enter into formal agreements with department executive directors and agency directors in which employment positions within their agencies may be reallocated and organization charts amended without prior State Personnel Board approval; provided, however, that such agreements shall be revocable by the State Personnel Board and continuation shall be contingent upon the reallocations and reorganizations being conducted in accordance with rules and regulations promulgated by the State Personnel Board. In the event the State Personnel Board has delegated reallocation authority to an agency, this delegation does not remove the requirement that agencies submit personal services budget requests each fiscal year for the purpose of preparing personal services continuation budget projections. Such budget requests shall be prepared in accordance with the policies, rules and regulations promulgated by the Department of Finance and Administration, the Legislative Budget Office

and the State Personnel Board. Prior to making any reallocation or reorganization effective, each appointing authority who has entered into an agreement as provided in this paragraph (p) shall certify to the State Personnel Board that the total annualized cost of any reallocation or reorganization, shall be equal to or less than the cost savings generated through downward reallocation or position abolishment of vacant positions.

The personnel board shall maintain a record of every personnel transaction executed under authority delegated pursuant to this paragraph (p) and shall annually report the total cost of these transactions, by agency, to the Legislative Budget Office and the Department of Finance and Administration.

The State Personnel Board shall prescribe rules requiring the State Personnel Director to perform a compliance audit and evaluation of personnel transactions executed under authority delegated pursuant to this paragraph (p) and to publish a report of the audit listing exceptions taken by the State Personnel Director not later than the first of October each year. In the event the State Personnel Board determines that an agency has misclassified an employee or position as a result of this delegated authority, the State Personnel Board shall be authorized to correct such misclassification regardless of the state service status of the employee holding such position. Authority to correct such misclassifications of filled positions shall be limited to one (1) year from the date which the State Personnel Board receives written notice of the reallocation;

(q) Require that if an employment position has been determined to be in need of reallocation from one occupational class to another, the employee occupying the position shall meet the minimum qualifications for the occupational class to which the position is being reallocated in order for the position to be eligible for the reallocation. However, when a reallocation is based upon an agency reorganization due to documented funds constraints, documented change in agency function, or legislative mandate, a position may be reallocated with prior approval of the State Personnel Board;

(r) Implement a reduction-in-force policy which shall apply uniformly to all state agencies and which shall require that the appointing authority develop an equitable and systematic plan for implementation of an agency-wide reduction-in-force. If a proposed reduction-in-force is the result of a curtailment of funds, the State Personnel Board shall review the proposed reduction-in-force plan only upon written certification of a funds shortage from the Department of Finance and Administration. Further, the State Personnel Board shall ensure that any reduction-in-force plan complies with all applicable policies, rules and regulations of the State Personnel Board;

(s) Implement a furlough (involuntary leave without pay) policy which shall apply uniformly to all executive and subordinate employees within an agency, regardless of job class. The State Personnel Board shall review furlough plans only upon written certification of a funds shortage from the Department of Finance and Administration. The State Personnel Board shall ensure that any furlough plan complies with all applicable policies, rules and regulations of the State Personnel Board;

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SOURCES: Laws, 1992, ch. 455, § 1; 1993, ch. 617, § 10, eff from and after passage (approved April 19, 1993) and shall stand repealed from and after June 30, 1997

Section 3. (1) For purposes of Sections 3 through 5 of this act the term "agency" shall mean any state board, commission, committee, council, department, or unit thereof created by the Constitution or statutes if such board, commission, committee, council, department, unit, or the head thereof is authorized to appoint subordinate staff by the Constitution or statute, except a legislative or judicial board, commission, committee, council, department, or unit thereof.

(2) The term "audit" shall mean an annual review of compliance with state law, generally accepted accounting principles, and any rules promulgated under the authority of sections 3 through 5 of this act.

(3) The term "personal services contracts" shall include all contracts which must be registered with the State Personnel Board under the authority of Section 1 of this act.

(4) The term "ethical exemption" shall mean an exemption from certain requirements provided for under sections 3 through 5 of this act when a professional regulatory body organized under the laws of the state of Mississippi can show cause to the State Fiscal Officer, the Attorney General, and the State Auditor that it would be a violation of the professional ethics of such entity's members to bid, solicit, or otherwise present competitive proposals to an agency as required by Sections 3 through 5 of this act.

(5) The term “needs assessment” shall mean a determination by the agency as to how and why a contract for a particular service is necessary to the achievement of the agency’s goals and objectives.

(6) The term “requests for proposals” shall mean an agency document used for soliciting parties who might be interested in providing services. Requests for proposals should inform possible providers of what service is being solicited and what standards the agency will use to evaluate competitive responses.

(7) The term “review committee” shall mean members of an agency’s staff who review the responses of interested parties and evaluate them by the standards published in the request for proposals. Such committee should make a recommendation to the governing board or executive director when the agency has no governing board as to which proposal is best and the committee’s basis for making the recommendation.

(8) The term “contract monitoring” shall mean agency confirmation of delivery and compliance with any schedules, terms, or milestones relevant to making payments.

(9) The term “post-evaluation review” shall mean a procedure whereby the person within the agency who requested the contract shall prepare a report telling the agency’s governing board and/or executive director how the contract end product was utilized and how helpful the end product was in meeting the agency’s expectations. Further, an independent department within the agency should test the effectiveness of the contract by comparing the consultant’s proposal with the end product.

Section 4. (1) All agencies entering into personal services contracts within the meaning of the term as provided for in this act shall comply with the following procedures prior to executing any contract with any person, firm, partnership, or other entity.

(2) Any agency may enter into a personal services contract which has a total contract price of less than one thousand dollars (\$1,000.00) without complying with the requirements sections 3 through 5 of this act.

(3) All agencies which enter into contracts which have a contract price of one thousand dollars (\$1,000.00) or more must comply with the following procedure.

(a) All agencies shall conduct a needs assessment which shall evaluate and document the agency’s need for a contract. This needs assessment shall be in writing, retained by the agency for three (3) years after its completion, shall identify the person or persons who were responsible for its preparation, and shall consist of the following components:

- (i) Details on the service to be provided,
- (ii) Benefits to the agency,
- (iii) Reason why the agency cannot perform the function itself,
- (iv) Detriments the agency will suffer if the service is not procured,
- (v) Urgency of the service,
- (vi) Justification of a sole source (when applicable).

(b) In the event that the agency needs assessment shows a need for a particular service, the agency shall proceed to develop a request for proposals. The request for proposals shall be in writing and shall include a detailed description of the service which the agency is seeking, the start and completion dates for the contract, the standards the agency will use to evaluate all respondents and a deadline for submission of responses. The request for proposals shall also inform all potential respondents that their responses must include:

- (i) Details concerning the staff who will perform the service if the respondent is selected,
- (ii) Complete information on the cost of the service to the agency
- (iii) General information about the firm or individual and their experience ,
- (iv) Experience with similar services,
- (v) References,
- (vi) Timetable for completion of the service.

(c) Following receipt of all responses, the agency shall appoint a review committee from its staff. The review committee shall consist of at least three (3) staff members and shall be responsible for evaluating the responses and ranking them. The review committee shall have the authority to request further information of respondents and may request that some or all respondents make appearances and presentations on their proposals.

(d) The review committee shall submit to the governing board of the agency, or to the executive director when there is no governing board, its rankings of respondents. The top respondent on the list shall be the one which the review committee considers to be the lowest and best. The governing board, or executive director where there is no board, may require that the review committee collect further information on the matter. Prior to making a selection, the governing board or executive director, where there is no governing board, shall designate which respondent is lowest and best, and why such respondent is considered lowest and best in relation to the others. The governing board or executive director, where there is no governing board, shall not be authorized to select any respondent which it has not deemed to be lowest and best.

(e) After making a selection, the governing board or executive director shall prepare a draft contract. The contract shall be in writing, and shall include at minimum the names of the parties, term, amount, and times for payment. If the agency is to use milestones or deliverables as a basis for making fractional payments, these deliverables or milestones shall be described in detail. The agency shall also devise all necessary reporting requirements so that it can monitor and evaluate the contract as required under law.

(f) During the course of the contract, the agency shall monitor the performance of the contract, and shall periodically prepare a monitoring report which shall be retained in the records with other documents required to be kept in the agency's possession by section 5 of this act.

(g) The agency shall, upon completion of the contract, prepare a post evaluation review of the contract. This evaluation shall show in quantifiable terms how the contract enabled the agency to better achieve its mission. This report shall be prepared by the party responsible for requesting the contract, and shall be evaluated by other personnel in the agency, or by the governing board where the requesting party is the executive director. Both evaluations shall be submitted to the governing board, or to the executive director where there is no governing board, upon completion. Each report shall also detail all funds expended on the contract and the fund source used to pay the contractor.

Section 5. (1) All assessments, requests for proposals, review committee reports, responses by persons making proposals, board or executive action on proposals, monitoring reports, and evaluations shall be kept together for and with each contract, and retained by the agency for at least three years from the date of the contract's completion.

(2) The State Fiscal Officer, the Attorney General, and the State Auditor shall develop and publish rules and regulations for the administration of personal services contracts which shall address the provisions of this act and not be inconsistent therewith. Such rules and regulations shall be distributed to all agencies, and shall be available to the general public. These rules may grant ethical exemptions to any agency which wishes to contract with any member of a professional group whose regulatory board has rules which prohibit its members from bidding, soliciting, or otherwise participating in a competitive selection process.

(3) The State Auditor shall annually audit the personal services contracts of all state agencies. In the event that there are any instances where the auditor finds that an agency has not complied with the provisions of this act and the state has suffered some loss from the failure to comply, the State Auditor shall institute proceedings against the officer or officers responsible in accordance with Section 7-7-211.

Section 6. Agencies shall publish in a local newspaper of general circulation an announcement to the general public informing them that the agency is considering contracting for personal services of a certain type and that interested parties may obtain a copy of a request for proposals from the agency. The advertisement shall inform interested parties how they may obtain the information. All advertisements shall run for at least two (2) consecutive weeks in the aforementioned newspaper of general circulation.

Section 7. No agency may contract with any contractor for personal services as a sole source provider unless the agency can demonstrate that:

- (a) It attempted by using the procedures above to obtain more than one proposal,
- (b) No additional proposals were obtained,
- (c) The specifications are sufficiently general and not designed specifically for the purpose of excluding all other potential proposers.

Section 8. Any officer or employee of an agency who purposefully and intentionally avoids the provisions of sub-section 3 of Section 4 of this act by attempting to use multiple contracts of less than one thousand dollars (\$1,000.00) shall be subject to a civil penalty of two thousand dollars (\$2,000). Such penalties may be recovered by the State Auditor in any proceeding filed in accordance with Section 5 of this act, or in a separate proceeding filed in Circuit Court.

Section 9. Section 25-9-141, Mississippi Code of 1972, which authorizes position assessment fees is hereby repealed.

Section 10. Section 5 of this act shall take effect from and after passage. Sections 1 through 4, and sections 6 through 9 shall take effect July 1, 1995.

Agency Response

BOARD MEMBERS

Johnny Johnson, Columbus - Chairman
Billy R. Powell, Brandon - Vice-Chairman
Tom Hall, Oxford



BOARD MEMBERS

Jon S. Levingston, Clarksdale
Mary S. Pyle, Gulfport

STATE PERSONNEL DIRECTOR

J.K. Stringer, Jr.

MISSISSIPPI STATE PERSONNEL BOARD

August 31, 1994

Mr. John Turcotte, Director
Joint Committee on Performance Evaluation
and Expenditure Review
P. O. Box 1204
Jackson, Mississippi 39215-1204

Dear Mr. Turcotte:

The State Personnel Board is a service agency whose customers include: the citizens of Mississippi as represented by their elected state officials; the state agencies that employ state service workers; and the state employees themselves. Our mission is two-fold: (1) to support state government by providing a system of personnel management that enhances efficiency and effectiveness with regard to the use of personnel resources and; (2) to provide the executive and legislative branches with data necessary for budgetary and planning purposes. The framework of personnel management provided by the State Personnel Board is designed to be fair to all, based on state-of-the-art theory and practice, and in compliance with federal and state laws and regulations.

As stated in our Five Year Strategic Plan, our goal is to transform the State Personnel Board into a state of the art, user friendly personnel system that will enhance the efficiency and effectiveness of state government and provide the very best possible service to our customers. In that regard, the staff of the State Personnel Board always welcomes constructive criticism. We regard each instance of criticism, be it from an applicant, an employee or whomever, as an opportunity to improve our service and foster a better understanding of how we must do our work. While we may not agree totally with each and every recommendation in your report, your findings appear to be factual, thoughtful and constructive. Our response to these recommendations is as follows:

PEER Recommendation Number 1:

By July 1, 1995, the State Personnel Board should develop a system of outcome measures which could be used to evaluate the agency's effectiveness in accomplishing its statutory mission. These outcome measures should be used to assess progress toward specific goals contained within an agency-wide strategic plan which is periodically updated.

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SPB should operationalize each concept stated in its statutory mission (see Mississippi Code Annotated Section 25-9-101) and determine what indicators would best demonstrate progress toward accomplishing fulfillment of that portion of its mission. Then SPB should determine what data it should collect to measure its success in that area.

SPB Response to Recommendation Number 1:

The State Personnel Board concurs with this recommendation and has begun implementation of part of this recommendation. Senate Bill 2995 as passed during the Legislative Session of 1994 mandates the development of 5 year strategic plans for all state agencies beginning with the Fiscal Year 1996 Budget Request Submission. This bill also mandates development of performance measures associated with each program of the agency. A five (5) year strategic plan and performance indicators were developed and submitted with our Fiscal Year 1996 Budget Request. Refinement of the 5 year plan and performance indicators in order to meet your suggested July 1, 1995, deadline will proceed as a priority item.

It should be noted that implementation of this recommendation must be done within the constraints of existing manpower and technology. As noted during discussions with members of your staff, it is extremely difficult given our existing computer system to track all actions through our system. However, over the next five years the State Personnel Board and the Department of Finance and Administration will be implementing a new Statewide Payroll and Human Resources System (SPAHRs). SPAHRs will replace the fifteen-year old systems that currently support applicant and position/employee processing. Once fully implemented, this system will facilitate tracking of actions throughout the system. This should enable us to more accurately measure our efficiency and effectiveness.

PEER Recommendation Number 2:

The State Personnel Director should direct the board's Testing Branch staff to establish a training schedule which would ensure that all test administrators/monitors are properly trained on SPB test administration guidelines and procedures. The Testing Branch should maintain records which provide evidence of SPB's training of test administrators/monitors.

SPB Response to Recommendation Number 2:

SPB concurs with PEER recommendation number 2. By October 1, 1994, the Testing Branch will have revised its standard operating Mr. procedures to ensure that all test monitors undergo training during the initial contractual agreement and when revisions are made to

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testing procedures. The revisions to the standard operating procedures will also include record-keeping procedures to document training activities.

PEER Recommendation Number 3:

The SPB Testing Branch staff should inspect test sites periodically to ensure that test monitors and applicants comply with SPB testing policies and procedures. Testing Branch staff should conduct at least one unannounced inspection of each testing site each year to determine whether examinations are being administered in accordance with SPB policies and procedures.

SPB Response to Recommendation Number 3:

SPB concurs with PEER recommendation number 3. By October 1, 1994, the Testing Branch will have revised its standard operating procedures to insure that each testing site is inspected at least one time annually. The revision will also include record-keeping procedures of these inspections.

PEER Recommendation Number 4:

The State Personnel Director should require the board's Evaluation Branch chief to implement quality controls which ensure the consistent application of selection criteria.

SPB Response to Recommendation Number 4:

SPB concurs with PEER recommendation number 4. SPB identified this need and included it in its 5-year strategic plan which was filed with LBO during July 1994. An in-house study of evaluators' reliability is scheduled to begin during FY 1996. Since consistency in evaluations is critical to the effectiveness of SPB, the staff will conduct a non-scientific assessment of evaluators' inter-rater reliability during FY 95. This effort will serve as a prelude to the scientific study scheduled for FY 1996.

PEER Recommendation Number 5:

The State Personnel Board should direct its staff to develop and implement measures to improve verification of applicants' educational record and work history. If the board chooses to continue delegating verification of applicants' educational records and work histories to hiring agencies, the State Personnel Board should require its staff to post-audit a purposeful sample of applicants employed by hiring agencies and devise procedures which inform agencies of the files they must keep.

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SPB Response to Recommendation Number 5:

SPB concurs with PEER recommendation number 5. Verification of applicant education and experience data is extremely labor-intensive, even on a sample basis. SPB does not have the resources to implement this recommendation at this time. However, SPB will encourage agencies to continue to conduct verification activities and keep accurate records of same. In addition, SPB will amend its 5-year plan to conduct a study in FY 1996 to determine whether a problem in this area exists. If a problem is identified, any corrective action necessitating additional manpower will be made a part of our FY 1997 budget request.

PEER Recommendation Number 6:

SPB staff should establish internal timeliness standards for responding to agency requests for certificates of eligibles and for processing applications. If certain types of requests or applications require substantially more processing time than others, SPB should establish separate standards for these requests.

SPB Response to Recommendation Number 6:

SPB concurs with PEER recommendation number 6. SPB currently has the capability to electronically track certificates. SPB does not yet have the capability to electronically track application processing time. The SPAHRS project should provide this capability. During the current fiscal year, SPB will assess certificate processing time and will use the accumulated data to establish standards for the various types of certificate requests. With implementation of the SPAHRS project, SPB will be able to obtain the data necessary to establish standards for the timely processing of applications.

PEER Recommendation Number 7:

SPB staff should monitor its timeliness in responding to requests for certificates of eligibles by aging requests and reporting the status of each active request in relation to SPB's standard. SPB should also establish internal standards for evaluating job applications and for performing other processing tasks. SPB should monitor its timeliness in performing these tasks through reports similar to those described above.

SPB Response to Recommendation Number 7:

SPB concurs with PEER recommendation number 7. As data is collected and standards are developed and implemented, SPB will incorporate monitoring of certificate and application processing times in its standard operating procedures. SPB projects that the

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capability to conduct monitoring activities will be greatly enhanced with the implementation of SPAHRS.

PEER Recommendation Number 8:

To obtain a more precise definition of the relevant labor market, the State Personnel Board should promulgate a rule requiring all agencies to conduct exit interviews with employees who voluntarily terminate their state service (other than retirees). The primary purpose of such interviews would be to determine whether salary was the reason for the employees' departure. The State Personnel Board should require hiring agencies to transmit exit interview information relative to salary levels to State Personnel Board staff on a monthly basis.

Exit interview information can be used by State Personnel Board staff to refine its concept of relevant labor market for its salary survey process and to validate its benchmarking efforts.

SPB Response to Recommendation Number 8:

Though not required at this time, the State Personnel Board concurs that exit interview data could enhance the salary survey/realignment process. Emergency Realignment of the Nutritionist job class series in December, 1991, was in part, justified by extensive exit interview data collected by the State Health Department. Recruitment and retention data, turnover rate, salary survey data, and exit interview data formed the basis for emergency realignment of the salary ranges of the Nutritionist job class series.

Agencies are requested annually to respond to a questionnaire detailing their successes and difficulties in the administration of the Variable Compensation Plan during the fiscal year. This data is included in the State Personnel Board Annual Report and is made available to all members of the Mississippi Legislature.

The House and Senate leadership have for many years directed the State Personnel Board to use the four (4) contiguous states and the Mississippi private sector as the relevant labor market for determination of annual realignment recommendations. The State Personnel Board strives to increase the amount of private sector salary survey data each year, and state agencies have been very helpful in developing both contacts in the private sector and contributing to the annual salary survey process. Because most job classifications are specific to state government, the four (4) contiguous states are still the primary source for salary survey data for the majority of the survey classes.

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In May, 1989, state agencies were provided a listing of the job classifications utilized at their particular agency and asked to designate the relevant labor market for each job classification. This was done in order to prepare the Fiscal Year 1991 Realignment Recommendations based on each agency's determination of the relevant labor market. If a job classification was designated as having a "private sector" relevant labor market, at least three (3) equivalent job matches were to be reported to the State Personnel Board on the Agency Salary Survey Data Sheet to justify use of that labor market. It was required that designation of a relevant labor market outside of the private sector in Mississippi or outside the public sector in the four (4) contiguous states be justified by documented exit interview data or other conclusive supporting documentation. Agencies were instructed at that time that salary data from the four (4) contiguous states would be utilized in conjunction with acceptable data from other relevant labor markets to form realignment recommendations.

Exceptions to the strict use of contiguous states' salary data in conjunction with other relevant data is best represented by realignment recommendations for the Registered Nurses. These job classifications were realigned on an emergency basis in February, 1988, based solely on private sector salary data due to extreme recruitment and retention difficulties. The salary data and supporting evidence compiled by the State Personnel Board and participating agencies were sufficiently compelling to designate the Mississippi private sector as the relevant labor market, and from February 1988 to the present, realignment recommendations have been developed exclusively from that labor market data.

Through state agencies' participation in the annual salary survey/realignment process, we examine the relevancy of labor markets in the compilation of salary survey data and make appropriate adjustments as necessary.

PEER Recommendation Number 9:

The Legislature should consider amending MISS.CODE ANN. Section 25-9-107 by deleting the statutory requirement for the State Personnel Director to approve personal services contract requests. State law should provide state agencies with authority to employ personal services contractors in compliance with statutory guidelines.

State Personnel Board Response to Recommendation Number 9:

The State Personnel Board believes changes in the law are needed to acquire a more objective and comprehensive control over personal services contracts. Currently, there is no mechanism for the review of the bidding, awarding, and execution phases of personal services contracts. Present State law specifies that agency

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directors may enter into personal and professional services contracts only with the prior written approval of the State Personnel Director. The law further specifies that the State Personnel Director shall disapprove such contracts when the work to be performed could reasonably be performed by an employee in an authorized employment position. This legislation is interpreted to permit the State Personnel Director to disapprove contracts only when, in his opinion, the work can reasonably be performed by an employee in an authorized employment position. The State Personnel Board is currently staffed to carry out only this limited function. The Board is of the opinion that someone within State government needs the broader authority to publish and administer policies and procedures involving the bidding, letting, and execution of personal and professional service contracts. Without additional controls, the State will remain vulnerable to law suits (e.g., improper advertising, bidding, awarding procedures, etc.) and political corruption (e.g., award of contracts for political favor, kickbacks, etc.).

The Board does not concur with the PEER recommendation to "provide state agencies with authority to employ personal services contractors in compliance with statutory guidelines" as proposed. The PEER proposed legislative language could place an undue time restraint on the agencies' use of such contracts. Currently, several agencies use contract workers to deliver vital services throughout the State, e.g., Board of Health, Department of Human Services, and Department of Education. Often, the need for contractual help to deliver these services cannot be anticipated, e.g., the illness of a state employee; neither can the delivery of the services be postponed, e.g., home nursing care. The PEER Report language would require a formal advertising and bidding process for all contracts over \$1,000, to include the type just discussed. During FY 1994 the State Personnel Board processed more than 1,300 personnel and professional services contracts. Of these, more than 1,100 were for sums of more than \$1,000. A solution to the proper control of personal and professional services contracts should be one that intrudes as little as possible into the normal operations of state agencies.

The PEER proposed language also calls for the State Auditor to audit personal and professional service contracts. Since the State Auditor is now contracting for outside help to accomplish his auditing duties, the PEER requirement would require additional resources for the State Auditor.

The State Personnel Board has included a proposal in its FY 1996 Budget Request to establish a contract review division to provide the Board with the resources necessary to exercise control over personal and professional service contracts. This control will not only include auditing, but also, in coordination with the agencies,

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the publishing of rules and regulations for state agencies to follow in bidding, awarding, and executing such contracts. These regulations will likely provide for the review, by the State Personnel Board, of some large professional service contracts prior to bid and award. Most importantly, the State Personnel Board will be able to work with agencies as little intrusion in their daily operations as possible.

Coupled with our FY 1996 Budget proposal, we will propose legislation in January, 1996, to authorize the Board to publish regulations and to exercise authority over the bidding, letting, and execution of personal and professional service contracts.

PEER Recommendation Number 10:

The State Personnel Board should devise a needs assessment system which identifies specific training needs and courses which would assist hiring agencies in achieving their statutory and program objectives. SPB's need assessment system could consist of focus groups with agency managers and employees to discuss missions and objectives as well as areas in which training can directly impact the agency's achievement of its objectives.

SPB Response to Recommendation Number 10:

The State Personnel Board concurs. The Training Division already has training contacts in each agency that serve as source of input concerning training needs (for example, Personnel Directors, Training Directors, Certified Public Manager Program Coordinators). Those agency contacts will now be formed into formal focus groups to be utilized to assess training needs of state agencies. Specific training needs which will assist agencies in achieving their statutory and program objectives will be targeted for implementation. Focus group recommendations and Training Division plans for implementation will be submitted to the State Personnel Director and Personnel Advisory Council at least annually.

PEER Recommendation Number 11:

The Legislature should consider amending MISS. Code Ann. s 25-9-141 to require the State Personnel Board to bill hiring agencies based on their proportionate costs of the Board's operations rather than a set fee assessment.

SPB Response to Recommendation Number 11:

The SPB concurs with the need to evolve a reliable and accurate

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system of cost measurement containing fair and reasonable allocation basis prior to implementing a change in billing policy. The evolution of a cost allocation system may require the SPAHRS system to effectively implement and execute such a system.

PEER Recommendation Number 12:

Regardless of whether the Legislature amends the State Personnel Board's fee assessment authority, SPB staff should immediately develop and implement a revenue billing and accounting system to bill state agencies for actual direct costs and fair shares of indirect costs of the personnel system.

SPB Response to Recommendation Number 12:

As stated in Response 11, above, the development of such a system will require the sophisticated capabilities of the State Payroll and Human Resource System to effectively determine, measure and track reasonable and fair cost allocation. The SPB will begin immediate investigation into the cost allocation methods and procedures employed by the Central Data Processing Authority to determine a rational path for SPB system development.

PEER Recommendation Number 13:

As required by DHHS regulations, SPB staff should adjust annual differences (over or under recoveries) between its billings to state agencies and its actual costs (direct and indirect) within the state agencies billings. SPB must adjust future years' billing rates or directly credit the differences to the state agencies/programs in direct proportion to its actual costs.

SPB Response to Recommendation Number 13:

Analysis of OMB A-87 reveals that all costs of the SPB qualify as direct costs and/or indirect costs allowed as incurred by support agencies to grantee or contractor agencies. The excess cash balances analyzed in earlier fiscal years appear accurate. Analysis of the current and future years' requirements indicate that no surplus will exist by the end of FY 1995. Any surplus that did exist will have been used in connection with the revision of job descriptions and the funding of the FY 1995 pay raise.

The SPB is human resource intensive and operates at a professional level in the various areas. The SPB is reactive to State and Federal Legislation and sometimes must retain outside experts, on an as needed basis, to accomplish the objectives and tasks needed to bring the agency into compliance with changing laws and other functional requirements. The revision of the Job Description

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inventory to comply with the Americans With Disabilities Act (ADA) has required the use of extensive outside resources. These added costs directly benefit all agencies and should be allocated directly to all agencies.

SPB Cash Flow Analysis

Cash-Beginning FY 1994	\$1,199,708	
Collected during FY 1994	<u>3,149,880</u>	
Cash Available	4,349,588	
Used during FY 1994	<u>(3,335,333)</u>	Includes \$287,500 ADA
Cash-Beginning FY 1995	1,104,255	
FY 1995 Fees (projected)	<u>3,250,000</u>	
Cash Available	4,264,255	
Cash Usage (projected)	<u>(3,850,000)</u>	Includes \$400,000 ADA
Cash-End FY 1995	414,255	

Prudent Reserve:
Two months payroll (400,000)

PEER Recommendation Number 14:

The State Personnel Director should implement measures to ensure that appropriate agency personnel always sign and date invoices as verification that goods and services have been received as ordered. Also SPB Staff should develop internal written procedures for verification of receipt of goods and services and for any other agency-specific accounting and purchasing procedures and distribute the procedures to all affected personnel.

SPB Response to Recommendation Number 14:

The following procedures have been incorporated into standard operating procedures of the Business Office and have been distributed to all affected personnel.

Procedures for Purchasing:

Requests for purchase of goods and/or services will be in writing. These requests will be on Requisition Form 100 where practical. Purchase orders will be issued and requests filled only after written approval by division and administration.

Verification of receipt of goods and services (packing slip, delivery ticket, invoices or memorandums) must be signed and dated.

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Deliveries must be verified by business office personnel and/or by division staff receiving goods and services.

Procedures for receiving goods:

When delivery is by US mail it is opened, packing slip time-date stamped, and routed to the division or individual requesting either by placing in mail basket on first floor, hand-delivery by business office staff, or telephoning receiving party to pick up goods.

When delivery is by United Parcel Service, the package is received in the Testing Branch. Testing Branch personnel will then notify the Business Office of delivery and the package will be routed to appropriate destination. The Packing slip must be signed, dated and returned to the Business Office.

When delivery is by vendor, business office personnel receives packages, or, when appropriate, accompanies or directs delivery person to the basement or appropriate floor to deliver goods of a bulky or weighty nature. Verification of delivery must be signed, dated and returned to the Business Office.

When services are performed, the division supervisor or administrator verifies that services have been completed by signing time sheet, invoice or memorandum.

A random sampling audit will be conducted each month by an individual designated by the State Personnel Director to check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Summary Response Concerning Computer Systems Support Issues:

The State Personnel Board has recognized for several years a need to replace its information systems both to enhance internal operations of the agency and to improve service delivery to our clients. The work of the agency is extremely process-oriented and information is our primary product; yet the information systems we use were essentially designed and developed when the agency began in 1980. Since 1980, human resource management has evolved a great deal; and the technological environment was vastly different from what it is today.

In February 1991, the SPB staff embarked on a project to replace our information systems. Initially, we did a thorough study of what we do (the "processes") and then put some thought into how we could do better. Staff at every level of SPB was involved, and additional advice was sought from other agencies in State Government. This resulted in a requirements document that had been

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essentially completed in 1992. The 1993 Legislature passed HB 1334, setting up the Mississippi Management and Reporting System, which became the vehicle for realization of the new system, now called SPAHRS (Statewide Payroll and Human Resources System). We anticipate that the implementation of SPAHRS will begin around September 1, 1994, and last for approximately 27 months.

Many outcomes of SPAHRS will specifically address deficiencies cited in the report:

1. SPAHRS will be completely on-line and interactive, allowing data to be entered closer to the point of its generation, including data entry at agencies under SPB purview. Along with the stipulated requirements for comprehensive date stamping, this will accommodate analysis (volume, staff workloads, etc.) and aging of processes, thus monitoring of timeliness. (Note that this type of functionality simply was not available in 1980 due to technological constraints at that time.)

2. During our comprehensive investigation of requirements for the new system, we took great pains to identify new data elements that were needed. The data dictionary for the new system includes many new data elements that will be helpful in monitoring SPB's service delivery system (internal evaluation). In addition, the new system will integrate payroll and human resources into one system, thus making it possible to perform the type of analyses proposed in the report ("e.g., personal service expenditure changes by year and by type as a result of new hires").

3. The new system will have a great impact on the "application" process. SPB staff will be able to evaluate applications on-line, and the evaluator ID will be one of the data elements captured. This will enable review of evaluations by supervisors, comparisons of ratings among evaluators, etc. Special qualifications will be captured and maintained in the new database, thus facilitating the agency's capability of processing this type of COE.

4. The new data and new capabilities for analysis will allow the agency to determine actual processing costs and to use this information to determine and justify billing algorithms.

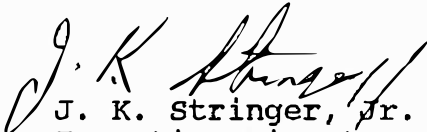
The current understanding of what "good practice" means in building information systems has also allowed us to ensure that the design and construction of the new system, SPAHRS, will make it easier to change and enhance the systems required by its users. Indeed, during development of the Request for Proposal and subsequent analysis of the bids, the State Personnel Board insisted that the new system would be built for flexibility and ease of modification. We are certain that the requirements of human resource management

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and technology will not remain static. SPAHRS will be built using 4th generation languages and tools that include code generation capabilities. Project staff and leadership is committed to ensuring a highly structured system design and full documentation of the new system.

Should you require additional information please do not hesitate to contact me at 359-2702.

Sincerely,


J. K. Stringer, Jr.
Executive Director

PEER Staff

Director

John W. Turcotte

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