
JOINT LEGISLATIVE COMMITTEE ON PERFORMANCE EVALUATION AND EXPENDITURE REVIEW (PEER)



REPORT TO THE MISSISSIPPI LEGISLATURE **Enterprise Mississippi: A Vision for State Government**

#518

DECEMBER 9, 2008

PEER: The Mississippi Legislature's Oversight Agency

The Mississippi Legislature created the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER Committee) by statute in 1973. A joint committee, the PEER Committee is composed of seven members of the House of Representatives appointed by the Speaker and seven 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 four Representatives and four Senators voting in the affirmative.

Mississippi's constitution gives the Legislature broad power to conduct examinations and investigations. PEER is authorized by law to review any public entity, including contractors supported in whole or in part by public funds, and to address any issues that may require legislative action. PEER has statutory access to all state and local records and has subpoena power to compel testimony or the production of documents.

PEER provides a variety of services to the Legislature, including program evaluations, economy and efficiency reviews, financial audits, limited scope evaluations, fiscal notes, special investigations, briefings to individual legislators, testimony, and other governmental research and assistance. The Committee identifies inefficiency or ineffectiveness or a failure to accomplish legislative objectives, and makes recommendations for redefinition, redirection, redistribution and/or restructuring of Mississippi government. As directed by and subject to the prior approval of the PEER Committee, the Committee's professional staff executes audit and evaluation projects obtaining information and developing options for consideration by the Committee. The PEER Committee releases reports to the Legislature, Governor, Lieutenant Governor, and the agency examined.

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.

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Joint Legislative Committee on Performance
Evaluation and Expenditure Review (PEER)

REPORT TO THE MISSISSIPPI LEGISLATURE



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Foreword

Given the dramatic events of the last few months, even a cursory look around the state and nation reveals a basic concern among citizens about the ability of government to face the emerging challenges of a rapidly changing world and the accompanying uncertainties of an evolving world economy. These concerns center not only on Washington and what our government officials are doing nationally to help us face an uncertain future, but on the role of our state and local officials as they serve as stewards for the service and program structures that most directly affect our daily lives.

It is clear that most states will be facing some difficult budget decisions in upcoming fiscal years. According to the Center on Budget and Policy Priorities (CBPP), thirty-seven states, including Mississippi, are facing mid-year FY 2009 budget shortfalls amounting to approximately \$31.2 billion, or 7.2%, of these states' budgets. Budget shortfalls are already projected in twenty-eight states, including Mississippi, for FY 2010. Initial estimates for these shortfalls amount to approximately \$60 billion.

Under such trying conditions, it is generally recognized that the states have three options to fill budget gaps: cut expenditures, raise taxes, or draw down reserve funds to balance their budgets. As recently as December 10, 2008, the CBPP reported that twenty-five states had enacted budget cuts in one or more of the following areas: public health programs, programs for the elderly and disabled, K-12 education, and colleges and universities. In response to the revenue shortfall in Mississippi, on November 12, 2008, Governor Haley Barbour ordered FY 2009 spending cuts totaling approximately \$41.9 million, representing approximately two percent of most state agencies' general fund budgets. Other states have increased taxes and at least fifteen states are eliminating state jobs or are not filling vacant slots within agencies. Also, the accompanying reduction in services that is a result of budget deficits during an economic downturn is likely to affect a larger percentage of the population, since economic instability leads to a greater need for many state-provided services.

Under such trying conditions it is generally recognized that the states have three options to fill budget gaps: cut expenditures, raise revenues, or draw down reserve funds to balance their budgets. As recently as August 5, 2008, the CBPP reported that twenty-one states had enacted budget cuts in one or more of the following areas: public health programs, programs for the elderly and disabled, K-12 education, and colleges and universities. In response to the revenue shortfall in Mississippi, on November 12, 2008, Governor Haley Barbour ordered FY 2009 spending cuts totaling approximately \$41.9 million, representing approximately two percent of most state agencies' general fund budgets. Other states have increased taxes, and at least fifteen states are eliminating state jobs or are not filling vacant slots within agencies. In addition, the accompanying reduction in services that is a result of budget deficits during an economic downturn is likely to affect a larger percentage of the population, since economic instability leads to a greater need for many state-provided services.

Reflecting on these critical points of concern, it is no wonder that questions of government performance have begun to emerge in the minds of state officials and the general public alike. Is our state government truly prepared to be effective in an electronic age where change seems to be the only certainty and all around us seems to be moving at the speed of light? Are our program and service structures responsive and accountable? Are they efficient and effective? Do we capitalize on opportunities for needed change? Are we prepared for change? What are the longer-term structural issues that must be addressed to create a more streamlined, efficient state government?

In view of the above concerns, during its 2008 Regular Session, the Mississippi Legislature mandated that the Joint Committee on Performance Evaluation and Expenditure Review (PEER Committee) conduct a performance review of Mississippi state government. This mandate is found in Section 7 of H. B. 1590, 2008 Regular Session. H. B. 1590 also contains the PEER Committee's annual appropriation for FY 2009 and states that of the funds appropriated to the PEER Committee, ". . . One Hundred Thousand Dollars (\$100,000.00) is provided for a performance review of Mississippi State Government by the Joint Legislative Committee on Performance Evaluation and Expenditure Review (PEER)." In conducting the background research for the

project, the PEER Committee discovered that statewide performance review efforts in other states, and here in Mississippi, have involved much greater cost and that the Committee would have to be very efficient and very creative in designing the current effort to be able to stay within the \$100,000 provided for this purpose.

In doing so, the PEER Committee found it necessary to make two critical choices. First, it made the decision to make its initial focus the development of ideas for improving the administrative functions that affect all agencies, regardless of specifically mandated mission. Second, it made the decision to use the resulting report as a basis for appealing to the Legislature for a multi-year commitment to a statewide performance review effort. The hope of the Committee was that the first report would create sufficient vision for change that the Legislature would consider investing additional funding to allow the outlying years to be focused on properly vetting specific efficiency and performance improvement ideas gleaned from the work done during the first year. However, the PEER Committee did not anticipate the full extent to which our national economic situation would be in flux as the first phase of study reached its conclusion. Certainly there were indications of difficult times to come, but the depth and breadth of our economic concerns was not fully anticipated. Due to economics, the Committee's multi-year strategy could be in jeopardy.

It is our hope that this report will stimulate some serious and creative thinking about how we can better serve the people of Mississippi. It is not designed as an attack or criticism of any individual or of any program now serving our state. It is an attempt to step back and take a careful look at how our state government could be changed for the better. Not all ideas presented will be immediately embraced, but they are all worthy of serious consideration and debate. It is only through such dialogue that we can take an idea, flawed in the ways that human ideas are flawed, and mold it into a working tool for building a better service structure for our citizens. As officers of the PEER Committee, we have been honored to be a part of the beginning of this effort. We challenge you to be a part of its future.



Senator Sidney Albritton, Chair



Representative Harvey Moss, Vice Chair



Representative Walter Robinson, Secretary

Chapter 1: Introduction

Key Ideas in Chapter 1:

- The goal of this review was to create a comprehensive vision for change that, if implemented, would provide the greatest impact on the efficiency and effectiveness of Mississippi state government.
- To obtain feedback and input from those with a vested interest in state government operations (i. e., the taxpayers), PEER targeted three groups: state employees, the general public, and representatives of the private sector. Feedback from all three groups followed the general themes of better stewardship of state assets, improved uses of technology, and a lean and quality state workforce.
- This statewide performance review is no different from previous performance improvement efforts in that until the state fully and unequivocally commits to a logical and broadly supported course for change, we will never alter the primary efficiency and effectiveness of government.
- The theme of this statewide performance review is that a state should not be managed as a loosely knit confederation of agencies, boards, commissions, and programs but rather managed as a single *enterprise*.
- This report's format of addressing state government's overall administrative structure provides the additional benefit of an overarching conceptual framework for organizing any later efforts designed to look specifically at the state's service structures.

Chapter 1: Introduction

The Legislative Mandate

H. B. 1590, 2008 Regular Session, provided funds to PEER for “a performance review of Mississippi State Government.”

After several years of discussion on the possible form and content of a performance review of state government, during the 2008 regular session, the Mississippi Legislature gave its Joint Committee on Performance Evaluation and Expenditure Review (PEER) responsibility for planning and conducting such a review.

Given a general mandate (Section 7, H. B. 1590, 2008 Regular Session), but without supporting detail as to specific expectation or content, the first order of business for the PEER Committee was to determine what research efforts would be needed to complete such a review and what would be its expected outcome.

The Vision for a Statewide Performance Review in Mississippi

PEER’s goal for this review was to create a comprehensive vision for change that, if implemented, would provide the greatest impact on the efficiency and effectiveness of Mississippi state government.

In researching the question of how to approach a statewide performance review, PEER found a range of possibility suggested by the efforts of other states that have undertaken such projects. Approaches varied from targeted looks at service improvement to sweeping organizational change. However, all shared the common belief that government can and should be more efficient and effective in its use of resources and delivery of services and that such change is within reach.

With this knowledge as a backdrop, the PEER Committee began its work. Building on previous work done in Mississippi and in other states, on previous work done by the private sector to help improve state governmental efficiency and effectiveness, and on ideas coming directly from our citizens and experienced state employees currently serving the citizens of our state, the PEER Committee set for itself the goal of creating a comprehensive vision for change that, if implemented, would provide the greatest impact on the efficiency and effectiveness of Mississippi state government.

The PEER Committee hopes that the reader will be intrigued by the possibility of bringing about a radical change in the way we view government, but is sure that this raises a few questions: What constitutes a proper vision for change in government? What are the possible sources for such a vision? What can we build on? Where do we begin?

Good ideas for change should not only conform to the precepts of a guiding model, but should address the practical concerns and ideas that have come to us from previous efforts at change.

The PEER Committee believes that we should begin by bringing forward basic ideas for improvement that could serve as “reality checks” for any proposals emerging from visionary thinking. Good ideas for change should not only conform to the precepts of a guiding model, but should address the practical concerns and ideas that have come to us from previous efforts at change.

PEER has identified three such sources in preparation for this review:

- ideas from other states’ performance review efforts;
- ideas from Mississippi’s citizens, private sector, and state employees; and,
- ideas from Mississippi’s own past performance improvement efforts.

Other States’ Performance Reviews

The recent wave of statewide performance reviews began in Texas in 1991. Attempting to address financial problems created by economic recession and an oil-industry slump, the Texas Legislature created the Texas Performance Review (TPR) to “identify and recommend changes in state government that could save money while improving services.”¹ The Texas Comptroller of Public Accounts took the lead on the review and assembled a staff of more than 100 auditors, research analysts, and other specialists from sixteen state agencies and the private sector.

The recent wave of statewide performance reviews began in Texas in 1991. Since then, at least twenty additional states have undertaken some form of statewide efficiency and effectiveness review.

The TPR examined the organization, management, and programs of Texas’s entire state government, identifying opportunities for reorganization, consolidation, and elimination of duplicated functions. The review also analyzed the state’s fiscal management systems, debt policies, and revenue streams. In addition, the TPR recommended automating certain government operations and privatizing others. Since the first TPR report was issued in 1991, Texas has published ten similar follow-up reports. (For titles and dates of these Texas reports, see Appendix A, page 161.)

At least twenty states in addition to Texas have undertaken some form of statewide efficiency and effectiveness review in the recent past.² In planning

¹ Texas Comptroller of Public Accounts, *Home Improvements: A Manual for Conducting Performance Reviews* (Austin, 1998), 1-4.

² William D. Eggers and Robert N. Campbell III, eds., *States of Transition: Tackling Government’s Toughest Policy and Management Challenges* (Canada: Deloitte Development, LLC., 2006), 280.

Mississippi's statewide performance review, PEER analyzed conclusions and recommendations included in performance review reports issued from seven of these states (North Carolina, Virginia, New Mexico, Arizona, South Carolina, Indiana, and California). (For titles and dates of these reports, see Appendix A, page 161.)

Other states' recent performance review reports have acknowledged that many of their recommendations would require public policymakers to make difficult but far-reaching decisions to improve state government in a way that would impact each state's citizens positively.

In general, the states' reports analyzed by PEER followed similar themes of cutting costs, improving customer service, conserving and better managing taxpayer dollars, managing government more strategically, and taking advantage of new technologies and new ways of doing business. While the states' methods varied, most states reviewed structure and processes of government--i. e., cross-cutting issues--as well as specific programmatic areas such as education, health and human services, human resources, and public safety. The reports acknowledged that many of their recommendations would require public policymakers to make difficult but far-reaching decisions to improve state government in a way that would impact each state's citizens positively.

Ideas from Our Citizens

At the outset of this review, PEER recognized that it was important to obtain feedback and input from those with a vested interest in state government operations--i. e., the taxpayers. PEER targeted three groups for providing such input: state employees, the general public, and representatives of the private sector.

To obtain feedback and input from those with a vested interest in state government operations (i. e., the taxpayers), PEER targeted three groups: state employees, the general public, and representatives of the private sector.

PEER conducted focus group interviews with employees from selected state agencies. For example, PEER staff met with human resources directors from a cross-section of state agencies to obtain input regarding recruitment, retention, and management of state employees. Also, PEER conducted a group interview with selected state agencies' public relations staff in an effort to determine their customer service practices.

To contact the general public, PEER created a statewide performance review website and established an e-mail address through which those interested in the review could submit cost-saving and performance improvement recommendations. Through the use of newspaper advertisements, e-mails, and voicemails, PEER advertised the existence of the website and e-mail address and received more than eighty responses.

Feedback from all three groups followed the general themes of better stewardship of state assets, improved uses of technology, and a lean and quality state workforce.

To gather input from the representatives of the private sector, PEER was assisted by the Mississippi Manufacturers Association (MMA) in arranging focus group interviews with public advocacy and private sector representatives. MMA also provided PEER with results of two surveys of its members regarding ways state government could be operated more efficiently and how “waste” could be reduced.

As evidenced by the summary of comments listed below, feedback from all three groups followed the general themes of better stewardship of state assets, improved uses of technology, and a lean and quality state workforce.

Summary of State Employees’ Ideas

- implement periodic review of state agencies’ performance;
- improve stewardship of state assets and recycle such assets when possible;
- reduce the number of and better utilize state vehicles;
- improve and streamline state employee benefits;
- recruit and retain quality state employees; and,
- modernize state services and processes through better uses of technology.

Summary of Ideas from the General Public

- give state employees an incentive to be innovative and suggest ways to save money;
- reduce the number of state employees that commute in state vehicles;
- reduce the amount of paperwork associated with state government services and programs by improving the uses of technology;
- require state agencies to employ a “customer service” mindset and reduce dependence on automated telephone answering; and,
- consolidate state agency programs and services when possible.

Summary of Ideas from Private Sector Representatives

- provide incentives for department managers to spend less than budgeted amounts and still “get the job done;”

- use a measurement similar to “return on investment” to determine whether the benefits of an agency or program exceed the costs involved;
- reduce the number of state government “perks” such as vehicles and cell phones;
- reduce training and meeting expenses by utilizing net-meetings and video conferencing;
- “right-size” state government--i. e., the perception is that there are too many state employees in relation to Mississippi’s overall population; and,
- cut the red tape for doing business in Mississippi--i. e., reduce paperwork and utilize technology more.

Appendix B, page 162, contains seminal ideas and specific suggestions for change that were offered by state employees, the general public, private sector representatives, and performance review reports from other states.

Past Performance Improvement Efforts in Mississippi

Mississippi has a rich history of examining its state government operations in an attempt to increase efficiency and effectiveness, reduce costs, and provide better services to its citizens.

While many states, as well as the federal government, have undertaken performance audits and reviews within the last ten to fifteen years, Mississippi also has a rich history of examining its state government operations in an attempt to increase efficiency and effectiveness, reduce costs, and provide better services to its citizens.

These performance improvement efforts include those by the Legislature, including the PEER Committee, and the State Auditor’s Office. This body of work contains ideas that, for whatever reason, have not always reached full fruition. Many include potentially good ideas that have been the result of attempts at understanding the inefficiencies of government and planting the seeds for solutions.

Previous Legislative Performance Review Efforts

1988 State Government Reorganization

In 1989, the Legislature incorporated many of the Executive Branch Reorganization Study Commission's recommendations into law, including consolidation of certain freestanding agencies into larger umbrella agencies and changes in the responsibilities and authority of other existing agencies.

In 1988, the Legislature established the Executive Branch Reorganization Study Commission. The Legislature charged the commission with recommending an executive branch reorganization that would, among other things, promote economy and efficiency in the operation and management of state government, as well as improve the quality of functions performed and programs and services rendered by state government for the citizens of Mississippi. Working through subject-area committees, the commission identified organizational and agency operational recommendations and associated projected annual savings.

The commission issued its report on July 26, 1988. The report noted that six other major organizational reviews of the Mississippi executive branch of state government had been conducted since 1930 and that all six reviews had reached the same major conclusion: that the executive branch was highly fragmented; not directly accountable to the voters; not structured to operate efficiently; and not structured so that state needs could be readily identified and the state's resources focused on meeting those needs. In spite of the fact that all of the reviews had reached the same general conclusions, the report noted that no major reorganizations of state government had occurred prior to 1988. The report asserted that as a result, Mississippi had continued to operate with a "highly ineffective and inefficient form of state government."³

During the 1989 Regular Session, the Legislature incorporated many of the Executive Branch Reorganization Study Commission's recommendations into state law, including consolidation of certain freestanding agencies into larger umbrella agencies and changes in the responsibilities and authority of other existing agencies.

³ Mississippi Executive Branch Reorganization Study Commission, *Reorganization of the Executive Branch of Mississippi's State Government* (Jackson, 1988), 24.

Mississippi Action Plan

The 1993 Mississippi Action Plan was the product of legislators meeting with representatives of state agencies, universities, and the private sector to develop goals for the state.

In 1993, legislators, primarily chairs of major standing committees, met with representatives of state agencies, universities, and the private sector to develop goals for the state. Issued in November 1993, the final product of this effort was known as the *Mississippi Action Plan*. The plan consisted of 133 goals for ten functional areas of state government and included brief narratives of the goals, the desired outcomes from implementation of the goals, the anticipated costs of achieving the goals, and anticipated funding mechanisms.

PEER's Body of Work

Since 1973, PEER has produced over five hundred reports on state and local government issues in Mississippi, including identifying opportunities for improving government efficiency and effectiveness.

Since its inception in 1973, the Joint Legislative PEER Committee has produced over five hundred reports targeted at issues covering all aspects of Mississippi state government, as well as selected local government issues. While many of these reports have led to constructive change, many also contain some of the seeds of change that have not had the opportunity to bear fruit. These should certainly be revisited in any effort to identify opportunities for improving government efficiency and effectiveness. PEER's website (www.peer.state.ms.us) provides summaries of all PEER reports, as well as the full text of recent reports.

Also, PEER has made recommendations for improving the performance of Mississippi government statewide since 1976:

- *A Proposal for Program Budgeting (1976)*—PEER report #62 recommended that the Legislature adopt a program budgeting system that would require each agency to submit its budget request for individual goal-oriented activities within the agency. The report also recommended a central payroll system, manpower management information system, and a program finance and accounting system consistent with program budgeting.

In response to the Committee's report, the Commission of Budget and Accounting (which was later dissolved and the functions of which were assumed by the Joint Legislative Budget Committee and the Department of Finance and Administration) voted to implement the manpower management information system immediately and to favor the installation and implementation of program budgeting effective with budget requests for FY 1979.

- *Assistance to House Ad Hoc Committee to Reduce Expenditures and/or Raise Revenues, 1986*--To address a projected revenue shortfall for the upcoming fiscal year, an ad hoc committee in the Mississippi House of Representatives was formed in 1986 to develop recommendations to reduce state expenditures and/or raise additional revenues. Leadership of the House of Representatives requested the assistance of PEER staff for this effort. Many of the ad hoc committee's recommendations involved the elimination, consolidation, transfer, or contracting out of selected state agencies or programs, as well as imposition of or increases in fees for services provided by state government. During its 1986 Regular Session, the Legislature enacted several of the ad hoc committee's recommendations, including the requirement that the FY 1989 budget be prepared in an agency program format.
- *Fiscal Options staff report (1988)*--In 1987, the PEER Committee authorized its staff to prepare a report to address Mississippi's fiscal situation. The staff report described the state's budget history, presented a plan for constructing, renovating, and maintaining the state's public schools, and offered a list of options for reducing the state budget. The staff report also included a chapter describing Mississippi's move into program budgeting.
- *Ongoing assistance to individual legislators and committees*—Since 1987, individual legislators and legislative committees have requested the assistance of the PEER Committee and PEER staff numerous times in developing recommendations to improve the efficiency or reduce the costs of state government services and programs.

Previous Performance Review Efforts of the State Auditor's Office

Since 1993, the State Auditor's Office has issued four reports addressing performance review at the statewide level.

"Initiatives for the Nineties" (1993)

The 1993 report of the State Auditor advocated developing a capital assets inventory, implementing strategic planning, designing a performance accountability system, and promoting privatization.

The first of these reviews was conducted under the direction of former State Auditor Steve Patterson with the goal of providing "leadership and examples which will motivate government leaders and administrators at every level to rethink and reshape government's role."⁴ The major work for this review was conducted by two task forces, with the office's new Performance Audit unit providing research support. The Task Force on Asset Management made the following recommendations:

- The Legislature should authorize whatever means necessary to facilitate the creation of an accurate inventory document listing the state's real estate holdings, buildings, and mineral rights.
- Working through a state policy committee and strategic planning committee, the state should adopt, implement, and maintain a collaborative strategic planning process.
- The state should design, implement and institutionalize a performance accountability system that is linked to both a strategic planning process and budget reform.

The Task Force on Privatization made the following recommendations:

- The Legislature should assign to one state agency the authority to oversee and promote privatization within state and local public entities. This agency would survey all state laws and local ordinances to recommend changes promoting and facilitating privatization.
- The State Auditor should develop standard accounting procedures for making comparisons of the costs of services in the public and private sectors.

⁴ Mississippi State Auditor's Office, *Initiatives for the Nineties* (Jackson, 1993), AA-1.

**Mississippi Statewide Performance Audit: "Choices" and "Choices II"⁵
(1994-1996)**

Choices built on recommendations from the 1993 report and promoted rewarding of agency directors and employees for prudent spending.

Issued in early 1995, the *Choices* statewide performance audit included more than one hundred recommendations for change, accompanied by projections of potential savings.

With regard to the state's financial management practices, the review made the following recommendations:

- Implement a focused and integrated strategic planning/performance budgeting process to:
 - establish a State Strategic Planning Committee;
 - develop overarching statewide goals;
 - guide agency strategic planning; and,
 - formalize an implementation process.
- Monitor and refine the new performance measurement process to:
 - assure performance measures are focused on outcomes and results;
 - establish an educational process to assist agencies in implementing the new performance measurement systems; and,
 - develop management systems for monitoring the process.
- Develop a program to reward agency directors for prudent spending practices.
- Establish a state innovations fund that will provide resources for strategic investment in state programs and services.

Choices II included each agency executive director's response to the recommendations in Choices.

Released in early 1996, the *Choices II* report included each agency executive director's response to the recommendations contained in *Choices*. Also, the report included the State Auditor's comments regarding the agencies' responses as well as recommendations for legislative action.

Final Follow-up to "Choices" (1997)

After becoming State Auditor in November 1996, former state representative and current Mississippi Lieutenant Governor Phil Bryant realized that the *Choices* review gave

⁵ Mississippi State Auditor's Office, *Choices* (Jackson, 1995), 22-23; *Choices II* (Jackson, 1996).

him the opportunity to consider government from an executive rather than a legislative perspective. State Auditor Bryant wanted to learn if and how the Legislature's intent for the *Choices* review was being incorporated into state government's day-to-day work.

The final follow-up to *Choices* noted that state agencies had, for the most part, taken positive steps to implement the recommendations in that report.

The Performance Audit Division of the State Auditor's Office conducted the final follow-up review and issued its report on November 3, 1997. The report noted that the state agencies impacted by recommendations contained in the original *Choices* report had, for the most part, taken positive steps to implement the recommendations, with few remaining recommendations not being implemented.

What Have We Learned?

So, what have we learned from the efforts made both here at home and in other states to find ways to improve the functioning of government? What have we learned from all the ideas generated by our citizens, our businesses, and our state employees? We learned that our history and the histories of other states are rife with good ideas for how to make government more efficient and effective and that the ideas sound similar across the years and across the nation. It seems that no one has yet found and fully implemented a system that will be self-correcting and self-perfecting. We seem to be able to create "new beginnings," but we are much less efficient at completing the things we start.

This statewide performance review is no different from previous performance improvement efforts in that until the state fully and unequivocally commits to a logical and broadly supported course for change, we will never alter the primary efficiency and effectiveness of government.

This statewide performance review is no different from previous performance improvement efforts in that until the state fully and unequivocally commits to a logical and broadly supported course for change, we will never alter the primary efficiency and effectiveness of government. We will simply continue to operate at its fringes.

What are some of the ideas that should be a part of this commitment to change? Based on the information reviewed, PEER would offer the concepts in Exhibit 1, page 16, as the "Top Ten Critical Elements Needed for Improving Government Performance and Accountability." These critical elements should be part of any effort at fundamental change designed to improve the overall efficiency and effectiveness of government.

Also, Appendix B, page 162, contains seminal ideas and specific suggestions for change that were offered by state employees, the general public, private sector representatives, and performance review reports from other states.

PEER's Theme for the Statewide Performance Review

With an eye toward what it learned from the public, from Mississippi's own past efforts, and from the past efforts of other states, the PEER Committee turned its attention to finding an organizing principle around which it could build a coherent vision for change. In conducting the needed background research, PEER found a theme that resonated strongly with its desire for constructive change and with the critical elements needed for improving government performance and accountability. The theme was "state governance as a single enterprise" and it came from the book *States of Transition*, edited by William D. Eggers and Robert N. Campbell III of the management consulting firm Deloitte Services LLP.⁶

The theme of this statewide performance review is that a state should not be managed as a loosely knit confederation of agencies, boards, commissions, and programs but rather managed as a single enterprise.

The authors observe that a state should not be managed as a loosely knit confederation of agencies, boards, commissions, and programs but rather managed as a single *enterprise*-one in which employees, technology, business processes, and resources are networked across agencies to provide the state's residents with effective and efficient services. The concept of "enterprise" applied to government brings into focus many of the elements the PEER Committee believes are needed for an effective government in the twenty-first century.

The Committee chose to focus its statewide performance review report on possibilities for improving the administrative areas of government activity that undergird the work of all state agencies:

- information technology;
- budgeting and accountability;
- human resources management; and,
- procurement and asset management.

⁶ William D. Eggers and Robert N. Campbell III, eds., *States of Transition: Tackling Government's Toughest Policy and Management Challenges* (Canada: Deloitte Development, LLC., 2006), 16.

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The Committee reasoned that to suggest ways to improve state government's overall administrative structure would provide the additional benefit of an overarching conceptual framework for organizing any later efforts designed to look specifically at service structures.

The Committee reasoned that to suggest ways to improve state government's overall administrative structure first would provide the additional benefit of an overarching conceptual framework for organizing any later efforts designed to look specifically at service structures of enterprise government from a functional perspective. To this end, each chapter of this report contains "Opportunities for Change" sections representing PEER's ideas for implementing enterprise government improvements within Mississippi state government. As stated in the Foreword on page vii, it is the Committee's hope that these ideas will stimulate serious and creative thinking among legislators, as well as executive branch leadership, and result in better service to the citizens.

Exhibit 1: Top Ten Critical Elements Needed for Improving Government Performance and Accountability

1. Leadership is critical to any performance improvement effort. In order for any effort to improve the core institutions of government to be successful, bipartisan leadership of both the legislative and executive branches must agree on the form and content of the proposed change and support its implementation.
2. A state-level strategic planning process should be in place to allow governmental leaders to view government as a whole and to set the agenda for interrelated strategic and operational planning at the agency level.
3. States should implement and take full advantage of the benefits of a well-planned and responsive information technology effort, integrating automated government operations where possible.
4. Government should efficiently manage financial and program performance information, since such information provides the basis for identifying needed performance improvement efforts and for measuring change.
5. The budget process can and should be a foundation element in any move toward improving efficiency and accountability in government.
6. "Right-sizing" of government can be a valid concept when approached with a careful eye toward customer service, an efficient shared services system, and appropriately vetted privatization efforts.
7. "Right-sizing" of government should include not only the efficient offering of programs and services, but the assurance of appropriate levels of state and local political representation in the policymaking process. This may include periodic review of the size and type of representative bodies and the number of elected offices required to address the business of the state efficiently.
8. Asset management (e. g., equipment, buildings) should be a foundation element in any governmental accountability process.
9. Two important questions to be answered relative to any government improvement effort are: Does this make government more transparent to the public? Does this improve service to our citizens?
10. Performance improvement requires follow-through. States should provide for ongoing review efforts in order to generate lasting economy and efficiency measures.

SOURCE: PEER analysis.

Chapter 2: The Enterprise Model: A New Way to Think About Government

Key Ideas in Chapter 2:

- In enterprise government, resources would be networked across agencies to achieve an optimal balance of central control and efficiency, while remaining responsive to each agency's goal of optimal delivery of services.
- Unlike the private sector, profit or loss is not the main criterion for success or failure in the public sector. Instead, the public sector seeks to meet broad social objectives such as improving the quality of the environment, protecting public health, or providing goods and services that are not in the private sector's interest to provide.
- One of the hallmark values of any representative government is service to its citizens. Customer service must be reflected in the way government plans for and monitors its efforts to meet the varying needs and preferences of its constituent citizens.
- Currently, Mississippi state government does not have a formal system for improving customer service and lacks a directed emphasis to collect and analyze the data needed to serve as a basis for improving customer service.
- To achieve the benefits of a more customer-oriented service structure, Mississippi state government must harness the wisdom of its customers to improve decisionmaking, must allow agencies to work together to deliver shared outcomes, must customize programs to address diverse needs, and must improve efficiency without diminishing access.

Opportunities for Change: Customer Service

- Mississippi government needs a uniform system that will allow state agencies to assess customer satisfaction. Without proposing a specific model at this time, PEER wishes to highlight the importance of considering the use of a centralized customer service model, at the statewide level or at the agency level, as a basis for improving customer service efforts.

Chapter 2: The Enterprise Model: A New Way to Think About Government

The Deloitte Study: Government as an Enterprise

Difficult times (i. e., an economic downturn) may offer some of the best opportunities for a significant shift in thinking about how to run state government.

As noted in Chapter 1, the general message found in the Deloitte book *States of Transition* is that state government officials and personnel need to be open to a fundamental change in the way we think about and carry out the core responsibilities of government. It is a basic contention of the Deloitte study that, while there may be much to be gained in improving existing systems and structures from a functional perspective, real progress in governmental efficiency and effectiveness is contingent on seeing state government as a single enterprise rather than “a loose-knit confederation of agencies, boards, commissions and programs.”⁷ Further, the authors would argue that, contrary to what one might think, difficult times may offer some of the best opportunities for such a significant shift in thinking.

This point is best illustrated by the following advice offered by Deloitte to states facing an economic downturn. It captures in a succinct way the possibilities of the enterprise model for the statewide performance review and the future of government in Mississippi:

- Take advantage of the economic downturn to drive state transformation.
- Address cost savings strategically across the state enterprise with actions such as:
 - strategic sourcing;
 - shared services;
 - enterprise technologies; and,
 - statewide revenue management.
- Plan now for addressing legacy issues constraining performance, such as:
 - unfunded pension liabilities;
 - Medicaid reform;
 - transportation infrastructure; and,

⁷ Eggers and Campbell, *States of Transition*, 16.

- education performance.
- Invest in financial management tools and analytics to guide timely future action.
- Build rainy day funds as the economy turns back.

Such advice contains exciting challenges and interesting possibilities that attracted the PEER Committee's thinking. The concept of "state governance as a single enterprise" proved to be an anchor point in the Committee's thinking about opportunities for change.

From "Silo" to Enterprise

If one looks at government as a whole, one can see administrative inefficiencies in the form of duplication and overlap across departments.

When we think of state government and its service structures, our thoughts turn immediately to key departments and functions (e. g., the departments of Transportation, Mental Health, Environmental Quality). This is only natural, since that is the way we have traditionally thought about and organized programs and services to meet the needs of citizens. It simply made sense to attach resources and responsibility to a particular agency of government when faced with a problem needing attention.

The larger problem, however, is that this "silo" approach (i.e., keeping units separate with their own budgets and hierarchies and focusing on their own service or delivery specialty) in some ways fragments our thinking about administrative efficiency. If one looks at government as a whole, one can see administrative inefficiencies in the form of duplication and overlap across these departments, especially regarding issues such as human resources, procurement, or use of technology.

In enterprise government, resources would be networked across agencies to achieve an optimal balance of central control and efficiency, while remaining responsive to each agency's goal of optimal delivery of services.

An enterprise model would direct us to look differently at how we manage government, recognizing that we can achieve greater efficiencies, for example, in these administrative areas by breaking down certain boundaries among the various departments of government and thinking about them in terms of the needs of the state as a whole. Also, in areas of specific functional responsibility, a department would begin to think of its service potential not only in terms of its own programs, but also in terms of the relevant programs of other agencies or even programs outside of government.

An enterprise model would guide us to revise our thinking about government as a collection of agencies and programs, each needing a full complement of free-standing administrative support, in favor of thinking about government as a single enterprise in which resources are networked across agencies to achieve an optimal balance of

central control and efficiency, while remaining responsive to each agency's goal of optimal delivery of services. So modeled, Mississippi would become a single enterprise designed around the idea of meeting the service needs of its citizenry in the most efficient manner possible.

To be possible, much less to be effective, enterprise government must be supported by key elements. Strong, focused leadership from both the executive and legislative branches is essential, as is emphasis on quality statewide strategic planning and information gathering, a well-grounded and verified accountability system that includes performance milestones and outcome-oriented goals, a true customer service orientation in all areas of service (whether it be direct service to citizens or service in support of an agency mission), supporting enterprise-wide technologies, and uniform business processes and practices.

Beyond "Government Should Run Like a Business"

Unlike the private sector, profit or loss is not the main criterion for success or failure in the public sector.

Hopefully, this shift in the way we think about Mississippi government would not be a shift to the overly simplistic and underdefined idea that "government should run like a business." It is important to recognize there are key differences in the two environments. Unlike the private sector, profit or loss is not the main criterion for success or failure in the public sector.⁸ Instead, the public sector seeks to meet broad social objectives such as improving the quality of the environment, protecting public health, or providing goods and services that are not in the private sector's interest to provide. These objectives are somewhat ambiguous and therefore harder to specify and measure success.

The public sector seeks to meet broad social objectives such as improving the quality of the environment, protecting public health, or providing goods and services that are not in the private sector's interest to provide.

Although a public organization may be portrayed as being less efficient because of political presence and the absence of competition, public organizations are charged with ensuring fairness, openness, and accountability to the general public because government belongs to its citizens. The private sector may lack these requirements, allowing one individual or small group to make important decisions quickly without input from those affected. In the public sector of a democratic society, many groups and individuals have access to the decision process. Honoring the Constitution and other democratic imperatives makes managing government far more challenging than a comparable private sector organization.⁹

⁸ R.B. Denhardt and J.V. Denhardt, "The New Public Service: Serving Rather than Steering," *Public Administration Review* 60, no. 6 (2000): 554.

⁹ Dwight Waldo, *The Administrative State: A Study of the Political Theory of Public Administration*, 2d ed. (New Jersey: Holmes and Meier, 1948), 12-13.

In an article published in a 2000 issue of the *Public Administration Review*, Robert Denhardt and Janet Denhardt noted:

The public interest is better advanced by public servants and citizens committed to making meaningful contributions to society rather than by entrepreneurial managers acting as if public money were their own...public administrators have accepted the responsibility to serve citizens by acting as stewards of public resources (Kass 1990), conservators of public organizations (Terry 1995)...catalysts for community engagement (Denhardt and Gray 1998; Lappe and DuBois 1994) and street level leaders (Vinzant and Crothers 1998). This is a very different perspective than that of a business owner focused on profit and efficiency.... Values such as efficiency and productivity should not be lost, but should be placed in the larger context of democracy, community, and the public interest.¹⁰

The enterprise vision provides a framework for maximizing the efficiency and productivity of Mississippi state government while serving the unique values of the public sector. While the application of good business practices to the business-type functions of government (e. g., procurement, information technology) is an important component of the enterprise model, viewing government as an enterprise is much more.

While the application of good business practices to the business-type functions of government (e. g., procurement, information technology) is an important component of the enterprise model, viewing government as an enterprise is much more.

“Enterprise government” is a way of thinking about government as a whole, using well-defined planning, reporting, and accountability systems to direct and share resources in ways that help government meet its service goals across a wide-ranging and diverse spectrum of need that depends on government action. Unlike business, the state does not always have the option of closing inefficient or “unprofitable” operations that are a drain on the overall health of the corporation.

Mississippi may be viewed as and may function like any major enterprise. It is not too big or too complex to benefit from such “out of the box,” future-oriented thinking. Our resources are such that we cannot afford that any be wasted. Creating an enterprise vision of Mississippi government is the PEER Committee’s goal for this review. It will not be an easy task to implement such a vision nor will all of its elements be warmly received, but, again, it is a task worth pursuing. It is the PEER Committee’s opinion that we must seize this opportunity to change fundamentally the way we think about and operate state government in the twenty-first century.

¹⁰ Denhardt and Denhardt, *The New Public Service*, 554.

Service to Citizens: A Hallmark of Enterprise Government

One of the hallmark values of any representative government is service to its citizens. Customer service must be reflected in the way government plans for and monitors its efforts to meet the varying needs and preferences of its constituent citizens.

The effort that underlies the enterprise approach to government must include a basic agreement on the core values of the institution itself. What is it that we want government to do? What are our performance expectations in getting the job done? Answering questions such as these allows us to incorporate what we value and what must be changeless into our concept of enterprise. Without a clear definition of our core values and the benchmarks for success, we do not have the important boundaries and guideposts in place to consider our choices and parameters for the future.

Enterprise government may be about change, but not at the cost of sacrificing what we value most in our representative democracy. Core values describe the essential beliefs and principles of a person, group, or institution. As we alter our thinking about how government can function to be more efficient and effective, we must keep an eye on these core values. If a proposed change threatens the viability of a core value, we are not moving the enterprise in a healthy direction.

One of the hallmark values of any representative government is service to its citizens. We believe that governments exist to protect and to serve. They represent our common interests and concerns and provide for an orderly system of laws by which we can all live and prosper. Service to citizens, or *customer service*, to use the term most frequently associated with private enterprise, should be a “catch phrase” for any government agency or program. But customer service must be more than just a phrase; it must be reflected in the way an agency plans for and monitors its efforts to meet the varying needs and preferences of its constituent citizens. Further, under an enterprise model, the definition of “customer” extends beyond service to citizens to include the service that one agency can provide another in meeting service goals. Again, as stated earlier in this report, an agency of government must view its service potential not only in terms of its own programs, but also in terms of the relevant programs of other agencies or even programs outside of government. In a similar vein, a control agency must not only exercise its control responsibilities with due diligence, it must also keep a focus on how it can help those agencies under its control best meet their documented service needs.

In the foreword to a Deloitte study entitled *One Size Fits Few: Using Customer Insight to Transform Government*, Greg Pellegrino, Managing Director, Global Public Sector Industry, Deloitte Touche Tohmatsu, captured the essence of optimal customer service strategies for government when he said, in part:

Leading governments are improving customer service by developing personalized customer service strategies that meet the varying needs and preferences of their citizens. They understand that some families have very complex needs that require considerable attention, some businesses just want to comply with government measures and keep their interactions to a minimum, and there are individual citizens who just want to be left alone. Governments are finding that they can have the best of both worlds—personalized service delivery and reduced operational costs.¹¹

The purpose of the balance of this chapter will be to provide an overview of an enterprise view of customer service and to provide basic insight into how Mississippi might bring the core value of customer service into sharp focus as a key component of any performance improvement effort.

How Customer Service Can be the Key to Enterprise Government

Deloitte holds the view that a key to improving the efficiency and effectiveness of programs is to understand customer experience, analyze customers' needs and desires, and base changes to service models on improving customer experience in light of the knowledge gained.

Throughout this report, the PEER Committee has focused on the need to change fundamentally the way we think about government, breaking down the “silos” of thinking of departments and programs separately in favor of thinking about government as a functional whole. One issue that resonates well with this approach to government is the issue of customer-focused or customer-oriented service structures. The Deloitte Research Institute, a chief proponent of customer-focused service structures, holds the view that a key to improving the efficiency and effectiveness of programs is to understand customer experience, analyze customers' needs and desires, and base changes to service models on improving customer experience in light of the knowledge gained.

Again, in *One Size Fits Few*, Deloitte highlights the importance of a customer service orientation to government as the basis for substantial cost savings, even in difficult economic times. It is during such hard times that government can use the benefits of sound customer service data to reduce costs without negatively affecting service delivery. Knowing a customer's needs allows one to tailor service delivery to those needs much more efficiently than could be done through traditional retrenchment methods.

¹¹ Tiffany Dovey and Dan Helfich, *One Size Fits Few: Using Customer Insight to Transform Government*, Foreword by Greg Pellegrino (Canada: Deloitte Research, 2008), 1.

To achieve the benefits of a more customer-oriented service structure, Mississippi state government must harness the wisdom of its customers to improve decisionmaking, must allow agencies to work together to deliver shared outcomes, must customize programs to address diverse needs, and must improve efficiency without diminishing access.

However, PEER would point out that bringing customer-focused service structures to government might not be as easy as it sounds. States have expended large amounts on efforts to improve customer service through the application of technology, ranging from customer relationship management technology to e-government, but these efforts have often fallen short of expectations. Why? Because these efforts have generally changed operations to take advantage of the benefits of technology to deliver defined services, but they have not changed the way organizations view their customers or the way employees behave toward customers. Fundamental change must occur in the way government views the customer's role in defining and maintaining service structures if an enterprise model is to work.

To paraphrase the Deloitte study, in order to achieve the benefits of a more customer-oriented service structure, Mississippi state government must harness the wisdom of its customers to improve decisionmaking, must allow agencies to work together to deliver shared outcomes, must customize programs to address diverse needs, and must improve efficiency without diminishing access.

In order to be in a position to take advantage of the benefits of improved customer service, the Deloitte study recommends that government adopt a customer experience life-cycle approach to service and deliver a superior experience to its customers by:

- analyzing who its customers are;
- investing significant time up front understanding what customers want and how they want it delivered; and,
- evaluating on an ongoing basis how well it is identifying and meeting its customers' needs and preferences.¹²

The benefit of adopting a customer experience life-cycle approach is that it is built around an understanding of what customers need and value; time and resources are not wasted on initiatives that do not actually benefit the customer. Also, the dynamic nature of the approach allows government to learn from its successes and failures and refine its strategy in real time.

Mississippi's Current Customer Service Environment

The customers of Mississippi state government interact with state agencies in various ways to receive services. They may physically go to a state agency office or contact state government through telephone, e-mail, direct mail, or

¹² Dovey and Helfich, *One Size Fits Few*, 24.

Currently, state government does not have a formal system for improving customer service and lacks a directed emphasis to collect and analyze the data needed to serve as a basis for improving customer service.

visit agency websites or the Mississippi state government website (www.ms.gov). However, currently state government does not have a formal system for improving customer service and lacks a directed emphasis to collect and analyze the data needed to serve as a basis for improving customer service.

At present, although agencies may receive complaints regarding the services they provide and businesses and professions they regulate, there is no uniform system for capturing or analyzing the data for use in improving the customer service orientation of the state. While individual agencies may track information on the number of customer complaints filed and the resolution of complaints, no effort is made to track or compile the information on the state as a whole. If such data were collected and analyzed, it could assist the Legislature in determining the quality of services delivered to customers, identifying areas in need of improvement, and making informed decisions about program resources and priorities.

Opportunities for Change: Customer Service

Mississippi government needs a uniform system in place that will allow state agencies to assess customer satisfaction with government services according to, at least, the following criteria:

- timeliness;
- accuracy;
- knowledge/competence;
- courtesy;
- availability; and,
- fairness.

Building a system for improving customer service is an overarching issue that will require significant additional input from existing state agencies and officials to be viable. However, without proposing a specific model at this time, PEER highlights the importance of considering the use of a centralized customer service model, at the statewide level or at the agency level, as a basis for improving customer service efforts. (See Appendix C, page 181, for a discussion of the elements of a centralized customer service model.)

Generally, in states' performance review reports, some type of central customer service office is given responsibility for implementation and oversight of a statewide customer service system. (See Appendix D, page 184, for descriptions of selected customer service efforts in the public sector.) The office is generally staffed with a customer service director and customer service representatives to oversee and assist agencies in development of an action plan and to

provide training to customer service coordinators designated at the agency level. The customer service office is also responsible for holding periodic meetings with agency coordinators to provide an opportunity for sharing information and best practices and to provide an opportunity to invite subject matter experts in various areas of customer service to conduct training workshops.

Building a system for improving customer service is an overarching issue that will require significant additional input from existing state agencies and officials to be viable.

While such a centralized model offers the potential for constructive change, PEER again stresses that additional work should be done to understand the advances in technology and thinking that could underpin a shift to an enterprise model of government and that could truly reap the benefits of a customer-focused service structure. Additional bureaucracy is not necessarily the answer; we must truly understand the customer service information needed for decisionmaking, the program and service implications of a customer-informed enterprise model, and the implied changes in the service provider network and the way such a process should be managed across government for maximum impact. Only then can we revolutionize the customer service experience for our citizens and reap the benefits of a more efficient, effective service continuum.

Chapter 3: Strategic Planning

Key Ideas in Chapter 3:

- If prepared correctly, strategic plans have the potential to be important assets and beneficial for an organization by focusing on results as opposed to activities, providing a framework for decisionmaking, emphasizing action over reaction, limiting crisis-driven decisionmaking, and increasing employee involvement and communication.
- Although Mississippi requires each agency to complete a five-year strategic plan that is included as an addendum to the budget request, the state does not have a statewide strategic plan.

Opportunities for Change: Strategic Planning

- The Governor, in cooperation with the Joint Legislative Budget Committee, should develop and implement a strategic plan for the State of Mississippi. As included in the State of Texas's strategic plan, Mississippi's strategic plan should include a statewide vision, mission, and philosophy and statewide goals and benchmarks. Once developed, state agencies and institutions should be required to conform their individual strategic plans to the state's strategic plan to ensure cohesion and uniformity of effort in accomplishing the state's goals.

Chapter 3: Strategic Planning

If prepared correctly, strategic plans have the potential to be important assets and beneficial for an organization by focusing on results as opposed to activities, providing a framework for decisionmaking, emphasizing action over reaction, limiting crisis-driven decisionmaking, and increasing employee involvement and communication.

Strategic planning is the foundation of an enterprise approach to government. A state-level comprehensive plan informs the planning processes at both departmental and program levels. As will be discussed later in this report, strategic planning draws on a comprehensive management information system that monitors progress toward goals and informs decisionmaking during both good and lean times.

Strategic planning has been recognized as a potentially important part of state government operations for years, whether it is at the program, agency, or statewide level. Also utilized in the private sector, strategic planning can be an effective tool used to forecast multiple years in advance what consequences today's decision will have on the entity.¹³ If prepared correctly, strategic plans have the potential to be important assets and beneficial for an organization by focusing on results as opposed to activities, providing a framework for decisionmaking, emphasizing action over reaction, limiting crisis-driven decisionmaking, and increasing employee involvement and communication.¹⁴

For a strategic plan to be useful to decisionmakers, it must cover the entire organization (in this case, state government) and must include a time frame in which to measure success and progress, as well as a defined mission and vision in which to establish the agency's purpose and standards for success. It is the strategic plan that allows government to adjust appropriately to the need for change without fragmenting its efforts or losing its focus.

The "hierarchical" process that should be used in strategic planning, according to the Urban Institute, begins with a statewide strategic plan, or agency strategic plans if a statewide plan does not exist, and ends with program and project plans. This hierarchical structure, called *vertical alignment*, means that "the goals or benchmarks set forth in the state plan drive the agency strategic plans, and the goals set in the agency strategic plans drive division plans, and so forth through program and project planning."¹⁵

¹³ Blaine Liner et al., *Making Results-Based State Government Work* (Washington, D. C.: Urban Institute, April 2001), 5.

¹⁴ Robert Kreitner, *Management*, 4th ed. (Boston: Houghton Mifflin Company, 1989), 143.

¹⁵ Blaine Liner, Pat Dusenbury and Elisa Vinson, *State Approaches to Governing-for-Results and Accountability* (Washington, D.C.: Urban Institute, December 2000), 11.

Due to the relationship between strategic planning and performance measurement, the two processes are more effective when completed together.

As PEER noted in its recent review of the Department of Mental Health's strategic planning (Report #511, *Planning for the Delivery of Mental Health Services in Mississippi: A Policy Analysis*), a strategic plan lays out an organization's vision, mission statement, critical success factors, core competencies, values, goals, strategies, and actions for objectives (i. e., a means by which to achieve the organization's mission, vision, and goals), prioritized implementation schedules, and reliable measures with which to determine the success of the organization in achieving its goals.

The strategic plan should also address the following key factors identified by the Baldrige National Quality Program's Criteria for Performance Excellence:

- *the organization's strengths, weaknesses, opportunities, and threats;*
- *early indications of major shifts in technology, markets, customer preferences, competition, or the regulatory environment;*
- *long-term organizational sustainability; and,*
- *the ability to execute the strategic plan.*¹⁶

In addition, "[m]easures and indicators of projected performance might include changes resulting from. . .new legislative mandates, legal requirements, or industry standards."¹⁷

Strategic planning can be used at the program level for areas such as workforce development in human resources and is the first step in performance-based budgeting. As stated by the Urban Institute:

*. . .[s]trategic planning looks ahead toward desired goals; performance measurement looks back at achievements. . . .The strategic plan defines the performance to be measured, while performance measurement provides the feedback that keeps the strategic plan on target.*¹⁸

Due to this relationship between strategic planning and performance measurement, the two processes are more

¹⁶ Baldrige National Quality Program, *Criteria for Performance Excellence*, 10-11.

¹⁷ Baldrige National Quality Program, National Institute of Standards and Technology, U. S. Department of Commerce, *Criteria for Performance Excellence* (Washington, D.C.: 2008), 12.

¹⁸Pat Dusenbury, *Governing for Results and Accountability, Strategic Planning and Performance Measurement* (Washington, D.C.: Urban Institute, August 2000), 1.

effective when completed together, as opposed to when they are performed separately or when only one is utilized.¹⁹ Strategic plans identify the key areas of concern for each agency and performance should be measured in these areas to determine whether the desired outcome has been achieved. In order to attain results, strategic planning and performance measurement must be integrated.²⁰

Mississippi does not have a statewide strategic plan.

Currently, Mississippi requires each agency to complete a five-year strategic plan that is included as an addendum to the budget request (see discussion beginning on page 56). These plans do not conform to an overall state vision and the agency's goals and benchmarks are set by the agency itself, with little input from the Legislative Budget Office or Department of Finance and Administration. Strategic planning and performance-based budgeting are fragmented processes in Mississippi and therefore this state is not taking advantage of the potential benefits that these processes have to offer.

Opportunities for Change: Strategic Planning

The Governor, in cooperation with the Joint Legislative Budget Committee, should develop and implement a strategic plan for the State of Mississippi. As included in the State of Texas's strategic plan,²¹ Mississippi's strategic plan should include the following components:

1. Statewide vision, mission, and philosophy:
 - Vision***—an inspiring view of the preferred future;
 - Mission***—a concise statement of the basic purpose and role of Mississippi state government; and,
 - Philosophy***—a statement of the core values and principles underlying Mississippi state government service.
2. Statewide goals and benchmarks:
 - Statewide goals***—general ends toward which the state directs its efforts; and,
 - Statewide benchmarks***—specific performance indicators and targets used to assess progress at the statewide level in achieving statewide goals.

Once developed, state agencies and institutions should be required to conform their individual strategic plans to the

¹⁹ Dusenbury, *Governing*, 7.

²⁰ Dusenbury, *Governing*, 7.

²¹ Texas Governor's Office of Budget, Planning and Policy and Legislative Budget Board, "Instructions for Preparing and Submitting Agency Strategic Plans, 2009-2013" (Austin, 2008), 5.

state's strategic plan to ensure cohesion and uniformity of effort in accomplishing the state's goals.

Chapter 4: Information Technology

Key Ideas in Chapter 4:

- The Department of Information Technology Services' present level of control of information technology purchasing has made the state subject to inefficiencies and loss of economy of scale, as well as disparate information technology directions, philosophies, and implementations.
- Each entity purchases and maintains its own information technology (IT) "empire," largely independent of the other state entities. Although some entities may do a good job of long-range IT planning, designing, and implementing, many may have difficulty executing their information technology goals successfully.
- Entities that use the Statewide Automated Accounting System to process their expenditures spent \$89.4 million on information technology services and products in FY 2008.

Opportunities for Change: Information Technology

- The Legislature should task the present Department of Information Technology Services with analyzing the feasibility of restructuring the state's information technology services to include the following components:
 - a strong Chief Information Officer;
 - a Project Portfolio Office that plans and approves large IT projects for the state entities;
 - a Project Management Office that actually manages large IT projects for the state entities;
 - a Deputy CIO that manages the daily activities within ITS;
 - an enterprise architecture that defines the recommended hardware and software available for purchase by state entities; and,
 - all of the shared services currently provided by ITS to the state entities, plus new shared services such as e-mail; uniform web sites; and router, switch, and firewall software maintenance.

Chapter 4: Information Technology

Under an enterprise model, government becomes an information-intensive endeavor guided by state-level strategic planning, as discussed in Chapter 3. In *States of Transition*, the authors note that “information technology is a key enabler for enterprise transformation initiatives.”²²

The authors observe that state information technology operations and infrastructure must be often reviewed and reengineered to create the necessary foundation for delivering the desired performance and efficiency.

This chapter reviews the status of Mississippi’s information technology services. The chapter also suggests opportunities for change that could move Mississippi closer to an enterprise government model.

Information Technology Services in Mississippi Government

The Department of Information Technology’s present level of control of information technology purchasing has made the state subject to inefficiencies and loss of economy of scale, as well as disparate information technology directions, philosophies, and implementations.

MISS. CODE ANN. Section 25-53-1 et seq. (1972) created the Mississippi Department of Information Technology Services and enumerated the powers and duties of the department. In creating the department, the Legislature declared that there should be cooperation and cohesive planning and effort by and between state agencies so that Mississippi could receive the maximum use and benefit from information technology (IT) services.

Before the advent of personal computers, the Legislature had created the former Central Data Processing Authority to control mainframe and “mini-computer” purchases and to operate a mainframe computer center, a computer network, and a telephone system in the Capitol Complex. This gave Mississippi an early and exemplary start in controlling the creation of computer centers within the state agencies.

With the proliferation of personal computers that began in the late 1980s and the creation of the state’s Department of Information Technology Services (ITS) to replace the Central Data Processing Authority, control of computer purchasing devolved somewhat to the entities as dollar limits requiring ITS approval gradually increased. Exclusions began to appear, with the community and junior colleges and the judicial branch of state government being largely excluded by Attorney General opinions from ITS’s oversight and control. Statutes largely exclude the Public Employees’ Retirement System and the Department of Employment Security from such oversight. Thus the state may now

²² Eggers and Campbell, *States in Transition*, 290.

again be subject to inefficiencies and loss of economy of scale, as well as disparate information technology directions, philosophies, and implementations.

Weaknesses in Mississippi's Information Technology Services

PEER began its analysis of Mississippi state government's information technology function by making a list of inefficiencies and problems affecting IT in state government as a whole. The items on the list fell into the following broad categories:

- duplication of services;
- failed projects;
- lack of uniformity and standards;
- entities with either too few or too many information technology positions;
- inadequate training; and,
- a weak enterprise vision.

Each entity purchases and maintains its own information technology "empire," largely independent of the other state entities. Although some entities may do a good job of long-range IT planning, designing, and implementing, many may have difficulty executing their information technology goals successfully.

In addition to the items listed above, another major weakness with Mississippi's current information technology services is the problem of multiple infrastructures. The distributed nature of information technology in Mississippi state government means that every state agency, community and junior college, and institution of higher learning has its own information technology infrastructure. These infrastructures usually include desktop computers for each employee, more powerful computers to act as file servers, other computers to act as e-mail servers, possibly other computers to act as e-mail server backup, computers to act as database servers, and the usual plethora of software needed to make these computers useful. Some entities also have additional portable computers for employee checkout for business outside the office.

Currently, some entities have developed strong, flexible information technology departments. Some entities have a sufficient number of qualified information technology staff, some entities do a good job of long-range planning, and some entities are able to design and implement new projects. However, for each entity that accomplishes its information technology goals efficiently and successfully, there is another that might not be able to do so.

Another concern with regard to information technology services is that large hardware and software projects are often very expensive to purchase and implement. Very often large projects are ones that affect state government as a whole, not just one entity.

The Financial Impact of Information Technology on State Government

The state of Mississippi is a large enterprise that depends on information technology to make it function. For example, the entities that use the Statewide Automated Accounting System to process their expenditures spent \$89,409,690 on information technology services and products in FY 2008 (see Exhibit 2, below).

Entities that use the Statewide Automated Accounting System to process their expenditures spent \$89.4 million on information technology in FY 2008.

This total does not include expenditures for telecommunication services or IT-related travel. Also, it does not include expenditures of the community and junior colleges or institutions of higher learning because they use their own disparate accounting systems and their data is not readily available. Expenditures of this magnitude should be managed and coordinated to prevent waste and duplication. As described in "Opportunities for Change" on page 40, a strengthened ITS, led by a strong Chief Information Officer, should be able to ensure that the state of Mississippi receives maximum benefit from its information technology investment.

Exhibit 2: State Agencies' Information Technology-Related Expenditures, FY 2008

IS Professional Fees - Outside Vendor	\$8,558,758
IS Professional Fees - ITS	2,694,746
Installation of IS and Telecommunications Hardware - ITS	5,182
Installation of IS and Telecommunications Hardware - Outside Vendor	8,380,492
IS Training/Education - Outside Vendor	386,984
IS Training/Education - ITS	448,659
Service Charges to State Data Center	17,308,261
Data Entry Service	850
Internet or Application Service Provider and other Outsourced IT Services	4,852,821
Software Acquisition and Installation	11,811,128
Rental of IS Equipment - Outside Vendor	131,017
Off-site Storage of IS Software and Data	89,151
Maintenance/Repair of IS Equipment - Outside Vendor	4,074,370
IS Software Maintenance - Outside Vendor	14,523,026
Information Systems Equipment	15,776,986
Lease-Purchase - Information Systems Equipment	367,261
Total	\$89,409,690

IS=Information Systems

SOURCE: PEER analysis of SAAS information.

Opportunities for Change: Information Technology

The problem with making a list of issues to be “fixed” is that the list could include issues that, once corrected within a narrow context, might introduce new inefficiencies or incompatibilities in a larger context. Therefore, instead of making a list of inefficiencies to be remedied in a piecemeal fashion, a new information technology governance model that specifies who has authority to make information technology decisions and provides a framework that creates a more efficient information technology environment should be considered.

The model should make it possible to set goals for the state as a whole, to assure that those goals will be met, to cross entity boundaries in order to achieve efficiency, and to overcome personal agendas. The model should help clarify and define entities’ information technology strategies, what hardware and software should be used, which solutions should be implemented, how much a given solution is worth to the state as a whole, and who should deliver the solution.

State entities are entitled to expect more from a revamped ITS. ITS should make several commitments to the state entities that are its customers:

- customer service will be improved;
- lead times for service requests will be lowered;
- times to perform services will be as fast as possible;
- costs will be as low as possible;
- cooperation with the entities will be maximized; and,
- action to solve problems will be swift and decisive.

If all of these issues are refined, formalized and put into action, then the state of Mississippi should benefit from better information technology for less money.

The Legislature should task the present Department of Information Technology Services Authority (i. e., Board of Directors) with analyzing the feasibility of restructuring the state’s information technology services to include the following components:

- a strong Chief Information Officer;
- a Project Portfolio Office (PPO) of three or four ITS employees that plans and approves large IT projects for the state entities;
- a Project Management Office (PMO) of four or five ITS employees that actually manages large IT projects for the state entities;

- a Deputy CIO that manages the daily activities within ITS in order to free the CIO to concentrate on the “big picture” of IT in state government;
- an Enterprise Architecture that defines the recommended hardware and software available for purchase by the state entities;
- all the existing shared services currently provided by ITS to the state entities, such as a mainframe computer center, telecommunications, consulting, planning, and education; and,
- some shared services to be provided by ITS that the state entities must use, such as e-mail; uniform web sites; and router, switch, and firewall software maintenance.

Information Technology Services Governance

A five-person board of directors known as the Information Technology Services Authority currently oversees the Department of Information Technology Services and information technology in general for state government. The Governor appoints the members of the authority for staggered five-year terms. This authority has served its purpose well and should continue in its present form.

Strong Chief Information Officer

The proposed Chief Information Officer would have final authority over information technology decisions involving state funds for all state agencies, community and junior colleges, and the institutions of higher learning.

In order to make information technology as efficient as possible, the ITS Authority should appoint a Chief Information Officer (CIO) to serve the state as a whole and to lead the Department of Information Technology Services.

The CIO would have final authority over information technology decisions involving state funds for all state agencies, community and junior colleges, and the institutions of higher learning. The previously described exclusions from ITS purview for the Public Employees’ Retirement System, the Department of Employment Security, the judicial branch of state government, the community and junior colleges, and the institutions of higher learning should be removed from statute or clarified in statute in order to achieve maximum economy and efficiency for the state of Mississippi. It would be difficult to imagine how oversight and control of information technology expenditures could harm any state agency, community or junior college, or institution of higher learning.

Historically, the institutions of higher learning have been accorded broad discretion in the expenditure of self-generated funds and community and junior colleges are

considered to be components of local government. However, the efficient and effective use of state funds under an enterprise model dictates that the state oversee all IT expenditures by entities that are heavily reliant on state funds regardless of the funding source. Consequently, both community and junior colleges and institutions of higher learning should be required to consent to oversight of all IT procurements with any type of funding as a pre-condition to the receipt of any state-appropriated funds or bond funds.

While the doctrine of separation of powers ensures that core functions of the separate branches of government may not be violated or impaired by other branches of government, PEER strongly suggests that the Legislature and the judiciary consent to guidance from ITS for the procurement of IT equipment and services.

Likewise, the Public Employees' Retirement System should also be required to receive approval of any IT procurements as a pre-condition to receipt of any appropriated funds. While the doctrine of separation of powers ensures that core functions of the separate branches of government may not be violated or impaired by other branches of government, PEER strongly suggests that the Legislature and the judiciary consent to guidance from ITS for the procurement of IT equipment and services.

The CIO should concentrate on the "big picture" of information technology in state government. The CIO would work with information technology departments in all state entities to ensure that information technology for state government runs smoothly and that everyone is working toward the same goal, which is to make information technology lean and efficient and to yield maximum benefit from state tax dollars.

The CIO would also lead the information technology planning effort and ensure that all state entities participate fully. Agencies and educational institutions would cooperate with the CIO and acknowledge that all information technology departments are part of a larger whole.

The CIO should have authority to approve all large information technology projects as defined by the Legislature or the ITS Authority.

The Legislature would define "large project" or delegate that responsibility to the ITS Authority. A reasonable starting point might be \$500,000, which would provide the CIO with authority to approve all large information technology projects. Since the state has limited dollars to spend, the CIO would decide which projects constitute the best use of these limited dollars. Entities would obtain the CIO's approval before requesting an appropriation for a large information technology project. If the CIO approves a project, the Legislature would be assured that the CIO has reviewed and approved the project. PEER proposes that all budget requests for large information technology projects be required to include a statement of approval signed by the CIO. Additionally, the CIO could be asked to rank approved projects according to their value to the state to help legislators make budget decisions. For example, one project might be approved as vital to an entity or the state as a whole and must be implemented by the end of the next fiscal year, while another might be designated as approved

by the CIO if the necessary funds and legislative backing are present.

Exhibit 3, below, presents three problems that a CIO must help solve in order to view Mississippi government as an enterprise.

Exhibit 3: Three Problems that a Chief Information Officer Must Help Solve

Currently it is impossible to answer the following questions with even a moderate level of confidence. Therefore, the CIO should take the lead in determining answers.

- *What is the total value of personal computers on state inventory?* The state inventory system administered by the State Auditor's Office should be capable of answering the question of how many personal computers the state owns and their purchase price. However, in reality, there are fifty-seven descriptions of computers in that system. The property officers in the agencies must choose one of these descriptions when adding a personal computer to the inventory. It is possible that the same type of personal computer could be added to the inventory system by five different agencies using five different descriptions. It is also likely that even the same agency would use different descriptions over the years for the same personal computer. The same situation exists for all computer-related items such as printers and scanners. There are fifty-three printer descriptions and twenty-seven scanner descriptions in the inventory system.

The office of the CIO should provide the State Auditor's Office with a more concise but complete list of computer descriptions that would enable the CIO to know what computer hardware the state owns. Subsequently, the State Auditor's Office should implement the new descriptions and allow only these new descriptions to be used for inventory additions and provide training for the agencies on using the new descriptions. It might take five years to clear the old descriptions from the inventory system, but eventually state policymakers should be able to know the value of personal computers on state inventory.

- *How many IT workers are employed by the state?* This question would be possible to answer if one knew all the applicable occupation codes in the Statewide Payroll and Human Resource System (SPAHRs) administered by the State Personnel Board. At the end of June 2008, the SPAHRs database included forty-four IT occupation codes with at least one employee in each. The SPB should streamline the IT-related occupation codes and develop model career paths for IT workers using input from the office of the CIO.
- *Do entities have computers that they could transfer to other entities?* Some entities make a good faith effort to find new uses for their old computers, but many old computers meet a premature death at the Department of Finance and Administration's Office of Surplus Property. If the CIO were to direct ITS staff to design and implement a database of information on surplus computers and require entities to enter descriptions and specifications of their surplus computers into this database, then the state could extend the useful life cycle of many computers. This could obviate the need to purchase new computers and help the environment at the same time.

SOURCE: PEER analysis.

Project Portfolio Office to Plan and Approve Large IT Projects

The job of the proposed Project Portfolio Office (PPO) would be to know what every large completed project, every large in-progress project, and every large in-planning project is designed to accomplish. This should help avoid duplication of software.

In order for the CIO to know what projects deserve approval and funding, the CIO should create a Project Portfolio Office (PPO). This group of three or four employees would report directly to the CIO.

The job of the PPO would be to know what every large completed project, every large in-progress project, and every large in-planning project is designed to accomplish. In other words, the CIO would know what projects have been approved and funded in the past and what projects state entities want to spend tax dollars on in the future. The idea would be to avoid duplication that might occur if two different state entities were to buy or develop a similar piece of software.

The PPO would also discover similar projects and try to combine them. For example, if Agency A were to buy fifty licenses for a particular database in January and in the following October Agency B made a request to license sixty copies of the same or a similar database, the PPO would see the similarities, consult with Agency B about its options, and try to save state funds by convincing Agency B to purchase licenses for the database package already chosen by Agency A, thus lowering the cost per license for both Agency A and Agency B if the database vendor offers a discount when more than one hundred licenses are purchased by the same entity.

The PPO would also ensure that projects that are presented to it for approval align with the entity's and the state's long-range information technology plans. An unplanned project would have to endure special scrutiny and likely face disapproval until properly thought out and planned.

Project Management Office to Manage Large IT Projects

The purpose of the proposed Project Management Office would be to manage actively all the information technology projects defined as "large" that are approved, funded, and then initiated.

The CIO would also create and supervise a Project Management Office (PMO) of four or five ITS employees. The purpose of the PMO would be to manage actively all the information technology projects defined as "large" that are approved, funded, and then initiated. In this case, "manage" implies actions such as establishing a set of project deliverables with a timeline, ensuring adherence to the timeline, obtaining progress reports from the implementers, making progress reports to the CIO, removing obstacles to successful project completion, and enforcing terms of a contract or other agreement. All project managers in the PMO would either be certified project managers or in training to become certified. The CIO would determine the best certification method for the employees of the PMO. If an entity could justify to the CIO that it needed and could afford its own project manager,

the CIO might designate that entity's certified project manager to manage that entity's projects. If the CIO were to lose confidence in the designated project manager, then the CIO would have the option of not using that project manager for future projects.

The PMO would also develop a methodology that could be used by entities to manage smaller projects that would not meet the threshold for PMO management. ITS should provide training classes in this project management methodology.

Deputy CIO to Manage the Agency

Since the CIO would often be out of the office actively interacting with agency, community and junior college, and institutions of higher learning information technology departments, ITS would need a deputy to the CIO who would manage the day-to-day affairs of the agency. This would involve performing managerial duties such as supervising personnel, approving accounting documents, and budget preparation, which are typically tasks that an agency head normally performs. The idea is to free the CIO to build coalitions and agreements with state entities.

Enterprise IT Architecture

The CIO's office would develop an Enterprise IT Architecture for the state. An Enterprise Architecture would specify the information technology products and services that would be part of the overall statewide "ecosystem." As an example, if a zoo decides to create an environment to represent an African savannah, it would not make sense to display a polar bear in that exhibit. Similarly, if the CIO consults with entities and decides on an approved database in the Enterprise Architecture, then an entity would not be allowed to purchase and use a competing database product.

One result of Enterprise Architecture would be that state employees would be trained and experienced in using the same products across entities.

One of the functions of the information technology purchasing group would be to make sure that only approved products are purchased. An Enterprise Architecture would simplify and clarify the function of information technology purchasing because the list of approved products would be published. Vendors would also be aware of the Enterprise Architecture and thus propose only products that had been approved.

Enterprise Architecture would also result in having state employees that are all trained and experienced in using the same products across entities. This would enable an entity to assign its excess workforce temporarily to another entity to help implement a project and meet the project deadlines. Since Enterprise Architecture takes an enterprise view of the state, entities would be encouraged and empowered to

work together toward a common goal of efficient, cooperative government.

Shared Services

Shared Services Already in Place

ITS currently provides and should continue to provide the following shared services:

- mainframe computer center;
- telecommunications;
- software consulting;
- long-range IT planning; and,
- education.

Although ITS currently provides several types of shared services that save state IT dollars, PEER proposes that the department provide additional shared services in the areas of e-mail, uniform web site development and implementation, and networking software maintenance.

These five services represent examples of economy and efficiency measures already in use and saving state IT dollars. The development of the large mainframe computer center has prevented the creation of agency computer centers with similar capabilities. One large computer center shared among the agencies is the kind of effort that the state should seek to implement in other areas of IT. Having one telecommunications provider in the Capitol Complex also helps to achieve uniformity of services and infrastructure. Software consulting makes it easy for agencies to contract with a known entity that is likely to already possess expertise and experience in the vagaries of state government. Long-range planning forces entities to think and prepare for their future, even when they really prefer to do something else with their limited staff power. Education is another shared service that enables agencies to purchase affordable training classes for their employees without having to pay for lodging and travel expenses for distant classes. These are all shared services that work for the betterment of IT in the state.

In order to strive toward additional efficiency and economy of scale, ITS should implement and require agencies to use the following new shared services:

- e-mail;
- uniform web site look and feel; and,
- networking software maintenance.

Shared Services for E-Mail

In some ways, ITS already provides e-mail shared service. ITS operates multiple mail servers that work in conjunction with each other to provide fast and safe e-mail services to the agencies. All e-mail messages coming into the ITS

servers are scanned for spam and viruses. If spam or viruses are found, the message or its attachment is quarantined and a designated agency contact is notified via an e-mail message. Having multiple mail servers makes e-mail services more reliable. Providing spam and virus checking means that each agency does not have to buy, install, and maintain this software itself. Up to this point, economy and efficiency are maximized.

However, agencies are allowed to have their own mail servers that receive and send agency e-mail to and from the ITS mail servers. The ITS mail servers act as "relays" and thus effectively shield agency mail servers from the dangers of the Internet. Agencies want to install their own mail servers because it allows them to make changes very quickly instead of contacting an e-mail administrator at ITS and requesting the change. Agencies can add new employees, remove old employees, set up e-mail aliases, and start or stop e-mail forwarding without waiting three or four days for ITS to do it for them. Agencies can search their e-mail logs to solve delivery problems. Agencies want and need quick turnaround and control of their e-mail services.

ITS should add enough mail servers and personnel to provide direct e-mail service to all the state agencies. The agencies should repurpose their existing mail servers and use the ITS mail servers instead.

The inefficiency is introduced because each agency with its own mail server and backup mail server is paying for server room space and electricity; operating system and e-mail software; and maintaining staff power to keep the software updated and the hardware repaired. ITS records from its Domain Name System (DNS) servers indicate that there are about one hundred and forty agency e-mail servers in the "state.ms.us" and "ms.gov" domains relaying their e-mail to and from the ITS mail servers. Even if some of the one hundred and forty Domain Name System entries are out of date or unused, this still represents duplication and waste. ITS should add enough mail servers and personnel to provide direct e-mail service to all the state agencies. The agencies should repurpose their existing mail servers and use the ITS mail servers instead. The disadvantages for the agencies would be a monthly charge per mailbox used (unless a different funding mechanism can be devised), a loss of control, and delayed implementation of e-mail changes. ITS must strive to eliminate these disadvantages so that the entities will want to use the ITS e-mail services.

Shared Service for Web Site Development

A uniform web site look and feel for state agency web sites probably would not save money or make agencies more efficient. However, a uniform web site look and feel would enforce the concept that all the agencies are working together as part of a larger whole. The agency web sites of today are diverse and contain no elements to identify them as part of the same state government. As a corollary, the agencies should transact as much of their business as

possible on the web. Having information, forms, and simple transactions available on the web would save web-browsing taxpayers both time and money. This implies that ITS would provide the web servers, data backup, Internet bandwidth, and software tools to empower agencies to carry out this task. Therefore, ITS should design and enforce a uniform look and feel for all agency web sites.

Shared Service for Networking Software Maintenance

ITS should employ sufficient certified networking professionals to perform updates and installations for the entities.

Networking software maintenance is an area in which the state could achieve cost avoidance. ITS already highly recommends a certain brand of network switches, routers, and firewalls. Therefore, the state owns a lot of that brand of equipment, but its arcane Internetworking Operating System (IOS) requires expensive training to become proficient and additional training and tests to be certified. For example, ITS recently notified agency contacts of a specific outside vendor-provided training class at a cost of \$2,994 per person for a five-day class. Thus state agencies are faced with the option of spending appreciable sums to train an employee or pay a contractor to perform software updates and modifications. ITS should employ sufficient certified networking professionals to perform these updates and installations for the entities. The software updates can usually be done remotely over the network. By providing this service, ITS would be keeping the state network safe from attacks coming from the Internet and saving money for agencies.

(See page 147 for additional discussion of shared services and page 69 for additional discussion of databases and systems used for budgeting and accountability purposes.)

Chapter 5: Budgeting and Accountability

Key Ideas in Chapter 5:

Budgeting and Performance Measurement

- Given the current and future economic condition of the country and Mississippi, it is incumbent upon the Governor, Legislature, and state agency managers to ensure that Mississippi's scarce financial resources are expended in the most efficient and economical manner possible.
- Through enactment of performance-based budgeting in 1994, the Legislature established a budgeting process that, if fully implemented and utilized, should achieve the goal of ensuring that Mississippi's scarce financial resources are expended in the most efficient and economical manner possible. However, the act has not been fully implemented as intended.
- Conditions such as limited technology and analysis capacity, a reduced emphasis on the process envisioned in state law, and unrealistic expectations for changing the political process are still factors that are surely to affect future reform efforts.

Financial and Human Resources Management Systems

- Mississippi is severely limited in meeting new functional requirements for its financial and human resources management information system, including federal and state mandates.
- MAGIC (Mississippi's Accountability System for Government Information and Collaboration) is Mississippi's pursuit of an Enterprise Resource Planning solution. MAGIC conceptually calls for implementation of a fully integrated solution to address the state's administrative needs.

Grants Management

- After dissolution of the Division of Federal-State-Local Programs in 1989, there was no longer a uniform process regarding the procurement and management of federal grants and the state presently lacks a central registry of grants received.
- The vision of Grant Operation and Lifecycle Solution (GOALS) is to establish a comprehensive, enterprise-wide automated grants management and reporting system integrated with the state's financial system to help managers administer grant programs more efficiently and make better-informed decisions.

Auditing and Fiscal Oversight

- Low staffing levels and high turnover in the Department of Audit's Financial and Compliance Audit Division have resulted in a decreased experience level of audit staff and reduced institutional knowledge to use in forming auditor judgment.
- Of the nineteen agencies required by state law to establish an internal audit function, thirteen have done so. Most of the eight internal audit functions PEER reviewed focus on reviewing agency programs rather than on reviewing and testing the internal control structure of the overall agency.
- State law requires that internal audit plans be reviewed and approved by the agency's executive director. As a result, the internal auditor's freedom to determine the internal controls tested and programs reviewed may be limited by the executive director.

Opportunities for Change: Budgeting and Accountability

Budgeting and Performance Measurement

- In order to improve Mississippi's implementation of performance-based budgeting and enhance the state's budgeting process, the Legislature should consider implementing the following:
 - a biennial budget;
 - collecting meaningful agency performance information;
 - true performance monitoring and reporting;
 - training in performance measurement;
 - state agency incentives; and,
 - publishing performance information for the public.

Financial and Human Resources Management Information Systems

- The Department of Finance and Administration should continue its efforts to develop a comprehensive Enterprise Resource Planning (ERP) solution to Mississippi's current and future financial and human resources management information needs.

Internal Audit

- A Division of Internal Audit should be established within the State Auditor's Office and each agency internal audit director and internal audit staff should report to the Director of the Division of Internal Audit. Such a reporting structure would improve the independence of the internal audit function.

Performance Review Analysts

- PEER proposes that a new type of internal auditor, Performance Review Analysts (PRAs), perform independent reviews of performance measures.

Performance Audit

- The Performance Audit Division of the State Auditor's Office should be transferred to the Legislative Budget Office and should develop and implement the Performance Review Analyst function.

Chapter 5: Budgeting and Accountability

As has been previously stated, one of the overarching purposes of the statewide performance review is to challenge citizens and state officials to begin thinking about government in a different light. The proposed model is to think of the state of Mississippi as an enterprise, facing the same fiscal and resource challenges as any other major enterprise, either public or private in nature. To do so, greater efficiency and accountability must be achieved in management of the core responsibilities of government.

As has been outlined in the previous two chapters, two major keys to finding these efficiencies are a strategic planning process and state-of-the-art information technology services to support the collection and analysis of detailed management information. In this chapter, the PEER Committee takes a closer look at three specific core systems that will require improvement if the state is to reap the benefits of change:

- budgeting and performance measurement;
- financial and human resources management systems; and,
- auditing and fiscal oversight.

In broad terms, these three core functions allow managers to translate plans into action by defining the critical flow of resources needed to achieve a goal, accounting for those transactions, reporting results, and auditing where necessary to complete the needed feedback loop to perfect the planning process.

Mississippi's Financial Condition

Mississippi's total budget increased from approximately \$12.8 billion in FY 2005 to approximately \$19 billion in FY 2009, a 48% increase. While general fund appropriations increased by approximately 39%, federal funds received by the state increased by 75% over the same period. A portion of each fiscal year's budget is dedicated to the payment of outstanding principal and interest of debt issued to finance economic development projects, capital construction, revolving loan programs, and grant programs.

As of March 1, 2008, the state had outstanding general obligation debt (principal only) of approximately \$3.5 billion. Section 115, paragraph 2 of the MISSISSIPPI CONSTITUTION of 1890 limits the amount of debt the state may incur by stating "neither the State nor any of its direct agencies, excluding the political subdivisions and other

local districts, shall incur a bonded indebtedness in excess of one and one-half (1½) times the sum of all the revenue collected by it for all purposes during any one of the preceding four fiscal years, whichever year might be higher.”

To mitigate the impact of economic fluctuations on state revenues, most states have established budget stabilization funds, commonly referred to as “rainy day funds.”

Established in MISS. CODE ANN. Section 27-103-203 (1972), the balance in Mississippi’s “Working Cash-Stabilization Reserve Fund” can contain a maximum of 7½% of the total general fund appropriations for the current fiscal year. For example, the maximum balance in the state’s rainy day fund would be approximately \$375 million based on the FY 2009 general fund appropriations of approximately \$5 billion.

According to the Center on Budget and Policy Priorities, thirty-seven states (including Mississippi) face budget shortfalls for the current fiscal year.

As noted in the Foreword to this report, according to the Center on Budget and Policy Priorities, nearly all states are facing a great fiscal crisis. Thirty-seven states, including Mississippi, face budget shortfalls for the current fiscal year. Budget shortfalls are already projected in twenty-eight states, again including Mississippi, for next fiscal year. In the first half of 2008, most states experienced flat or declining revenues relative to the previous year. Many states have already cut spending, used reserves, or raised revenues, or plan to take one or more of these actions, in order to balance their budgets.²³

Mississippi has not been immune to the country’s current economic climate. For example, general fund revenues for the first quarter of FY 2009 were \$23.8 million, or 2.11% below the revenue estimate. Governor Haley Barbour’s office projected that Mississippi could miss its revenue estimate by more than \$100 million for FY 2009. As a result, on November 12, 2008, Governor Barbour imposed spending cuts of approximately 2% for most state agencies.

Budgeting and Performance Measurement

Given the current and future economic condition of the country and Mississippi, it is incumbent upon the Governor, Legislature, and state agency managers to ensure that Mississippi’s scarce financial resources are expended in the most efficient and economical manner possible.

According to the National Conference of State Legislatures, the state budget process is central to the administration of state government. Legislatures use the budgeting process to allocate resources, set policy, and lay the foundation for future planning and program review. According to the

²³ Elizabeth McNichol and Iris J. Lav, “State Budget Troubles Worsen,” Center on Budget and Policy Priorities, <http://www.cbpp.org/9-8-08stp.htm>.

National Association of State Budget Officers, the process used to develop the state budget has important implications on the final outcome. The authorities and restrictions on those who develop the budget influence each state's ability to achieve policy and funding objectives within the budget.

Most states, including Mississippi, use a budget method that is incremental—previous appropriations are increased or decreased by small increments. Due to ongoing funding requirements, a large portion of the previous year's budget is assumed to be committed. Incremental budgeting tends to produce budget documents that include detailed information by line item.

Status of Performance-Based Budgeting in Mississippi

Through enactment of performance-based budgeting in 1994, the Legislature established a budgeting process that, if fully implemented and utilized, should achieve the goal of ensuring the state's scarce financial resources are expended in the most efficient and economical manner possible.

Through enactment of performance-based budgeting in 1994, the Legislature established a budgeting process that, if fully implemented and utilized, should achieve the goal of ensuring that Mississippi's scarce financial resources are expended in the most efficient and economical manner possible. *Performance-based budgeting* is a budgeting process that links revenues to activities and programs. This allows public officials and managers to monitor more closely whether a specific department or program is meeting its goals from a fiscal and performance perspective. Performance-based budgeting also allows the budget to be used as a management tool. (See Exhibit 4, page 54, for definitions of terms associated with performance-based budgeting.)

In response to recommendations included in a 1992 study of the state's budgeting process conducted by the Joint Legislative Budget Committee, the Legislature passed the Mississippi Performance Budget and Strategic Planning Act of 1994. The act, codified at MISS. CODE ANN. §27-103-151 et seq. (1972), requires a performance-based budgeting process in Mississippi and requires the following:

- Beginning with FY 1996, appropriation bills for each state agency or institution shall include performance targets for each performance measure established annually by the Legislature.
- The Department of Finance and Administration shall provide accounting system services to each agency to allow both program expenditures and performance measurement data to be maintained and reported in such form and detail as required by the Joint Legislative Budget Committee.
- Beginning with FY 1995, the Legislature shall make available funds for the employment of such persons as may be required to conduct an evaluation of the

actual performance accomplishments of each agency and its programs in comparison to the targeted performance levels established within the appropriation bill for each agency and its programs.

- Beginning with FY 1996, the Legislative Budget Office and the Department of Finance and Administration shall review the five-year strategic plans submitted by each agency as an addendum to its budget request and make copies available to the Legislature for review and consideration.
- The Department of Finance and Administration is authorized and directed to establish an innovation incentive program whereby agencies that develop and implement innovative cost saving measures can receive both public commendation and monetary reward in recognition of their efforts.

This section of the report will provide the status of performance-based budgeting in Mississippi as a step in assessing the adequacy of available information systems needed to support an enterprise model of government.

Exhibit 4: Terms Used in Performance Based-Budgeting

Performance-based budgeting is a budgeting process that links revenues to activities and programs.

- ***Strategic Planning:*** the process of setting long-range, future-oriented goals for the agency. Strategic planning should take into consideration the agency's mission, the agency's resources, and all external factors affecting the agency's ability to meet targeted outcomes. A strategic plan should address issues that are of interest to the public served and should focus on results rather than efforts. This planning should identify goals and outcomes that have been targeted for achievement. Strategic planning should be done at all levels of the agency and should include input from citizens who are served by the agency when possible.
- ***Performance Measures:*** quantifiable, enduring measures of outcomes, outputs, efficiency, or cost-effectiveness. Performance measures are typically related to an agency's mission and programs and do not measure one-time or short-term activities.
- ***Program outcomes:*** measurable results of funding certain activities within a program. Performance can be determined by comparing actual outcomes to targeted outcomes of the agency.
- ***Program outputs:*** goods and services provided by an agency. Output measures are the means of quantifying the goods and services provided by an agency. The number of clients/customers served or the number of items processed/produced are used to identify program outputs.
- ***Program efficiencies:*** ratios that identify the effectiveness or productivity of a program. Cost per unit of goods or services is used to identify program efficiencies. The amount of time to complete a task could also be used to measure productivity.

SOURCE: "Budget Instructions/Forms" (Legislative Budget Office and Department of Finance and Administration, June 2, 2008); *A Review of Performance-Based Budgeting in Mississippi* (State Auditor's Office, December 15, 2003).

State's Auditor's Assessment of Mississippi's Performance-Based Budgeting

Two reports issued by the Performance Audit Division of the State Auditor's Office note that the Mississippi Performance Budget and Strategic Planning Act of 1994 has not been fully implemented as intended.

Although the act was passed to reform Mississippi's budgeting process to require performance-based budgeting, two reports issued by the Performance Audit Division of the State Auditor's Office note that the act has not been fully implemented as intended. (Former State Auditor Phil Bryant and current State Auditor Stacey Pickering issued reports entitled *A Review of Performance-Based Budgeting in Mississippi* on December 15, 2003, and February 15, 2008, respectively.)

The State Auditor found several deficiencies in the implementation of the act. First, the State Auditor found problems with the development of performance measures and targets by state agencies. Although state law requires that performance targets be established annually by the Legislature and be based upon the funding level authorized for each agency within its appropriation bill, the State Auditor found that agencies set their own performance targets and submit them to the Legislative Budget Office for approval. Without annual evaluations of performance measures for accountability purposes, the risk exists that performance targets will be developed simply to satisfy the law, with little practical use to the Legislature. The State Auditor concluded that:

...[s]imply maintaining performance measures and targets in each agency's appropriations bill is not sufficient to achieve the results the law intended. The law currently in place maintains the potential to be extremely effective if implemented in its entirety; however, implementing only portions of the law will not yield results consistent with those originally envisioned.²⁴

In addition, the State Auditor concluded that the cost-savings incentives program authorized in statute has not been fully utilized. Similar programs have been used in other states and have met with success.

PEER notes that although agencies may receive a monetary award under the program, individual employees may not be compensated. The Attorney General opined, in Opinion No. 2003-0426, that "we find no language in Section 27-103-157 which indicates an intent to authorize individual employees to receive monetary awards." In addition, Section 66 of the MISSISSIPPI CONSTITUTION prohibits a "law granting a donation or gratuity in favor of any person or object [to] be enacted except by the concurrence of two-thirds of the members elect of each branch of the Legislature, nor by any vote for a sectarian purpose or use." Therefore, state

²⁴ Mississippi State Auditor's Office, *A Review of Performance-Based Budgeting in Mississippi*, Report #79 (Jackson, 2003), 14.

employees may not receive a reward that constitutes a “bonus” under this section.

Finally, the State Auditor noted a lack of training for state agencies on four key areas in performance-based budgeting: adequate long-term planning, measurement and reporting, evaluation, and budgeting. Training would provide agencies with a better understanding of how performance-based budgeting works, as well as how to develop and evaluate performance measures.

Ultimately, the State Auditor recommended fully implementing all sections within the act.

PEER’s Assessment of Mississippi’s Performance-Based Budgeting

The PEER Committee also has knowledge of the utility of the information provided by the current budgeting system through use of this information in planning and conducting performance evaluations and expenditure reviews across a wide range of state programs.

Texas is frequently cited as having a model budgeting process.

In assessing the status of performance-based budgeting in Mississippi, PEER chose to compare Mississippi’s budgeting process with that of Texas. Given its long history with performance-based budgeting, Texas is frequently cited as having a model budgeting process by organizations such as the United States Government Accountability Office (GAO), Florida Office of Program Policy Analysis and Government Accountability, and Mississippi State Auditor’s Office. (See Appendix E, page 188, for a description of the Texas performance-based budgeting model.)

While Mississippi’s performance-based budgeting process has many of the attributes of the Texas model, Mississippi’s process has not been fully implemented.

According to the State Auditor’s December 2003 report, the performance-budgeting system currently in place in Texas is called the Strategic Planning and Performance Budgeting System (SPPB). This system is described as a mission- and goal-driven, results-oriented system that combines strategic planning and performance budgeting in Texas into the state’s appropriations process. The primary purpose of the system is to allow the state’s funding decisions to be made based on whether state agencies are accomplishing expected results.

While Mississippi’s performance-based budgeting process has many of the attributes of the Texas model, Mississippi’s process has not been fully implemented. The following section assesses Mississippi’s performance-based budgeting process with regard to strategic planning, performance budgeting, and performance monitoring.

The Status of Strategic Planning within Mississippi’s Budgeting System

As noted previously, Mississippi requires each agency to complete a five-year strategic plan that is included as an addendum to the budget request. According to MISS. CODE

ANN. §27-103-129 (1) (a) through §27-103-129 (1) (e) (1972), strategic plans should contain at least the following information:

- a comprehensive mission statement;
- performance effectiveness objectives for each program of the agency for each of the five years covered by the plan;
- a description of significant external factors that may affect the projected levels of performance;
- a description of the agency's internal management system utilized to evaluate its performance achievements in relationship to the targeted performance levels; and,
- an evaluation by the agency of the agency's performance achievements in relationship to the targeted performance levels for the two preceding fiscal years for which accounting records have been finalized.

In the selected strategic plans reviewed by PEER, inconsistency existed in the level of continuity and the value of the strategies, goals, and outcome measures developed by the agencies. The following problems were found, but may not be universal to all agencies.

- Vision and mission statements contained ideas and phrases that were vague or ill-defined.
- Strategic plans failed to provide performance measures that could be monitored and assessed throughout the five-year period in order to be beneficial in the budgeting process.
- Goals were not linked back to the overall mission of the agency and were not developed into clear strategies that could be measured to ensure compliance.

In addition, the elements of the plans did not build on each other to provide the reader with an overall picture of the performance targets of the agency and the method for achieving those targets.

The Status of Performance Budgeting within Mississippi's Budgeting System

MISS. CODE ANN. Section 27-103-129 (1) (1972) requires that budget requests for Mississippi agencies contain "a definition of the mission of the agency, a description of the duties and responsibilities of the agency, financial data relative to the various programs operated by the agency and performance measures associated with each program of the agency," as well as other information. Also, MISS. CODE ANN. Section 27-103-113 (1972) requires the "overall balanced budget" (i. e., the annual *Legislative Budget Report*) prepared by the Legislative Budget Office to contain

performance measurement data associated with the various programs operated by each agency. (See Exhibit 4, page 54, for a glossary of terms used in performance-based budgeting.)

In the strategic plans and appropriation bills reviewed by PEER, performance measures and targets could not be traced from one document to another.

Performance measures may be found in an agency's budget request, strategic plan, and appropriation bill. However, in the strategic plans and appropriation bills reviewed by PEER, performance measures and targets could not be traced from one document to another. Unlike Texas, agency strategic plans did not contain the same goals, objectives, and strategies from the budget request to the strategic plan, and ultimately, the appropriation bill. If a question arose pertaining to a performance measure in an agency's appropriation bill, the strategic plan does not necessarily provide insight into the connection between the performance targets and the goals and mission of the agency.

Another problem that exists is the lack of change in performance measures in an agency's budget request over time. For example, performance measures for the Mississippi Department of Education have changed minimally since measures were required in 1996, despite a change in the department's programs over the years.

For accountability purposes, adequate performance targets and baseline data from the previous year should be provided to the public with information on programs that work, and those that are not meeting targets, throughout the state.

Also, while several appropriation bills reviewed by PEER included a projected increase for each performance measure, the bills PEER reviewed did not include a baseline for the projected increase. Although, for example, an agency projected a raise in performance for a program to be two percent, the reader is not aware if the target is realistic or attainable in the time allotted. Does the agency need to raise the current rate of 30 percent to 32 percent or 98 percent to 100 percent? For accountability purposes, adequate performance targets and baseline data from the previous year should be provided to the public with information on programs that work, and those that are not meeting targets, throughout the state.

In Texas, an appropriation bill is structured around the agency's performance measures, goals, and strategies. While the Texas Legislature appropriates funds by strategy, the Mississippi Legislature appropriates funds at the program level. In Mississippi, not all appropriation bills contain performance measures for agency operations.

The Status of Performance Monitoring within Mississippi's Budgeting System

MISS. CODE ANN. §27-103-155 (1972) required the Legislature to make funds available, beginning with FY 1995, for the "employment of such persons as may be required to conduct an evaluation of the actual performance accomplishments of each agency and its

programs in comparison to the targeted performance levels established within the appropriation bill for each agency and its programs." To date, no persons have been employed specifically to evaluate agencies' compliance with performance measures.

Mississippi's law does not require agencies to explain variances for each performance target.

While agencies report performance measure information to the Legislative Budget Office biannually, Mississippi, unlike Texas, does not require agencies to provide an explanation for variances in performance targets. (Texas requires agencies that vary from their performance targets by 5% or more to explain such variances.) Targets should be attainable within the specified period. Mississippi's law does not require agencies to explain variances for each performance target. In addition, agency performance measures and internal controls have not been evaluated by an outside agency in Mississippi. In Texas, several agencies, including the Legislative Budget Board and State Auditor's Office, are utilized to provide oversight regarding the accuracy of agency performance measures and the adequacy of the agency's internal controls.

Legislative Support for Budgeting Change in Mississippi

Changing Mississippi's budgeting process to conform fully to the types of procedures used by Texas would require both executive and legislative support and recognition. The information contained in the strategic plans, budget requests, and appropriation bills in Texas and other states has been used in tight budget years when budget reductions have been made.

With consistent input from constituents and stakeholders, performance measures would reflect what the "customer" of the state agency expects the agency to accomplish and would therefore likely remain consistent regardless of a change of elected officials.

During the appropriations process, performance measurement data is useful when assessing which programs are achieving performance targets and which programs could be eliminated or restructured based on poor performance. The Legislature could determine what an agency is doing with its funds by looking at the performance targets and would not have to rely on testimony from the agency as to the success of new initiatives. Funds could be reallocated based on the needs of a program and the probability of attaining the set performance targets. For all of this information to be useful, the performance-based budgeting process requires legislative support and an understanding with state agencies that performance measures and targets will be used in the budgeting process.

Involvement from the Legislature, state agencies, and the public would help to ensure that performance measures selected would be sustained through changing administrations. With consistent input from constituents and stakeholders, performance measures would reflect what the "customer" of the state agency expects the agency

to accomplish and would therefore likely remain consistent regardless of a change of elected officials.

Benefits of Performance-Based Budgeting for Legislators, State Agencies, and the Public

Legislators, state agencies, and constituents could all potentially benefit from a fully implemented performance-based budgeting system. According to the National Conference of State Legislatures (NCSL), performance information has the potential to provide the following results:

For the Legislature:

- Enable legislators to ask state agencies the right questions about their responsibilities—about both past performance and expected future results.
- Encourage program management to recognize the need to focus on results and the program’s accountability for results.
- Indicate that the Legislature is serious about considering service outcomes.
- Provide useful information about state programs that can be communicated easily and clearly to constituents.
- Enable legislators to ask meaningful questions about politically sensitive programs without being misinterpreted as opposition.
- Help identify areas for potential budget reductions, increases or reallocations, including identifying the estimated consequences of such changes.
- Provide a clearer link between appropriations and actual services provided.
- Identify programs and agencies that are seeking similar outcomes, thereby drawing such inter-relationships to the Legislature’s attention. Such situations create a need for coordination and sorting out the activities and responsibilities. Common goals and responsibilities then can be addressed.
- Improve oversight of state programs and policies.

For State Agencies

- Push state employees to focus on the goals and desired outcomes of their programs.
- Make clear which programs work and which ones do not.

- Improve decisions about whether to “privatize” a service or return a privatized service to state administration by providing information about both the past quality and the costs of the service.

To Improve Communication with Constituents:

- Provide objective evidence on outcomes of agency activities that inform the political debate.
- Assist legislators to develop policies by providing objective information about current conditions.
- Enhance state strategic planning efforts by encouraging a long-term focus on results.
- Provide legislators with objective information with which to address constituents’ questions and concerns.
- Provide information directly related to constituent concerns (citizen-focused outcomes), enabling improved constituent service and increasing citizen confidence that the Legislature is addressing citizen concerns.²⁵

In order for performance information to be beneficial, performance-based budgeting needs to be fully implemented, with performance information flowing from strategic plans to performance monitoring.

Officials in Texas contend that state agencies can benefit from performance information by using “performance information to better manage their services and to market themselves to both the decision-makers at the Capitol and to the public they serve.”²⁶ NCSL also notes that the Legislature can use performance information to garner an overall picture of an agency’s performance and can be used as a guide to set priorities within the agency.²⁷ In order for performance information to be beneficial to the Legislature, state agencies, and constituents, performance-based budgeting needs to be fully implemented, with performance information flowing from strategic plans to performance monitoring.

Obstacles and Challenges to Performance-Based Budgeting

Full implementation of performance-based budgeting continues to face obstacles and challenges in Mississippi. Initially, agencies reportedly were reluctant to undertake performance-based budgeting, fearing it would make them more vulnerable in the budget process. While Mississippi has not fully implemented performance-based budgeting,

²⁵ National Conference of State Legislatures Fiscal Affairs, *Legislating for Results* (Denver: NCSL, 2004), <http://www.ncsl.org/programs/fiscal/legix4result.htm>.

²⁶ John Barton, e-mail message to PEER, August 5, 2008.

²⁷ Ronald K. Snell, “Lessons Learned: What Experience Teaches About Performance-Based Budgeting and Reporting,” National Conference of State Legislatures (August 2000), <http://www.ncsl.org/programs/fiscal/perfbudg/pbblessons.htm>.

Conditions such as limited technology and analysis capacity, a reduced emphasis on the process envisioned in state law, and unrealistic expectations for changing the political process are still factors that are surely to affect future reform efforts.

this fear is likely to re-emerge should the Legislature push for a more direct connection between performance measures and appropriations.

At present, the agency response to performance-based budgeting remains mixed. Some agencies find utility in performance measurement, seeing the direct value of strategic planning and performance monitoring to improving agency management, regardless of its ultimate tie to budgets and appropriations. Others have been marginally compliant, especially when negative outcomes are involved. Interest has waned and public sentiment is not as visible in the process. Conditions such as limited technology and analysis capacity, a reduced emphasis on the process envisioned in state law, and unrealistic expectations for changing the political process are still factors that are surely to affect future reform efforts. In summary, fourteen years after passage, the full benefits of performance-based budgeting have not been realized.

While focused, consumer-oriented government that holds itself accountable to the taxpayers is a laudable objective, several caveats emerge which, if not properly addressed, will continue to be critical to the success of accountability efforts like the Performance Budget and Strategic Planning Act of 1994. These need to be kept in mind in any effort to bring performance measurement to higher levels of significance and value in the budget process.

1. *Measurement may be abused by selecting favorable measures.* One form of abuse occurs when the best performance measure is ignored in favor of a performance measure that could yield better political results. It is easy to envision an agency selecting a performance measure toward which it can show steady progress, but does not best reflect that agency's progress in meeting a given societal need.
2. *Measurement may be abused by overstating the meaning of the results.* Measurement reporting does not analyze cause and effect. One can look at an output report and see whether output has increased or decreased, but one cannot conclude why change has occurred without conducting a detailed program review. Agencies should be allowed to submit narratives to explain their performance.
3. *Measurement requires proper training.* Measurement is a difficult science that requires formal training to be understood and used properly. The success of using measurement to improve government hinges on front-line staff being responsible for defining objectives for which they will be held accountable and developing valid measures to determine how well they have accomplished these objectives; however, extensive

training must occur for these individuals to understand the different types of measures (e. g., process versus outcome) and to select the best ones for their line of work.

4. *Measurement is only as reliable as its supporting data.* Unless some entity evaluates the accuracy of the performance data collected and the agency's interpretation of its data, agencies could create data to put themselves in a more favorable light. Without such review, agency indicators of performance may not be uniformly reliable or valid.
5. *Measurement is expensive.* The benefits of measurement must be considered in light of its cost. Performance measurement requires that systems be put into place to develop measures and capture data, to review and evaluate data, and report on the results. All of this activity is important, but requires resources.

Opportunities for Change: Budgeting

In order to improve Mississippi's implementation of performance-based budgeting and enhance the state's budgeting process, the Legislature should consider implementing the following:

- a biennial budget;
- collecting meaningful agency performance information;
- true performance monitoring and reporting;
- training in performance measurement;
- state agency incentives; and,
- publishing performance information for the public.

Biennial Budget

Some states, such as Texas and Ohio, appropriate agency budgets on a biennial basis. The off-budget year is used as a planning period to focus on performance measurement as an accountability tool. The Texas Legislature only meets biennially, while Ohio meets annually. The Mississippi Legislature could follow the Ohio example and appropriate funds on a biennial basis during even years, but continue to meet on an annual basis to implement policy legislation with shortened sessions.

One benefit of a biennial budget is that the Legislature would have the opportunity to increase oversight in the off-budget year, although a shortened session would reduce the time the Legislature has to conduct program reviews during session. According to NCSL, biennial budgeting has several benefits, such as the ability for long-term planning, more time in the off-budget year for program review and evaluation, and the process is less expensive and time-consuming, although opponents to biennial budgeting have disputed these points.²⁸ Revenue forecasting tends to be more accurate in annual budget states than in biennial budget states, but a biennial budget lends itself more to long-term planning by the agency.

According to NCSL, biennial budgeting has several benefits, such as the ability for long-term planning, more time in the off-budget year for program review and evaluation, and the process is less expensive and time-consuming.

Since strategic planning is an important first step in performance-based budgeting, time during the off-budget year for planning would help alleviate time constraints felt by agencies in the production of their budget requests. Currently in Mississippi, strategic plans are required as an addendum to an agency's budget request. Therefore, both the agency's budget and strategic plan are being developed and revised during the same period. Shortly after the Legislature approves an agency's upcoming fiscal year appropriation, which usually occurs in mid-April, the agency must begin preparing the next fiscal year's budget request for submission to the Joint Legislative Budget Committee by August 1.

Implementing a biennial budget would require cooperation from both the Legislature and the Governor on how the off-budget year would be structured. The intent of having a biennial budget to use the off-budget year for planning would not be accomplished if agency budgets are adjusted each session. Both branches would need to commit to limiting budget adjustments in the off-budget year to avoid having a biennial budget in theory but an annual budget in practice.

²⁸ Ronald K. Snell, "Annual and Biennial Budgeting: The Experience of State Governments," National Conference of State Legislatures (October 2004), <http://www.ncsl.org/programs/fiscal/annlbien.htm#point1>.

Agency Performance Information

The Legislature should ensure that all agencies' performance measures are included in appropriation bills.

In addition to the twenty-one agencies that already have performance measures included in their appropriation bills, the Legislature should ensure that all agencies' performance measures are included in appropriation bills.

The Legislature should require agencies to report on outcomes, as opposed to output measures, in the agency's strategic plan, budget request, and appropriation bill.

The Legislature should amend state law to require agencies to report on outcome measures in the agency's strategic plan, budget request, and appropriation bill. Also, state law should require that performance information be uniform throughout all three documents, although only key measures should be reported in the agency's appropriation bill. The agency's strategic plan should include the agency's strategies, goals, objectives, and performance measures that are interrelated and build off the previous element. The Legislature should be able to use the strategic plan as a supplement to the performance measures in the budget request by using the strategic plan to acquire more in-depth knowledge into the agency's programs and strategies.

The Legislature should amend state law to require performance information to be reported by strategy as opposed to program. All agency appropriation bills should contain performance targets as envisioned in law and appropriations should be made at a strategy level, similar to the method used by Texas. (See Appendix F, page 196, regarding Texas's appropriation bill.)

Agency strategic plans should encompass at least a five-year period with annual revisions, with agencies amending performance information based on changing circumstances not foreseen in the previous year. Agency strategic plans should encompass all sections required by law and agency performance measures should meet the definitions of outcome, output, etc. Performance targets should be tracked from year to year to determine compliance. In addition, agency employees should be knowledgeable as to the goals of the agency and of the contents of the strategic plans.

Rather than being submitted as addenda, strategic plans should be integrated into the agency's budget request.

Rather than being submitted as addenda, strategic plans should be integrated into the agency's budget request to provide a connection between the agency's projected outcomes and the actual results. In Florida, according to the Urban Institute, only after the agency strategic plans were linked to the budget process did "agencies take the strategic planning requirement seriously."²⁹ One of the lessons learned through Texas's implementation of performance-based budgeting, according to John Barton, manager of the Public Information and Report Production division of the Texas Legislative Budget Board, is that

²⁹ Pat Dusenbury, *Governing for Results and Accountability, Strategic Planning and Performance Measurement* (Washington, D.C.: Urban Institute, August 2000), 2.

planning must be linked to the budgeting process; “otherwise most attention is given to budgeting at the expense of planning.”³⁰

If a “strategic plan defines the performance to be measured” and “performance measurement provides the feedback that keeps the strategic plan on target,” the strategic planning and budgeting processes must coincide.³¹

Performance Information Monitoring and Reporting

Currently, agencies are required to report on performance information to the Legislative Budget Office (LBO) on a biannual basis. In order to ensure that agencies are setting realistic performance targets and are working diligently toward achieving these measures, the Legislature should adopt a performance monitoring system similar to the one used in Texas. Agencies should be required to report performance information on a quarterly basis, with a requirement that the agency provide an explanation if the performance measure varies five percent or more from the projected target.

Agencies should be required to report performance information on a quarterly basis, with a requirement that the agency provide an explanation if the performance measure varies five percent or more from the projected target.

The Legislative Budget Office should develop a web-based system in order to capture information on performance targets that agencies are required to report on quarterly. Once an agency has submitted information using this system, changes may only be made after receiving approval from LBO, with a written explanation from the agency as to why the current information has changed. Acceptable explanations would include external factors over which the agency has no control and not simply that the agency’s projection was inaccurate. Requiring explanations prior to changing already reported information could eliminate the risk that agencies might misreport performance information in order to meet the target at the end of the year.

Performance Review Analysts within the Legislative Budget Office should review agencies’ performance measures, sampling these measures on an ongoing basis.

Performance Review Analysts within the Legislative Budget Office should review agencies’ performance measures, sampling these measures on an ongoing basis. (See page 83 for more on the proposed role of Performance Review Analysts.) In addition, agency internal auditors should monitor an agency’s internal controls to ensure that performance information reported to the Legislative Budget Office is accurate. The internal auditors should also be required to retain documentation on each performance measure for the Performance Review Analysts to evaluate during their audit of the agency’s reported performance information. Performance Review Analysts should

³⁰ John Barton, e-mail message to PEER, August 5, 2008.

³¹ Dusenbury, *Governing*, 1.

determine whether the reported information could be replicated through use of this documentation.

Performance Measurement Training

Training would provide agencies with a better understanding of how performance-based budgeting works, as well as how to develop and evaluate performance measures.

Training should be provided to state agencies on four key areas in performance-based budgeting: adequate long-term planning, measurement and reporting, evaluation, and budgeting. Training would provide agencies with a better understanding of how performance-based budgeting works, as well as how to develop and evaluate performance measures. Legislators should also be trained on performance-based budgeting and the benefits of full implementation. After each election year, new incoming legislators should be provided training on performance-based budgeting and how to use performance information. The Legislative Budget Office should conduct this training.

State Agency Incentive Program

The Legislature should create a constitutional means to provide incentives to state employees who identify cost-savings methods.

State law authorizes DFA to administer an innovation incentive program for agencies to develop and implement innovative cost-saving measures. This program has had virtually no participation from state agencies. Also, the Constitution prevents individual employees from receiving incentives for developing such cost-savings ideas. In following Texas's lead, the Mississippi Legislature should create a constitutional means to provide incentives to state employees who identify cost-savings methods and DFA should advertise and implement the program.

Publishing Performance Information for the Public

The public's primary source of agency performance information is the agency's annual appropriation bill; however, the information currently contained in these bills does not give the reader a full understanding of the goals and achievements of the agency. To help strengthen accountability and credibility of state government, performance information should be published to the public in a readily accessible and understandable manner.

Mississippi should create a website that provides the public with agencies' strategic plans and performance measures, as well as reports produced by the Legislative Budget Office's Performance Review Analysts.

In Virginia, the initiative "Virginia Performs" provides its constituents with easily accessible information on agency planning and performance measures. Provided through a single web site are agency strategic plans, agency performance measures, and a management scorecard that evaluates an agency's human resources management, government procurement, financial management, technology, performance management, and resource stewardship. (See www.vaperforms.virginia.gov for more information.)

Mississippi should create a website that provides the public with agencies' strategic plans and performance measures, as well as reports produced by the Legislative Budget Office's Performance Review Analysts (see page 83 for more on the proposed role of Performance Review Analysts). Not only would citizens be able to understand how well the government is working and what their money is being used for, it would also give state agencies an incentive to meet goals and performance targets. The public would act as another layer of accountability for state agencies.

Financial and Human Resources Management Systems

According to a 2008 report entitled *Mastering Finance in Government*, "increasingly the role of the finance function in organizations is to provide the financial insights that enable leaders to navigate troubled waters." Deloitte surveyed senior government officials representing more than 200 government organizations from twenty-eight countries and found that only one-third of the government leaders believed that they possessed the financial management capabilities to address critical challenges.³²

According to the report, survey respondents identified the following four areas in which financial management today fails to serve the larger government enterprise.

- *Lack of up-to-date information for decisionmaking.* Good decision-making requires access to timely, reliable, and accurate data, including financial data. Sixty-nine percent of the public officials surveyed cited a lack of up-to-date information as either a moderate or significant barrier to improving the organization's performance.

³² Deloitte Development, LLC, *Mastering Finance in Government: Transforming the Government Enterprise through Better Financial Management* (2008), 2.

- *Poor information on costs.* More than 63% of survey respondents said that program managers do not understand the total cost of their services.
- *Incomplete understanding of the relationship between investments and outcomes.* More than half of those surveyed said that their organizations do not thoroughly understand the relationship between the investments they make in programs and the outcomes those programs produce.
- *Inadequate risk management.* Only 27% of survey respondents described their organization's capabilities in this area as having moved beyond the basic level. This deficiency increases the risks of error and fraud and can mask the actual financial health of an organization.

In summary, Deloitte observed the following regarding an organization's financial capabilities.

Finance is now strategic. The finance group's contribution must move beyond its traditional role of support function to play a key role as the enabler of the complex missions for which government leaders are increasingly responsible. Public agency excellence is no longer defined merely as effective service delivery. More than ever, public organizations are being judged by their ability to achieve difficult undertakings, to successfully implement transformational changes. To do this requires sophisticated, proactive financial management. Moreover, when governments fail in their critical financial responsibilities, it undermines public credibility, perpetuates distrust, and makes citizens question whether public agencies are capable of performing their missions. In essence, poor financial management hurts the government brand.³³

Mississippi's Current Environment

The Department of Finance and Administration (DFA), office of the Mississippi Management and Reporting System (MMRS), is responsible for the design, implementation, and maintenance of Mississippi's enterprise administrative applications. Customers of MMRS include all state agencies and include on a limited basis the institutions of higher learning, community and junior colleges, public school districts, and other governmental entities for some asset management and purchasing functions.

³³ Deloitte, *Mastering Finance*, Foreword by Greg Pellegrino, 1.

Mississippi's financial and human resources management information system contains the Statewide Automated Accounting System, the Statewide Payroll and Human Resource System, and the Mississippi Executive Resource Library and Information Network.

The applications within MMRS's purview combine to form a central repository of management information ("the System"). MMRS is under the direction of a Steering Committee comprised of the executive directors of DFA, the State Personnel Board (SPB), and the Department of Information Technology Services (ITS).

While state agencies are discrete users of the System, DFA's Office of Fiscal Management and the State Personnel Board are the primary owners of the System's functions, information, and related processes. Other entities with functional and process ownership include DFA's Office of Budget and Fund Management for appropriation implementation and budget escalations, the State Auditor's Office for asset management, DFA's Office of Purchasing, Travel and Fleet Management for certain purchasing controls and fleet management, and both ITS and SPB for other purchasing controls.

The System includes the following core applications:

- *Statewide Automated Accounting System (SAAS)*—an automated, mainframe-based, centrally controlled, and agency-discrete financial management system that includes both accounting and budget control functions. Records are maintained on both a budget and an accounting fiscal year basis. SAAS records transactions on a Generally Accepted Accounting Principles (GAAP) basis and a cash basis. The budget is controlled on a cash basis.
- *Statewide Payroll and Human Resource System (SPAHR)*—an integrated, mainframe-based, centrally controlled enterprise payroll and human resources system. SPAHR provides uniformity in the application of federal and state regulations and policies.
- *Mississippi Executive Resource Library and Information Network (MERLIN)*—an enterprise data warehouse of financial (including budget, revenue, and expenditures), payroll, human resources, travel, and property information. The data warehouse allows state agencies, government officials, and the public at large access to decision-critical information for reporting and analysis purposes. MERLIN is both web and client-server accessible.

Weaknesses of Mississippi's Current Environment

In 2006, DFA began a structured analysis of the System to determine whether it could continue to meet the state's accounting, financial reporting, and human resources management needs in the future. Although components of the System have been functional for almost twenty years, DFA concluded that:

- *Underlying technology is dated and may soon be unsupported by the technology suppliers.* SAAS was implemented as a tool for budget control and cash management in 1989 and was the first step toward true centralized administrative functions in Mississippi. SPAHRS is over eleven years old. Both systems were designed using late-1970s to mid-1980s information technology architecture.
- *The System does not support effective and descriptive reporting of financial and programmatic information.* For example, the number and types of contracts entered into by state agencies are not completely captured, nor are expenditures controlled against all contracts systematically. The System cannot segregate the accounting of federal funds versus other special funds, such as self-generated revenues. The System lacks sufficient detail to allow a descriptive analysis of purchases made by state agencies—e. g., number and types of computers, number and types of chairs.
- *Despite advances in information technology, the System is essentially paper-based.* “Wet [manual] signatures” are required for most documents, including purchase orders, invoice approvals, payment vouchers, adjustments, and receipts. There is no statewide standard for document management, so the paper flows with the transaction and must be captured by DFA or SPB, as applicable, for audit purposes. MMRS has implemented a number of “building block” functions that support electronic processing for invoices, payments, purchasing, and which support the state’s employment processes. Use of these functions is growing and has proven that errors and processing time can be reduced and better information captured in a rules-based automated workflow with electronic approvals.
- *Every application within the System has its own security controls that must be managed manually, thereby creating security risks.*
- *The System has only limited employee self-service via ACE (Access Channel for Employees).* ACE does not provide real-time access to leave balances, allow for demographic updates and benefit updates, or reporting of time and requesting of leave.
- *The System supports only limited vendor self-service.* Vendors cannot electronically maintain their contact information, register for procurement opportunities, submit invoices electronically, or check the status of invoice payments from a single access point.
- *The System is not presently configured to comply with upcoming federal vendor tax withholding requirements*

and recently enacted state transparency in government requirements.

- *Inefficiencies exist in other processes, as summarized below:*
 - While options for grant accounting presently exist in the System, no enterprise standards exist for grants management and reporting.
 - The System does not support performance based budgeting.
 - The System does not support the end-to-end process of budget planning from the lowest levels through implementation of appropriations.
 - The System does not support the purchasing rules imposed across agencies and for purchasing functions under different agency purview.
 - The System does not provide an integrated asset purchase to asset retirement process. While parts of the process are automated, the workflow is mostly accomplished on a delayed basis whereby the paper forms are moved from the purchase to payment to inventory management functions.
 - The enterprise applications in the System are inefficient, although loosely integrated, because they operate across multiple disparate operating platforms.
 - Inefficiencies are further exposed when considering the "shadow" systems maintained in agencies that support additional related functionality or even duplicate functionality that exists at the enterprise level. (For example, some agencies have procured software to serve as their internal accounting and asset assignment systems, although such functions are components of the state's System.)

Mississippi is severely limited in meeting new functional requirements for its financial and human resources management information system, including federal and state mandates.

In summary, Mississippi is severely limited in meeting new functional requirements, including federal and state mandates. Because functions are supported within many System "building blocks," changes in one "block" affect the functionality of others. Installation of new features and functions in every case requires significant rework and imposes considerable risk to stability of operations.

Proposed Restructuring of Mississippi's Current Environment

MAGIC (Mississippi's Accountability System for Government Information and Collaboration) is Mississippi's pursuit of an Enterprise Resource Planning solution. MAGIC conceptually calls for implementation of a fully integrated solution to address the state's administrative needs.

In early 2006, DFA began planning for the replacement of the System described above. This strategic project, known as MAGIC (Mississippi's Accountability System for Government Information and Collaboration) is Mississippi's pursuit of an Enterprise Resource Planning (ERP) solution. MAGIC conceptually calls for implementation of a fully integrated solution to address the state's administrative needs.

MAGIC will replace the state's core applications (SAAS, SPAHRS, and MERLIN), as well as the supporting building-block applications for asset/fleet management and electronic purchasing. The plan includes adding new functionality to correct the inefficiencies and gaps discussed earlier.

MAGIC's ultimate goal is to provide a more accurate, reliable, and less risky set of operational tools for state government. The vision further includes standardized rules-based processing, real-time transaction handling, improved reporting capabilities, fully integrated electronic processes, and overall improved system efficiency.

The following bullets describe the proposed functional areas for MAGIC:

- *Financial Management*: general ledger and budgetary control, accounts payable/travel, accounts receivable/cash receipts/cash management, budget development, cost accounting/allocation, grants management and accounting, and project management and accounting;
- *Procurement*: asset management, fleet management, surplus/inventory management, depreciation, contract administration, and electronic catalog based purchasing;
- *Human Resources/Payroll*: payroll administration, benefits administration, classification and compensation, employee self-service, position control, personnel administration, timekeeping/leave accounting, training/employee development, and recruitment and application services;
- *MAGIC+*: reporting and data warehousing, integration/interface requirements (BRICKS [Building and Real Estate Information Collaborative Knowledge Solution], GOALS [Grants Operation and Lifecycle Solution], programmatic systems such as Public Employees' Retirement System, Tax Commission, and Treasury), support for Mississippi.gov based applications accepting electronic payment;

- *Enterprise Readiness:* general systems requirements and technical requirements, training, transition planning, change management, consolidated access and application security management.

The MAGIC team is presently completing the development of a business case analysis to include the following:

- exploration of alternatives, such as: (1) doing nothing other than managing risk areas, including database architecture, security, etc.; (2) maintaining the current process of providing new functionality through the acquisition of additional building blocks plus the management of key risk areas; or, (3) implementing a comprehensive ERP;
- identification of options for funding;
- identification of risks for all alternatives explored;
- costs for all alternatives;
- benefits/cost avoidance achieved through implementation of ERP; and,
- recommendations.

Assuming approval of funding for an ERP product, DFA plans to issue a request for proposals (RFP) in mid-2009 for ERP software. At least three major software suppliers have solutions that should meet the majority of the state's requirements. After selection of the software provider, DFA then plans to issue a second RFP for implementation services. DFA projects that issuance of separate RFPs will result in a lower total acquisition cost. DFA plans to continue its engagement with Salvaggio, Teal & Associates, a consulting firm that has been assisting DFA with the MAGIC project, to provide independent quality assurance reviews throughout the implementation process.

Assuming approval of funding, DFA plans to issue a request for proposals in mid-2009 for Enterprise Resource Planning software. After selection of the software provider, DFA then plans to issue a second RFP for implementation services.

The plan then calls for DFA to implement the acquired solution in stages. Finance and procurement, plus the underlying support functions (reporting, security, and workflow), are projected to be implemented over a twenty-four-month period. These modules are the initial implementation targets, since SAAS is the oldest existing application in operation today. Payroll and human resources modules are targeted for implementation immediately following the financial/procurement live implementation date and are projected to be completed within eighteen months.

DFA is now developing estimates of acquisition and ongoing operations costs both within DFA and across Mississippi government to determine the long-term impact of these strategic changes. Ongoing operational costs are expected to be higher than the costs required today for System operation and support.

Grants Management (GOALS)

A subcomponent of the state's financial management information system is grants management, which had its beginning in Mississippi in the late 1960s with the creation of the Division of Federal-State-Local Programs by executive order. The coordinator of that office was responsible for providing assistance to state departments, agencies, and institutions in the development of federal programs so that Mississippi citizens could be "assured of a fair, efficient, and coordinated planning and administration of these programs." The Executive Order required the Coordinator to "inform the Governor of the fiscal requirements of the state departments, agencies and institutions for these [federal] programs so that a comprehensive plan can be developed which will be responsive to State needs and priorities." In addition, the Coordinator was responsible for supervising the receipt and expenditure of federal, state and other funds made available to the Governor's office for coordinating federal programs and for providing technical assistance to state and local agencies administering those programs.

After dissolution of the Division of Federal-State-Local Programs, there was no longer a uniform process regarding the procurement and management of federal grants and the state presently lacks a central registry of grants received.

During its 1989 Regular Session, the Mississippi Legislature transferred administrative responsibilities of the former Division of Federal-State-Local Programs to the newly created Department of Finance and Administration. The bill also transferred certain specific grants management functions to the newly created Department of Human Services, Department of Economic and Community Development (now known as the Mississippi Development Authority), and the Department of Public Safety.

Following that action, there was no longer a uniform process regarding the procurement and management of federal grants—i. e., state agencies acted on their own to procure and account for federal grants subject to any restrictions imposed by the grantor. As a result of this decentralized approach, the state presently lacks a central registry of grants received and administered by state agencies.

DFA staff, in 2008, conducted a needs assessment of the state's grants process. The assessment was prompted by the Mississippi Development Authority (MDA), which was attempting to standardize and establish systemic control of the department's grant processing—i. e., MDA wanted to establish "cradle to grave" control over its grants. While conducting its assessment, DFA learned that more than forty state agencies received and/or administered grants, with each of the agencies responsible for constructing its own accounting and management information structure for the grants.

While SAAS supports grant and sub-grant accounting, many agencies use other models for their grant accounting and no standard model exists for reporting and overall grants

The vision of GOALS is to establish a comprehensive, enterprise-wide automated grants management and reporting system integrated with the state's financial system to help managers administer grant programs more efficiently and make better-informed decisions.

management. As a result, there is little consistency among agencies, with some agencies maintaining records on spreadsheets while others have constructed more sophisticated methods of accounting and reporting.

DFA incorporated a grants management module within the MAGIC project described previously. However, some of the agencies with grant management responsibilities conveyed to DFA that a comprehensive solution to grants management could not wait until MAGIC came to fruition. Further exploration discovered that the top-tier ERP solutions supported grant accounting, but do not fully support grants management and reporting. Considering the urgency of the agencies' needs, DFA initiated the Grant Operation and Lifecycle Solution (GOALS) project in May 2008 in an attempt to address the agencies' needs.

The vision of GOALS is to establish a comprehensive, enterprise-wide automated grants management and reporting system, integrated with the state's financial system (present and future) that would serve as a grant manager's "workbench." The workbench would provide access to both grant and financial data to help managers administer grant programs more efficiently and make better-informed decisions.

According to DFA staff, the benefits of an enterprise grants management system are as follows:

- makes it easier, faster, and less costly to prepare, submit, and review grant applications; monitor projects; and process payments;
- provides a rich source of project and financial information for strategic planning, benchmarking, performance-based budgeting, proactive management of grant programs, and responding to ongoing requests from legislators, executive managers, and program staff;
- facilitates exchange of information to promote knowledge sharing and collaboration across grant making agencies and make informed decisions regarding billions of dollars available through grant and loan funds;
- provides visibility into the entire sub-grant management process from beginning to end, with more proactive project monitoring;
- allows sub-grantees improved methods for grant compliance and reporting and visibility to new grant opportunities and programs;
- reduces time spent responding to public disclosure requests to the extent that data can be made directly available to the public or can be more easily compiled via an enterprise grants system, thus supporting the requirements for the Mississippi Accountability and

Transparency Act and the Federal Funding Accountability and Transparency Act;

- ensures that available funds of approved grants are visible to ensure that no opportunities for programmatic support are lost; and,
- provides the ability to quantify and demonstrate unmet service delivery needs, because data about eligible applications that exceed available funding can be easily captured.

On behalf of DFA, the Department of Information Technology Services advertised a request for proposals for the GOALS application in October 2008 with December 30, 2008, as the deadline for response submissions. DFA plans to begin the implementation phase, assuming successful awarding of the contract, in April 2009.

Opportunities for Change: Financial and Human Resources Management Information Systems

The Department of Finance and Administration should continue its efforts to develop a comprehensive Enterprise Resource Planning (ERP) solution to Mississippi's current and future financial and human resources management information needs. The state's ERP solution should be comprehensive in scope and functionality and should encompass all agencies of state government, including the institutions of higher learning. Also, the department should develop detailed cost and funding proposals of the system for presentation to and consideration by the Legislature.

The state's Enterprise Resource Planning solution should be comprehensive in scope and functionality and should encompass all agencies of state government, including the institutions of higher learning.

This system should capture not only funds expended by state agencies from appropriated funds but funds expended by IHL from all sources to ensure complete detailed information on the public funds expended.

In addition to including grants management within the state's comprehensive Enterprise Resource Planning solution, the Department of Finance and Administration should determine the feasibility of establishing an Office of Grants Management to assist state entities with grant writing, grant application, and grant administration.

Auditing and Fiscal Oversight

As with any sole proprietorship, partnership, or corporation, Mississippi state and local government must have a fiscal oversight and accountability system in which public funds are collected, expended, and accounted for in an accurate and legal manner. State law, in MISS. CODE ANN. § 7-7-1 et seq. and § 7-7-201, establishes the State

Fiscal Officer and the Department of Audit (“State Auditor”) as the responsible parties for Mississippi’s fiscal oversight and accountability structure. In general terms, the Department of Finance and Administration, under the supervision of the State Fiscal Officer, serves as the state’s general accounting office and prepares the state’s financial statements, known as the Comprehensive Annual Financial Report (CAFR). The Department of Audit audits the state’s financial statements and offers an opinion as to whether they accurately reflect the financial position of the state.

Department of Audit’s Role in Fiscal Oversight

The Department of Audit’s role in the state’s fiscal oversight and accountability system is of paramount importance because various users rely upon audited financial statements to make economic and programmatic decisions. For example, bondholders and potential bondholders can assess risk and judge the state’s ability to repay indebtedness. Financial institutions can determine whether to make loans to an entity. Vendors can assess the credit risk of the state or an entity.

The Department of Audit’s role in the state’s fiscal oversight and accountability system is of paramount importance because various users rely upon audited financial statements to make economic and programmatic decisions.

In its December 20, 2006, report entitled *A Review of the Operations of the Department of Audit and the Department’s Role in Fiscal Oversight and Accountability*, the PEER Committee found that the department’s Financial and Compliance Audit Division focused its resources on performing the CAFR and Single Audit audits to address primary risks to the state and on performing education audits and county audits to address risks to local governmental entities. (A “single audit” is an audit of state and local governmental entities expending more than \$500,000 in federal funds to ensure funds are expended in accordance with federal laws and regulations.) PEER determined that low staffing levels and high turnover in the Financial and Compliance Audit Division have resulted in a decreased experience level of audit staff and reduced institutional knowledge to use in forming auditor judgment. This situation also increased the time required to perform audits due to training and supervising inexperienced staff and caused parts of the CAFR audit, Single Audit, education audits, and county audits to be contracted to outside certified public accounting firms. From FY 2002 through FY 2006, seventy-one staff members terminated from the Financial Compliance Audit Division, which represented an eighty percent turnover rate. As of October 31, 2008, the State Auditor’s Office had thirty-seven vacant positions, with twenty-two (59%) of the vacant positions being auditing accountant positions.

Due to a combination of the amount of time required for performing the CAFR audit and the Single Audit and the shortage of staff, the Financial and Compliance Audit

Division does not perform audits of agencies not material to the CAFR. Even though an agency may not be audited for CAFR purposes, it is important to maintain accountability of taxpayer funds entrusted to the agency. To maintain accountability, the Department of Audit performs Limited Internal Control and Compliance Reviews (LICCER) of agencies not audited during the CAFR audit. A LICCER evaluates an agency's compliance with state laws, its own internal controls, state policy and procedures, and its own policy and procedures.

The Financial and Compliance Audit Division does not perform audits of agencies not material to the CAFR.

Primarily due to staffing shortages, the Financial and Compliance Audit staff performed eighteen LICCERs during FY 2004, twenty-two during FY 2005, one during FY 2006, and eight during FY 2007. Additional staffing would allow more LICCERs to be performed, increase the accountability of agencies not audited during the CAFR audit, and provide further safeguards of taxpayer funds.

Internal Auditors' Role in Fiscal Oversight

The purpose of the Mississippi Internal Audit Act, implemented in 2003, was to "establish a full-time program of internal auditing to assist in improving university, community/junior college and agency operations, to verify the existence of assets and to identify opportunities for cost savings and revenue enhancement."

Although independent reviews such as those provided by the Department of Audit through its CAFR audit are vital to the proper operation and oversight of an enterprise, large operations also need an ongoing internal review performed by a viable, professional internal audit function. In recent years, the importance of the internal audit function was evidenced by passage of the Sarbanes-Oxley Act of 2002, which was Congress's response to the large corporate frauds of the late 1990s and early 2000s. Under Sarbanes-Oxley, internal audit plays a crucial role in testing and documenting a corporation's internal control structure. Also, the Security and Exchange Commission requires all companies listed on the New York Stock Exchange to maintain an internal audit function.

Recognizing the importance of internal auditing, the Mississippi Legislature enacted House Bill 650 during its 2003 Regular Session. Known as the Mississippi Internal Audit Act, the purpose of House Bill 650 (codified as MISS. CODE ANN. Section 25-65-1 et seq. [1972]) is to "establish a full-time program of internal auditing to assist in improving university, community/junior college and agency operations, to verify the existence of assets and to identify opportunities for cost savings and revenue enhancement."

State Agencies' Implementation of the Internal Audit Act

PEER analyzed state agencies' implementation of the Internal Audit Act and concluded that of the nineteen

agencies required by law to establish internal audit functions, the following thirteen agencies have done so:

- State Tax Commission;
- Department of Education;
- Department of Health;
- Department of Mental Health;
- Department of Agriculture and Commerce;
- Department of Wildlife, Fisheries and Parks;
- Division of Medicaid;
- Department of Rehabilitation Services;
- Department of Public Safety;
- Department of Employment Security;
- Public Employees' Retirement System;
- Department of Transportation; and,
- Department of Human Services.

Of nineteen agencies required by state law to establish an internal audit function, thirteen have done so.

Of the thirteen agencies listed above, the internal audit director position was vacant in five agencies (State Tax Commission; Department of Health; Department of Agriculture and Commerce; Department of Wildlife, Fisheries and Parks; and Department of Public Safety) during the summer of 2008 when PEER performed its review. Agency officials cited the low pay associated with internal audit positions as the primary reason for the difficulty in filling these positions. In reviewing the internal audit work performed within the eight agencies with an active internal audit function, PEER determined that each internal audit operation was staffed by competent, qualified individuals.

Most of the eight internal audit functions PEER reviewed focus on reviewing agency programs rather than on reviewing and testing the internal control structure of the overall agency.

PEER found that most of the eight agencies with active internal audit functions focus on reviewing agency programs rather than on reviewing and testing the internal control structure of the overall agency. For example, a significant portion of the time spent in the internal audit function of the Department of Mental Health is spent pre-auditing payments to department grantees. Although this is an important function that should be performed within the agency, the internal audit function should review and test the internal controls associated with the payment of grants rather than actually performing this function. In other words, the internal audit function should serve as a checkpoint to determine compliance with internal controls rather than *executing* the internal controls. In situations in which auditors perform administrative tasks, there is no "auditing the auditors."

MDOT's internal audit function does not review payments to highway construction contractors, which constitute the majority of that department's expenditures.

In some other agencies, although the internal audit function is performing internal auditing functions, important areas of the agency are not reviewed. For example, in the Mississippi Department of Transportation (MDOT), the internal audit function reviews payments to external engineering firms to ensure documentation is present, complete, and complies with federal regulations. However, the internal audit function does not review payments to highway construction contractors, which constitute the majority of expenditures by MDOT--e. g., the department expended 71% of its FY 2008 appropriation on payments to contractors for infrastructure projects. Instead, MDOT relies on reviews by district-level officials, the contract monitoring division, and reviews by federal highway officials to ensure documentation is accurate, complete, and complies with federal requirements. However, the purpose of internal auditing is to review and test the internal controls associated with the payment process rather than deferring to the work of others to ensure the accuracy and appropriateness of payments.

Frequently, agency officials and internal audit officials stated that they rely on the State Auditor for the agency's review of internal controls. However, as noted on page 78, the State Auditor's focus is to ensure that the CAFR fairly presents the financial position of the state. Although some review of internal controls is associated with the State Auditor's CAFR work, such review does not cover all internal controls within an agency and should not serve as a substitute for a continual review and evaluation of agency internal controls.

State law requires that internal audit plans be reviewed and approved by the agency head. As a result, the internal auditor's freedom to determine the internal controls tested and programs reviewed may be limited by the agency head.

One contributing factor to this diversity of internal audit functions is that MISS. CODE ANN. Section 25-65-13 (1972) requires that long-term and annual audit plans be approved by the agency head. The internal auditor's freedom to determine the internal controls tested and programs reviewed may be limited by agency head's wishes and preferences for the type of work performed by the internal auditors. In a worst-case scenario, an internal audit function could be prevented from reviewing an area or program entirely.

The following six agencies required by the act to establish internal auditing units had not established such a function as of the summer of 2008:

- Department of Finance and Administration;
- Mississippi Development Authority;
- Department of Environmental Quality;
- Department of Corrections;
- Department of Information Technology Services; and,
- Gaming Commission.

Executive directors of agencies without an internal audit function frequently noted the lack of a specific appropriation of funding as cited in MISS. CODE ANN. §25-65-9 (1972) as the reason for not having established an internal audit function. The CODE section states the following:

. . .subject to specific appropriation of available funding, employ an agency internal audit director who shall be appointed by the university president or chancellor, the community/junior college president, elected official or executive director or his counterpart of a state agency without a governing board or commission.

Although agencies that have established internal audit functions have not received funds specifically appropriated for internal audit, these agencies have funded an internal audit function through the use of funds appropriated by the Legislature for general operation of the agency.

Another difficulty encountered by agencies in establishing an internal audit function and retaining experienced personnel for that function is the current salary range assigned to the internal auditor classification—i. e., \$39,436 to \$69,014 annually. In an effort to recruit individuals for internal auditor positions, some agencies have reclassified the internal auditor director position as another job classification with a higher salary range. This practice has resulted in salary disparities of internal audit directors among agencies with an internal audit function.

Opportunities for Change: Auditing and Fiscal Oversight
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Appropriations are the lifeblood of state agencies and the appropriations process begins with the legislative budget process. Legislators serving on the Joint Legislative Budget Committee need information regarding the effectiveness and success of programs when determining recommended budgets.

Internal Audit

To improve the independence of internal auditors, the reporting structure for internal audit directors should be changed. A Division of Internal Audit should be established within the State Auditor's Office and each agency internal audit director and internal audit staff should report to the Director of the Division of Internal Audit. Such a reporting structure would improve the independence of the internal audit function, help ensure that all areas of an agency are reviewed, and help ensure that internal audit functions are performing auditing tasks. Further, the six agencies that have not yet established an

internal audit function should use existing resources to establish the necessary internal audit positions no later than the end of Fiscal Year 2011.

Performance Review Analysts

Traditionally, internal auditors test internal controls and compliance with policies and procedures. Such a role is vital in the fiscal review of agencies and programs and should not be diminished. However, measuring the performance of agencies and programs in achieving the goals and objectives of strategic plans is also important because an independent review of performance measures is critical in determining the success of programs and agencies in achieving the goals of strategic plans. PEER proposes that a new type of internal auditor, Performance Review Analysts (PRA), perform the independent reviews of performance measures. (See Exhibit 4, page 54, for a glossary of terms used in performance-based budgeting.)

PEER proposes that a new type of internal auditor, Performance Review Analysts (PRAs), perform independent reviews of performance measures.

The focus of PRAs would be to provide decisionmakers with the information necessary to make strategic decisions, evaluate the degree of success in achieving strategic goals and objectives, understand the key drivers of performance, evaluate the efficient and effective use of public funds and resources, and identify the critical points at which decisions need to be made regarding the modification of strategic plans. The independent reviews would serve two purposes: to ensure the performance measures are appropriate for identified goals and to measure the level of success in achieving those goals.

A continual review of the performance measures used in determining the effectiveness and efficiency of agencies and programs will provide valuable feedback to decisionmakers. In turn, decisionmakers could use this information in modifying and designing strategic plans and in determining the success of agencies in meeting the goals of strategic plans.

Performance Audit

The Performance Audit Division of the State Auditor's Office should be transferred to the Legislative Budget Office and should develop and implement the Performance Review Analyst function.

To accomplish this, the Performance Audit Division of the State Auditor's Office should be transferred to the Legislative Budget Office and tasked with the responsibilities of developing and implementing the Performance Review Analyst function. Such an arrangement would facilitate the flow of information regarding performance measures to the decisionmakers tasked with the responsibility of establishing the state's budget.

The Legislature should amend state law to reflect the removal of this authority from the Department of Audit.

Chapter 6: Human Resources Management

Key Ideas in Chapter 6:

- An aging state government workforce, shrinking pool of talent, and the need for new skills will form a gap between the supply and demand for skilled state employees. The state can best position itself to meet these challenges by taking an enterprise approach to the management of human resources.
- The State Personnel Board regulates less than thirty percent of the state's public employees. To achieve the end of comprehensive and effective human resources management, all executive branch employees of Mississippi, except agency directors and employees who work under the direct confidential control of agency directors, should be subject to the authority of the State Personnel Board.
- PEER notes that there is an absence of a formal, written statewide workforce plan that specifies future workforce needs and plans to address those needs.
- Deficiencies exist in SPB's management of human resources. For example, SPB has not identified core competencies for over half of all state employment job classes and is therefore unable to develop proper assessment devices for these positions. Also, in its 2008 report, the Pew Center found that SPB's e-recruitment site (i. e., the website that displays an active recruitment list and allows individuals to apply for positions online) has weak navigability and content.
- While the Legislature often appropriates funds for specific employee pay increases, it has not consistently funded the state's Variable Compensation Plan.
- Benefits in state government are not comprehensive, cost-effective, or consistent from agency to agency.
- The State Personnel Board estimates that less than fifty percent of state agencies handle performance appraisals correctly.

Opportunities for Change: Human Resources Management

- The Legislature should consider amending state law to rename the State Personnel Board the Mississippi Department of Human Resources Management and extensively broaden its authority over personnel management in state government. This expanded authority should include broader coverage of positions, authority over contractors, and benefits management.
- The Legislature should fund the Variable Compensation Plan.
- The Public Employees' Retirement System should explore possible changes to state employees' retirement benefits in order to reduce the unfunded accrued liability of the state employees' retirement plan.

Chapter 6: Human Resources Management

An enterprise approach to management of the state's workforce should lead to greater efficiencies through consolidation of human resources management functions as well as to improved effectiveness through statewide adoption of best practices in the field of human resources management.

According to the website for the Society for Human Resources Management, *human resources* is "the function dealing with the management of people employed within the organization." Given its pervasive influence across all functions of government, it can be argued that strong human resources management is one of the most important support functions in state government, as it provides the principles by which employees are utilized and whether they are utilized efficiently and effectively. From an enterprise perspective, the sound management of human resources is a foundation element needed to promote the health of the enterprise. It is the performance of employees that so often is the primary reason behind an organization's success or failure in reaching its strategic goals. An enterprise approach to management of the state's workforce should lead to greater efficiencies through consolidation of human resources management functions as well as to improved effectiveness through statewide adoption of best practices in the field of human resources management.

Following a discussion of the importance of sound management of human resources to the efficient and effective delivery of public services by Mississippi state government, this chapter identifies:

- an enterprise vision for human resources management in Mississippi state government;
- best practices in the core functions of human resources management: strategic workforce planning, recruitment, selection, training and development, compensation (including benefits), and job performance measurement; and,
- areas in which current human resources management practices in Mississippi state government fall short of best practices.

Sound Management of Human Resources: Critical to the Efficient and Effective Delivery of Public Services

Effective management of the state's human resources is critical to the success of the state in delivering public services efficiently and effectively. Comprehensive human resources management:

- engages in active workforce planning, which includes identification of the most efficient and effective tasks and processes for delivering public services, as well as anticipating and addressing issues such as the aging and shrinking size of the workforce that will affect the ability of state government to execute its responsibilities successfully in the future;
- attracts, selects, retains, and develops the best qualified individuals needed to staff essential public services; and,
- eliminates those employees (including contract employees) who are not meeting required levels of job performance or whose job duties are no longer needed within the organization.

A sound human resources system can influence both employee ability and employee effort and can help identify horizon issues that will affect the human resources needs of a state as well as a state's ability to meet those needs.

The functions basic to human resources management are: workforce planning, recruitment, selection, training and development, compensation (including benefits), and job performance measurement. A sound human resources system can influence both employee ability (through effective recruitment, selection, training and development) and employee effort (through motivators such as compensation, benefits, and employee performance appraisal systems). In addition, through effective workforce planning, a sound human resources system can help identify horizon issues that will affect the human resources needs of a state as well as a state's ability to meet those needs.

An aging state government workforce, shrinking pool of talent, and the need for new skills will form a gap between the supply and demand for skilled state employees. The state can best position itself to meet these challenges by taking an enterprise approach to the management of human resources.

One hallmark of the successful modern organization is the ability of its workforce to respond rapidly to changing organizational needs and demands (referred to as "workforce agility"). For example, the application of a new technology to a work process in one department of state government could free staff to assume other responsibilities in more labor-intensive areas of state government. The agility of state governments' workforces will be tested in the next ten to fifteen years as they seek to address increasing demands for government services combined with predicted worker and talent shortages. The Deloitte book *States of Transition*³⁴ notes that an aging state government workforce, shrinking pool of talent, and the need for new skills will form a gap between the supply and demand of skilled state employees. The state can best position itself to meet these and other challenges by taking an enterprise approach to the management of its human resources.

³⁴ Eggers and Campbell, *States of Transition*, 58.

Weaknesses in Mississippi's Management of Human Resources

The Pew Center on the States is responsible for the *Grading the States* project, which evaluates how well each state manages its people (i. e., human resources), information, money, and infrastructure. In the 2008 report, Mississippi received a grade of "C" in the "people" category, which includes analyses of the state's performance in the following areas:

- strategic workforce planning;
- hiring (recruitment and selection);
- retaining employees (including benefits and compensation);
- training and development; and
- managing employee performance.

Pew assigned each area one of three ratings: weakness, mid-level, or strength. Pew assigned a "weakness" rating to Mississippi's strategic workforce planning and hiring functions and assigned a "mid-level" rating to Mississippi's functions of retaining employees, training and development, and managing employee performance. Mississippi received no ratings for strengths in the people category.³⁵

In addition to the research conducted by the Pew Center on the States, a 2006 report by The Hackett Group, an advisory firm that focuses on best practices and benchmarking, found that Mississippi spends 72 percent less time than its peer group on strategic planning (including workforce planning) and instead focuses its resources on transactional activities.³⁶ A more detailed discussion of the weaknesses in the State of Mississippi's management of its human resources, by major human resources management function, begins on page 91.

The State Personnel Board's Authority is Limited to a Portion of the State's Workforce

Annually, the Legislature appropriates a significant amount of funds to state agencies, institutions of higher learning, community and junior colleges, and public school districts. For example, the Legislature appropriated \$18.4 billion to those entities for FY 2009. The entities use a portion of the appropriated funds to pay the salaries and fringe benefits

³⁵ The Pew Center on the States and *Governing Magazine*, *Grading the States* (2008), 1-13.

³⁶ The Hackett Group, *State of Mississippi Human Resources Benchmark Results*, 2006.

of their employees. As of June 30, 2008, the entities had total staffing of 124,553 employees, as detailed below:

- public school districts: 66,941;
- state agencies: 33,887;
- public universities: 17,593; and,
- community and junior colleges: 6,132.

In addition to their employee workforce, the entities expend approximately \$2 billion annually on personal services provided by contract personnel. This annual expenditure includes the services of both contract workers (i. e., workers hired under a contract to perform services subject to the entity's direction and control) and independent contractors (i. e., individuals, firms, corporations, or other service providers employed by an entity through a contractual agreement who do not meet the definition of a contract worker.)

Few limits or controls exist over state entities' use of contract workers and independent contractors.

With regard to human resources management, the authority of the State Personnel Board (SPB) is limited to employees of state agencies. Various governing boards and administrators perform human resources management responsibilities for employees of public school districts, public universities, and community and junior colleges. Even within state government, SPB oversees only approximately 32,000 positions (94% of the state employee workforce as of June 30, 2008) because legislative and judicial employees are excluded from SPB's control. Also, state law excludes other positions from SPB's oversight, such as employees of the state port at Gulfport and Mississippi Industries for the Blind. Further, MISS. CODE ANN. Section 25-9-107 (c) (xiii) (1972) exempts specific professions that serve in state government from SPB's control—e. g., physicians, dentists, veterinarians, nurse practitioners, and attorneys, as well as part-time and time-limited positions.

All executive branch employees of the state of Mississippi, except agency directors and employees who work under the direct confidential control of agency directors, should be subject to the authority of the State Personnel Board.

To achieve the end of comprehensive and effective human resources management, all executive branch employees of the state of Mississippi, except agency directors and employees who work under the direct confidential control of agency directors, should be subject to the authority of the State Personnel Board. (While having no selection authority over agency directors and employees who work under their direct confidential control, the State Personnel Board should exercise salary-setting control over such positions.) Until this is accomplished, all state executive branch employees are not subject to the same conditions of employment, which has the potential to affect morale negatively and add to the high turnover rates in Mississippi state government.

With respect to contract personnel (both contract workers and independent contractors) employed by the State of

Mississippi, there are few limits or controls over state agencies' use of this category of personnel. Basically, the only limitations are expenditure amounts included in an agency's contractual services line item established through the appropriations process and the Personal Service Contract Review Board's oversight of contracts that exceed \$100,000. For contracts totaling less than \$100,000, there are no external oversight controls regarding whether an agency has a documented need to employ a contract worker, the type of and qualifications of the worker hired, the amount paid to the worker, or the length of time the worker will be employed. Further, MISS. CODE ANN. § 25-9-120 (3) (a) (1972) exempts the following categories of contract personnel from the purview of the Personal Service Contract Review Board: computer- or information-technology-related services governed by the Department of Information Technology Services; personal service contracts entered into by the Department of Transportation; or, any contract for attorney, accountant, auditor, physician, dentist, architect, engineer, veterinarian, or utility rate expert services.

Toward an Enterprise Approach to Human Resources Management in Mississippi

To move toward an enterprise approach to management of state government's human resources will require radical change. The following sections address impediments to achieving an enterprise approach to human resources management in Mississippi state government by major area:

- strategic workforce planning;
- recruitment;
- selection;
- training;
- compensation;
- benefits; and,
- job performance measurement.

Strategic Workforce Planning

Strategic workforce planning is a process for identifying future human resources needs based on two forecasts: the labor demand forecast and the labor supply forecast. The labor demand forecast is determining the number of employees with specific skills needed to reach the strategic goals of the organization. The labor supply forecast is determining the number of people that will be available for those jobs. Hence, the two forecasts provide a way to detect the human resources gaps that are expected in the

The predicted upcoming worker shortage could provide an opportunity to “right-size” government to its most efficient level by abolishing and consolidating non-essential positions vacated by retirees.

future. Based on these forecasts, human resources can propose and implement programs to close those gaps.

In addition to helping to ensure that a well-qualified and well-trained workforce exists to execute the state’s essential public services efficiently and effectively in the future, workforce planning provides a way to “right-size” state government. By identifying the most efficient and effective tasks and processes for delivering essential public services and by estimating future human resources needs based on the concept of most efficient organization, SPB and state agencies can ensure that the right number of people will be in place to accomplish the missions of the agency and the state. The predicted upcoming worker shortage could provide an opportunity to “right-size” government to its most efficient level by abolishing and consolidating non-essential positions vacated by retirees.

Good workforce planning is information intensive. It includes ongoing collection and analysis of key workforce indicators such as data on employee demographics, hiring, turnover, retirement eligibility, training, and equal employment opportunity compliance.

The Need Exists for More Preparation for Projecting and Meeting the State of Mississippi’s Future Human Resources Needs

Turnover costs state government in terms of the reduced productivity of new employees who must spend work time acquiring the knowledge and skills needed to function optimally in the job.

According to SPB, approximately one-fourth of current state employees began employment on or after January 1, 2006. The cost to the state of employee turnover is high. In addition to the costs related to filling a vacant position (e.g., time spent screening applications and conducting interviews), turnover costs state government in terms of the reduced productivity of new employees who must spend work time acquiring the knowledge and skills needed to function optimally in the job.

As mentioned previously, the Pew *Grading the States 2008* report and the 2006 study by The Hackett Group noted weaknesses in Mississippi’s strategic workforce planning. However, the State Personnel Board staff contends that it conducts workforce planning activities, although there is a lack of resources to develop and maintain a formal workforce planning program. For example, the SPB uses employment projections from the Mississippi Department of Employment Security and the U. S. Department of Labor to determine such things as which classifications are the fastest growing, whether new career ladders should be implemented, or whether recruitment initiatives should be enhanced for certain job classes. SPB has created career ladders for certain job classifications, with a goal to create career ladders for all classifications. The SPB believes that career ladders are important to meet future workforce

PEER notes that there is an absence of a formal written workforce plan by the SPB that specifies future workforce needs and plans to address those needs.

demands by attracting and retaining a sufficient pool of applicants.

PEER notes that there is an absence of a formal written workforce plan by the SPB that specifies future workforce needs and plans to address those needs. However, because the Pew report, the study by The Hackett Group, and the SPB disagree on the merit of the SPB's workforce planning efforts, more work needs to be done to determine the exact deficiencies, if any, in the SPB's strategic workforce planning.

Another critical component of workforce planning is the identification of the most efficient work processes, service delivery mechanisms, and organizational structures in state government. A critical goal of workforce planning is to fill only those state positions necessary to provide essential public services as efficiently and effectively as possible

The Staffing Management Program, set forth by MISS. CODE ANN. Section 25-9-101 et seq. (1972), authorizes the SPB to monitor, control, and implement short and/or long-range organizational planning to manage staffing positions within agencies efficiently. Agency directors are responsible for the ongoing evaluation of the agency's mission and workload to ensure the maximization of staffing positions. Directors can recommend additions and deletions of positions and consolidation of agencies, positions, and activities. Further, the SPB has the authority to conduct on-site staffing audits to determine the necessity for various positions. Since 2000, the SPB has conducted reviews of state agencies, including the Mississippi Library Commission, Department of Marine Resources, Division of Medicaid, Department of Public Safety, and others. Some reviews are geared towards only human resources issues, while others involve workforce issues that affect the entire agency.

Mississippi State Government has Poor or Nonexistent Succession Planning

Succession planning seeks to identify, monitor, and prepare those current state agency employees who are believed to be capable of success in management positions.

Succession planning is a subset of workforce planning directed at addressing the specific problem of an aging workforce and the associated loss of expertise when these employees retire. Succession planning seeks to identify, monitor, and prepare those current state agency employees who are believed to be capable of success in management positions. Succession planning requires managers to assess their employees' talent in leadership and creates awareness when this talent is not available. Typically, succession planning involves three stages. In the first stage, high-potential employees are selected either by supervisors or through testing. In the second stage, the employees are selected to participate in developmental experiences, which

As of July 2008, twenty-one percent of managers in Mississippi state government with an average of twenty-three years of service were eligible for retirement.

determines whether they continue in the process. The third stage involves employees' exposure to the agencies' key personnel and the opportunity to understand the company and its culture. It should be noted that this process might take several years.

Like other states, Mississippi has a high percentage of agency managers who are or will soon be eligible to retire. Specifically, as of July 2008, twenty-one percent of managers in Mississippi state government with an average of twenty-three years of service were eligible for retirement (i. e., eligible to retire at any age with twenty-five years of service or eligible to retire at age sixty with at least four years of service; see Exhibit 5, page 95.) In five years, this percentage will double to approximately forty-two percent.

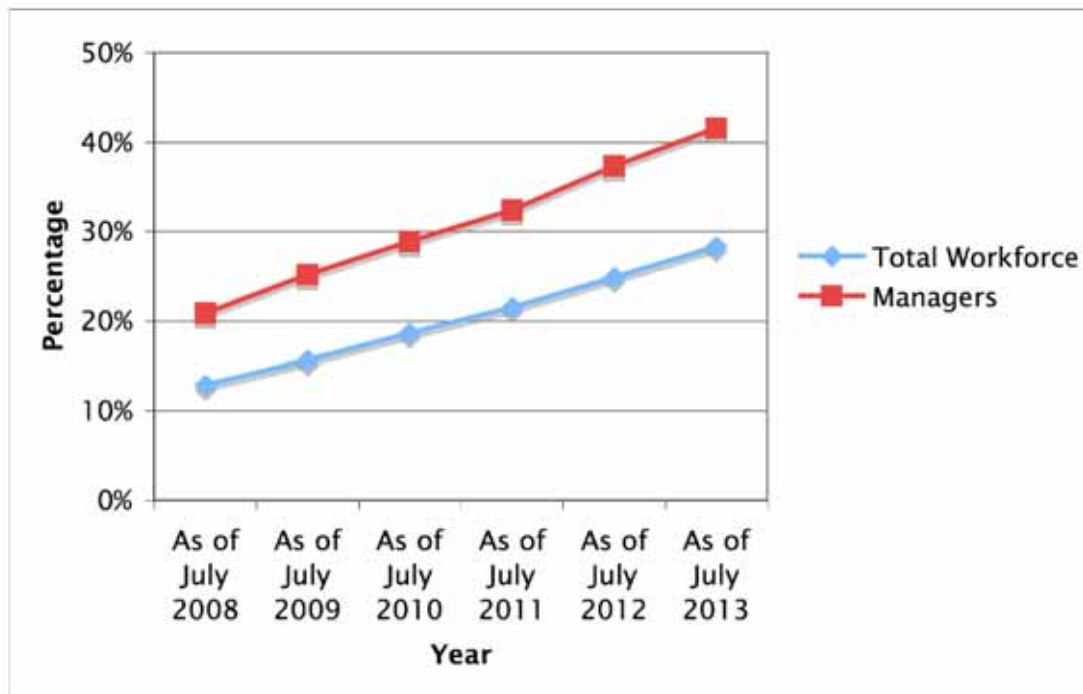
Poor or nonexistent succession planning could result in the state's inability to fill critical leadership positions with employees qualified and capable of assuming such positions. Some agencies might find that their employees are not ready to move into management positions because of skill weaknesses or lack of experience. Because the labor pool in Mississippi will not likely be sufficient to fill all vacant essential management-level positions in state government, state government will likely have to compete with the private sector for qualified management-level employees.

At least five state agencies in Mississippi have implemented or have begun to develop succession planning programs--the departments of Mental Health, Transportation, Environmental Quality, Employment Security, and Rehabilitation Services.

Recruitment

Employee recruitment refers to those activities designed to attract qualified individuals to apply for positions in state government. Examples of recruitment activities include establishing a positive brand for state government employment, developing a user-friendly website that advertises current vacancies and makes it easy to apply for open positions online, creating an intern program to attract top college graduates to careers in Mississippi public service, and establishing specific strategies for recruiting applicants in hard-to-fill areas such as nursing.

Exhibit 5: Percentage of State Employees and Managers Eligible for Retirement



SOURCE: PEER analysis of retirement data compiled by the State Personnel Board

The state's goal for its recruitment efforts should be to attract the right people to the job, noting that recruitment requires a thorough understanding of what it takes to be successful on the job.

The level of recruitment efforts and resources needed at any point in time are influenced heavily by three factors: the attractiveness of the position, the attractiveness of the organization, and the economy. For positions that are less attractive due to poor working conditions or low wages, more effort into recruiting is needed to attract applicants. Similarly, more effort is needed when the organization is not perceived as being a desirable employer. Finally, when the economy is good, more effort into recruiting is needed because there are more competitive opportunities for prospective employees. These factors should be considered in the workforce planning process.

During the workforce planning process, the state should identify people with specific skills needed to accomplish the state's strategic goals. The state may then tailor its efforts in recruitment to fit the needs of the state. The state's goal for its recruitment efforts should be to attract the right people to the job, noting that recruitment requires a thorough understanding of what it takes to be successful on the job. For example, the most educated or experienced applicant is not always the best person for the job (e. g., an

applicant with a high school diploma that has superior communication skills and the ability to multitask might be more suitable for an Office Manager position than an applicant with a bachelor's degree who does not have those competencies).

To become an employer of choice among generations within the workforce, the state must also recognize what appeals to these generations.

To become an employer of choice among generations within the workforce, the state must also recognize what appeals to these generations. For example, according to *States of Transition*, for Baby Boomers (i. e., employees born between 1946 and 1964), one important element contributing to job satisfaction is the availability of retirement benefits. The list of “most important benefits” contributing to job satisfaction for Generation Y employees (i. e., those born since 1977) does not include retirement benefits, but does include training and career coaching. Such information is important for potential revisions to benefit options, redistributing resources to programs that are attractive, and recruitment efforts to promote various aspects of state employment. For example, *States of Transition* points out that the values of the younger generations mesh well with state employment. Typically, Generation Y perceives work as an opportunity for personal growth and to help others. Marketing efforts should then aggressively promote aspects of state government employment that relate to a sense of public service and training and promotional opportunities.³⁷

Recruitment efforts have a profound effect on the state's selection program.

Recruitment efforts have a profound effect on the state's selection program. If recruitment efforts are poor, the applicant pool might be small or filled with people who do not possess the knowledge, skills, and abilities needed to be successful on the job. Effective recruitment becomes even more important as the size of the workforce shrinks and the marketplace becomes more competitive.

SPB's Efforts to Meet State Workforce Needs are Mixed

The SPB has, in many ways, implemented recruitment efforts that are needed to attract people to certain positions, including hard-to-fill positions. For example, SPB has established “recruitment flexibility,” which allows state agencies to increase starting salaries for those job classes where salaries are not competitive for a particular area of the state. Also, the SPB has implemented Type/Duty/Location Pay for hard-to-fill positions, including nurses, because the state has had difficulty competing with the private sector for nurses. This compensation plan allows nurses to be paid as much as twenty-nine percent above the start salary of the job, depending on the agency, classification, and/or location of the job.

³⁷ Eggers and Campbell, *States of Transition*, 63.

The SPB has also increased its participation in career/job fairs around the state, formed relationships with university placement offices in order to locate applicants quickly for specific positions, and has begun the process to include high schools in its recruitment efforts.

SPB's primary recruiting strategy is e-recruitment through the website that displays the active recruitment list and allows people to apply for positions online. In its 2008 report, the Pew Center noted that SPB's e-recruitment site has weak navigability and content.

SPB's primary recruiting strategy, however, is e-recruitment through the website that displays the active recruitment list and allows people to apply for positions online. The electronic application provides an easy way for people to apply for state jobs. However, applicants have complaints about the site, such as having to complete the same general section of the application multiple times in order to apply for multiple jobs. Also, applicants state that the site does not provide comprehensive employment information (e. g., general government employment information, beginning a career in state government), nor does it include all open positions. In its 2008 report, the Pew Center noted that SPB's e-recruitment site has weak navigability and content.

The SPB states that it is working on ways to improve the site, including the addition of information regarding the SPB and what services it provides, creating user-friendly links for job seekers and employees to access specific areas of interest on the site, and adding a self-assessment feature for job applicants.

Part of the reason for the lack of comprehensive employment information on SPB's e-recruitment site is that selection and recruitment activities for over half of state positions are handled by individual agencies rather than SPB.

Part of the reason for the lack of comprehensive employment information on SPB's e-recruitment site is that selection and recruitment activities for over half of state positions are handled by individual agencies rather than SPB. The SPB is only responsible for verifying that the applicant chosen meets the minimum requirements for the position. Agencies do have the option, however, to use the SPB for e-recruiting and selecting for those positions. Of approximately 38,000 currently filled and unfilled positions, approximately 20,000 (or 53%) are "exempt from selection," which means that potentially the majority of vacant positions are not advertised on SPB's active recruitment list on its website. For job-seekers and the general public, this is likely misleading and confusing.

Mississippi state government does not place much emphasis on internships. Some agencies--such as the Department of Transportation, the Department of Information Technology Services, and the State Auditor's Office--have internship programs, but the State of Mississippi has not developed an internship program as a recruitment tool.

Also, the State of Mississippi lacks strong marketing and employment branding, which involves creating a positive overall image of state government and selling it as a desirable place to work. SPB staff contend that the state stands out above other employers in terms of the fringe benefits offered as well as the job stability afforded to employees.

Selection

The goal for any human resources selection process should be to fill vacancies in a timely manner with high-performing employees who possess the needed core competencies to perform the job efficiently and effectively.

Once a pool of applicants has been developed through the previously discussed recruitment process, the selection of an applicant from that pool to fill the vacancy is equally important. According to Gatewood and Field, in order to help ensure that the person selected to fill a vacancy is the person best qualified for the position, a selection program should meet the following criteria:

- *The program is based on a job analysis.* A job analysis is the gathering of information about a job. It results in information that is typically put into a job description, such as the tasks or activities of the job or the work environment.
- *The performance dimensions or outcomes have been identified.* Identifying the performance dimensions or outcomes of the job defines what success means for that job. Gatewood and Field suggest that a number of factors make this task difficult. For example, many jobs in state government do not produce tangible products; therefore, outcomes would not be as simple as ‘finished X.’ Also, several jobs in state government are interdependent; therefore, it is difficult to know how much each person contributed. In cases such as these, the judgments of immediate supervisors are important in identifying the performance dimensions.
- *The knowledge, skills, and abilities (KSAs) needed for success have been identified.* Identification of the knowledge, skills, and abilities needed for success on the job determines what employers should evaluate in applicants. For example, the job description for an Accountant/Auditor for the State of Mississippi notes that the person should have strong communication skills and the ability to manage workflow effectively.
- *Appropriate, validated assessment devices that measure KSAs have been used.* Assessment devices must measure the KSAs identified previously and can include applications, reference checks, interviews, assessment centers, exams, and many other methods.³⁸

Hiring the “wrong” person to fill a vacant position can severely impact the productivity of an organization. Low-performing employees might require more time and/or attention from managers, thus taking away time from

³⁸ R.D. Gatewood and H.S. Field, *Human Resource Selection*, 5th ed. (Fort Worth: Harcourt College Publishers, 2001), 18-22.

managers to develop their higher performing employees. Also, agency morale is negatively impacted when managers not only tolerate the performance of the low performing employee but also require existing staff to take on work tasks not being adequately completed by the low performing employee. In jobs that are interdependent, the performance of other employees can be impacted significantly.

The Process for Selecting the Most Suitable Workers to Fill Vacancies Needs Improvement

SPB has not identified core competencies for more than half of all state employment job classifications and is therefore unable to develop proper assessment devices for these positions.

While SPB has completed job analyses and identified performance dimensions for all positions, there are some deficiencies in SPB's current selection process. For example, SPB has not identified core competencies for more than half of all state employment job classifications and is therefore unable to develop proper assessment devices for these positions.

SPB uses a point scoring system in its selection process that is typical of state governments. SPB's current scoring method consists of a pre-established rating system for crediting applicants' prior education and experience considered relevant to the job. SPB evaluators review the application to determine the level of relatedness the education/experience has to the duties specified in the job description (directly related, closely related, or semi-related). The subjectivity inherent in assigning a "relatedness" code to an applicant's education and experience places a burden on SPB to ensure uniformity among evaluators in assigning the code. Applicants meeting the minimum requirements for the job are awarded a score of 70. Additional points are added based on the degree to which the applicant exceeds the minimum requirements.

SPB does not verify experience requirements and only in certain cases does SPB verify education requirements.

When a vacancy occurs within an agency for a position that is not exempt from selection (exempt positions are all non-state service positions and others that have been exempted by the SPB), SPB provides the agency a Certificate of Eligibles (COE), which lists the names of applicants who received the highest ten scores. Upon receipt of the COE, agencies determine which applicants meet their criteria and schedule interviews as appropriate. SPB does not verify experience requirements and only in certain cases does SPB verify education requirements. SPB says that the agencies are ultimately responsible for the verification of the correctness of applicants' experience and training. Because inclusion on the COE depends only on the reporting of education and experience, this method could actually encourage falsification of application information, allow an unqualified person to prevent a qualified person from

being on the COE, and perhaps even provide agencies a way to hire “buddies.”

This process for scoring job applicants fails to account for potential, talent, performance, and achievement. This type of scoring system has been criticized in research for low validity and could prevent the best person from being hired. *States of Transition* notes that the point method is one of the least predictive assessment devices; it places an emphasis on experience over talent and does not consider one’s performance and achievement. Because of this, *States of Transition* reports that this method increases turnover and absenteeism, while diminishing productivity.³⁹

Training

The purpose of training is to enhance the knowledge, skills, and abilities that state employees need to perform their jobs successfully. Training should be designed appropriately, based on a systematic process that includes:

- assessing organizational indicators of training need (e.g., poor employee performance, adoption of new technology, adoption of higher performance standards, organizational changes, programmatic changes);
- ensuring that employees are motivated and have the basic skills needed to perform their job duties successfully;
- creating a learning environment (e. g., meaningful material, feedback);
- ensuring that employees apply what they learned from training to the job;
- developing an evaluation plan;
- choosing a training method; and,
- monitoring and evaluating the training program.⁴⁰

Training can prepare employees for an increase in responsibility, promotions, or transfers that can occur after the planning process. Further, training may become necessary to help address skilled labor pool shortages predicted through planning.

Noe suggests that the role of training in modern organizations is changing and that training should be viewed in broad terms as a method for creating intellectual capital, instead of merely developing basic skill sets. According to Noe, intellectual capital includes cognitive knowledge (know what), advanced skills (know how), system understanding and creativity (know why), and self-

³⁹ Eggers and Campbell, *States of Transition*, 71.

⁴⁰ R.A. Noe, *Employee Training and Development*, 2d ed. (Boston: McGraw-Hill Irwin, 2002), 5-8.

motivated creativity (care why).⁴¹ *States of Transition* notes that talented employees want to work in jobs or on projects that engage them. They want jobs that will give them connections to other employees who will be important to their future. The most valuable employees want the chance to constantly learn how to do their jobs better. Organizations must create the roles that tap employees' greatest potential, while providing them with fresh challenges.⁴²

State government training efforts should be coordinated for effectiveness and efficiency.

Further, state government training efforts should be coordinated for effectiveness and efficiency. An online portal is one way to facilitate the sharing of training resources among state agencies. The State of Virginia utilizes a main portal that provides one-stop shopping for a variety of state agency training programs. Individual agencies can have their own portal that provides agency-specific training and information. Employees can register and attend online training courses and supervisors can approve training courses online as well. The system records certifications, records completion of training courses, and has the ability to track training costs.

Efforts Should Be Coordinated Between SPB and State Agencies

Mississippi's SPB has made considerable improvements in its training efforts over the past several years.

While Mississippi's SPB has made considerable improvements in its training efforts over the past several years (e. g., development of its online database and training management system known as the Mississippi Enterprise Learning Management System [MELMS]), there are some deficiencies remain in its training and development program. For example, state agencies lack standardized training plans. The SPB's Office of Training states that few agencies take advantage of SPB's assistance in developing such plans, which should include a needs assessment to determine who needs training and in what areas, as well as an estimate of the funding needed.

Also, state agencies are not required to create employee development plans for employees. The SPB, however, encourages agencies to do so and provides an Individual Development Plan (IDP) form and instructions on its website. In addition, the SPB provides training on individual employee development planning and a task force is currently developing a new performance management system for state agencies that will include IDPs. Several agencies recognize the value of this tool in terms of

⁴¹ Noe, *Employee Training*, 50-51.

⁴² Eggers and Campbell, *States of Transition*, 69.

recruitment and retention and are requiring it to be used by their supervisors and managers for their employees.

Further, SPB is not maximizing its limited training resources. State agency training efforts are generally fragmented and not comprehensive. In terms of fragmentation, state agencies are responsible for providing technical training to their employees, while the SPB is responsible for providing training in cross-agency areas such as management, supervision, and professional development. Also, Mississippi's Department of Information Technology Services' ITS Institute offers training to state employees related to computer and communication skills. In terms of the lack of comprehensive training of Mississippi's state employees, SPB noted that agencies have not consistently provided their employees with needed training, particularly in the area of soft skills (e. g., positive work environment, stress management).

The SPB Office of Training began using MELMS in an attempt to reduce statewide training costs by allowing agencies to share training resources and instruction online. MELMS records completion of training courses attended as well as certification programs completed. Currently, the only online course available through MELMS is an orientation course for the Mississippi Certified Public Manager Program. During the period between January 1, 2007, and October 1, 2008, the number of participants who completed the online course (15%) was substantially lower than the number who completed the classroom course (85%).

Further, MELMS does not currently have the capacity to track statewide training expenditures. This issue has been discussed in relation to the planning and implementation of the proposed MAGIC system (see page 73). In addition, all state agencies do not use the MELMS system or any other compatible system. Due to this inefficiency, the SPB must manually enter training information from incompatible systems. Expenditures for SPB-provided and other training offered outside of the SPB was approximately \$1.5 million for FY 2008.

Compensation

Sound compensation systems support agencies in their ability to attract, retain, and motivate employees to accomplish strategic goals. According to Herzberg's motivation-hygiene theory of job satisfaction, pay is a hygiene factor through which employers can avoid employee dissatisfaction.⁴³ While pay might not have as

⁴³ Aubrey C. Sanford, *Human Relations: Theory and Practice* (Columbus: Charles E. Merrill Publishing Company, 1973), 177.

much impact on long-term job satisfaction as motivational factors such as the work itself, pay seems to be an important factor in terms of recruitment and initial employment.

A sound compensation system, like the selection system, must be based on job analysis information and valid market surveys. This process ensures that pay is fair and competitive.

The goal of a state's compensation system should be to help agencies attract, retain, and motivate employees to accomplish the agency's goals. A sound compensation system, like the selection system, must be based on job analysis information and valid market surveys. This process ensures that pay is fair and competitive. The compensation system should also allow for rewards and incentives (monetary or non-monetary) other than salary to motivate employees. These rewards and incentives can be tied to an effective performance management program. Pay for performance can also be tied to the performance management program. The responsibility then becomes that of supervisors who are responsible for evaluating employees' performance. Finally, a state compensation system should continuously be monitored for fairness. The State of Virginia utilizes an EEO Assessment tool that identifies potential violations of equal employment opportunity laws and regulations. Virginia's Human Resources Department also runs reports on all salary increases in agencies to look for patterns or trends of concern.

The State has a Valid System for an Accountable Workforce that is not Fully Funded

Mississippi's Variable Compensation Plan, which began in FY 1982, is a method of paying state employees on the basis of their job worth and performance. The plan's key components are:

- *Realignment*—ensures that the pay ranges for jobs compensate incumbents what they are worth in the relevant labor market.
- *Productivity or merit pay*—pays employees for their high productivity, as indicated by job performance measures.
- *In-service*—increases pay to provide employees with cost of living adjustments.
- *Longevity*—provides lump-sum payments to employees who cannot receive a realignment or in-service pay raise because the raise would take them beyond the authorized end step salary for their job class.

While the Mississippi Legislature often appropriates funds for specific employee pay increases, it has not consistently funded the state's Variable Compensation Plan.

While the Mississippi Legislature often appropriates funds for specific employee pay increases, it has not consistently funded the state's Variable Compensation Plan (VCP). Most VCP increases over the years have been in the area of realignment. The SPB estimates that \$15 million is needed from general funds each year to fund realignment alone.

The Legislature has not authorized productivity pay since FY 1990. The Legislature funded productivity pay in 1982, 1984, and 1986 and authorized it (meaning that an agency was allowed to provide productivity pay to employees if the agency could identify excess salary funds, usually resulting from reductions in management positions) in 1983 and 1990. However, the Legislature discovered that agencies began using this money to give all employees an equal pay raise (e. g., everyone gets 3%) instead of using it as it was intended (i. e., to compensate high performers); therefore, the Legislature no longer funds the productivity pay component of VCP.

While the effects of a lack of full funding of all VCP components are not clear, one would suspect that it negatively affects the state's recruitment efforts, the state's ability to retain high performers (especially in the first few years of employment), and ultimately the performance of state agencies. In light of this, SPB has attempted, over the years, to respond to the needs of state agencies by adding such authority as new hire flexibility, which allows an agency head to grant starting salaries up to ten percent of the standard starting salary when the education, experience, or professional certification possessed by the person exceeds the minimum requirements for the job.

Mississippi's VCP is a valid compensation concept for an accountable workforce. It provides fairness, a way to compete with the private sector, and a way to reward better performers and motivate them to maintain their high performance.

Benefits

The goal of benefits should be to provide non-cash compensation to help state agencies to attract, retain, and motivate employees. Types of benefits typically offered by state governments include leave, retirement benefits, and health and life insurance.

State benefits should be:

- comprehensive;
- competitive;
- cost-effective; and,
- seen as part of total compensation.

A comprehensive approach to benefits allows for work-life flexibilities (such as flex time or job sharing) that can be tailored to the needs of employees. As mentioned previously in the discussion of factors that contribute to job satisfaction among different generations (refer to page 96), employee values and accordingly the benefits that attract, retain, and motivate them are changing. The benefits package offered to state employees should reflect those changes.

Because the state must compete with the private sector for employees, the state should continuously explore ways to reduce costs while offering attractive benefits.

Agencies duplicate efforts when they are responsible for providing their own benefits; they each must spend time finding providers and administering the plans. Also, this approach provides an uneven playing field for agencies in terms of recruitment and retention. Larger agencies might be able to offer more benefits than smaller agencies (such as vision or dental insurance), thus potentially attracting a larger number of applicants.

Because the state must compete with the private sector for employees, the state should continuously explore ways to reduce costs while offering attractive benefits. As American companies search for ways to curb the rising cost of providing healthcare benefits to their employees, an increasing number are targeting controllable behaviors or conditions that can greatly affect the cost of healthcare, including smoking, obesity, high cholesterol, and sedentary lifestyles. Faced with rising premiums for employers and employees or the reduction of benefits, corporate and public wellness programs that offer incentives for workers to convert to healthier eating habits and lifestyles that include regular exercise are becoming more widespread. Companies are also introducing disincentives for continuing unhealthy behaviors. For example, some companies have added smoking surcharges to their employee health insurance premiums.

Finally, in order to maximize the use of employee benefits as a recruitment tool, prospective employees must understand that benefits are an important part of total compensation. For example, Virginia's Department of Mental Health uses a document that shows the total compensation for each position (salary + benefits) as a recruitment tool to show job applicants the actual value of the job.

State Government Needs Better Utilization of this Tool for Attracting, Retaining, and Motivating Employees

Benefits in Mississippi state government are not comprehensive, cost-effective, or consistent from agency to agency.

According to SPB staff, fringe benefits for a typical state employee in Mississippi amount to approximately \$11,906, which is approximately 35 percent of the average employee salary (\$34,013). Two benefits currently provided to all Mississippi state and school employees are major medical health insurance with dependent coverage available and term life insurance. State law authorizes the Department of Finance and Administration (DFA) to administer the state's major medical health and life insurance plans.

However, with the exception of the two aforementioned statewide employee benefits, benefits in Mississippi state government are not comprehensive, cost-effective, or consistent from agency to agency. Individual state agencies are responsible for offering any additional benefit plans such as enhanced health, dental, vision, or cafeteria (a tax savings plan authorized by the Internal Revenue Service). Large agencies, such as the Department of Mental Health, are able to offer more benefits, including cancer and personal accident insurance, than smaller agencies.

In a survey of eight large state agencies in Mississippi, all offered several benefit plans to their employees in addition to the state health and life insurance plans, including dental, vision, cancer, and disability insurance plans and a cafeteria plan. All eight agencies noted costs related to time spent administering the plans. Also, each agency pays for employees who participate in the cafeteria plan. For the state agencies surveyed, this fee ranges from \$1.00 to \$4.25 per participating employee per month. Some state agencies surveyed noted the inefficiency of employees having to re-enroll in various plans when transferring between agencies, as the benefit plans are different. This scenario also creates an uneven playing field for agencies in recruiting, as certain agencies are able to offer more benefits than others.

Job Performance Measurement

The goals of a valid system to measure employee performance are to:

- routinely assess employees' progress towards goals and to help them to achieve these goals as efficiently and effectively as possible;
- improve sub-standard employee performance through targeted training and where necessary, through an effective disciplinary system; and,
- provide a sound basis for employee selection. Performance information can be used to examine the effectiveness of an organization's selection program because the selection program is designed to place a person in the job that is expected to perform well.

A sound compensation program that provides pay for performance cannot exist without a sound job performance measurement system.

An effective job performance measurement system includes:

- establishing appropriate performance measures that are tied to organizational goals;
- establishing accountability for performance;
- gathering and analyzing performance information; and,
- reporting and using performance information.

In order to maximize productivity within the organization, employees need to know how they are performing, as well as how their performance contributes to the agency's or organization's goals. Information obtained from job analyses should serve as the basis for the development of appropriate criterion measures for job performance.

Training in the proper utilization of performance measurement tools is critical to the success of performance measurement systems. Because performance appraisals are considered judgmental measures of performance, managers need training related to those factors that affect the reliability of appraisal ratings, such as considering behaviors of employees over the entire period of the review instead of only recent behaviors. Also, managers need training in avoiding inadvertent biases. For example, a "halo effect" is rating an employee equally on different performance dimensions because of the supervisor's general impression of that employee.

Research has demonstrated that training supervisors in recognizing these biases has positive effects on supervisors' ability to measure performance. Also, studies have found that people who were required to justify their appraisal ratings and thus made to feel accountable provided more accurate evaluations than those who were not accountable for their ratings.

Poor performance measurement systems can lead to performance evaluations that are not tied to agency goals, inaccurate assessments of employee performance, the inability to discipline employees effectively, the failure to reward high performance and motivate them to maintain their performance, the failure to distinguish between mediocre and superior performance, and low employee morale.

State Government Needs More Accountability in Measuring Employees' Progress Towards Goals

The State of Mississippi has several deficiencies in its utilization of performance measurement as an effective

The State Personnel Board estimates that less than fifty percent of state agencies handle performance appraisals correctly.

tool for human resources management. First, as discussed on page 31, until the state develops clearly defined statewide strategic goals, individual employee performance cannot be linked to key statewide measures of success.

Further, Mississippi's State Personnel Board estimates that less than fifty percent of state agencies handle performance appraisals correctly. Often performance appraisals are not even tied to agency goals or employee compensation. Few supervisors receive training in performance appraisals and there may be no incentive to do them correctly. This situation results in a lack of accountability in measuring performance and provides for an ineffective disciplinary tool. Often, on a scale of "1" (fails to meet expectations) to "3" (exceeds expectations), state agency supervisors choose to give employees "2s" (meets expectations) because they are not required to document reasons for that particular rating, whereas documentation is required for a rating of "1" or "3." Problems may arise if supervisors fail to document problems during a low performing employee's probationary period and then want to dismiss that employee.

Too often in Mississippi state government, agencies simply conduct performance appraisals for administrative purposes; however, the state has the opportunity to make the employee performance appraisal process important and valued by tying it to the state's compensation system. If the Legislature chooses to fund the productivity component of its Variable Compensation Plan, accurate employee performance appraisals will be even more important because increases in pay will be based on these appraisals.

The SPB is developing a competency-based performance management system to replace the current appraisal system. The new system will focus on the evaluation of work outcomes and work behaviors and will provide clarification of what constitutes success on the job.

Opportunities for Change: Re-establishment of the State Personnel Board as the Department of Human Resources Management

The Legislature should rename the State Personnel Board the Mississippi Department of Human Resources Management and broaden its authority extensively.

To convey the broader mission of the State Personnel Board that would be established through the proposed changes outlined in the following sections, the Legislature should consider amending state law to rename the agency the Mississippi Department of Human Resources Management (DHRM). This proposed change is in keeping with SPB's own adopted vision statement: "to lead the way in human resource management." In the sections that follow, SPB is referred to as DHRM.

More Comprehensive Jurisdiction

The proposal for the creation of a new Department of Human Resources Management should extensively broaden the authority of personnel management in state government. This should be extended in the following manner:

Broader coverage of positions: State law should be amended to bring the personnel of all executive branch agencies and institutions of higher learning (IHL) within the scope of the agency's authority. While historically the institutions of higher learning have been given broad autonomy for the management and control of resources, the Legislature should require that institutional positions would now be under the control of the new department. As a precondition to receipt of general funds, the institutions should be required to consent to the oversight of the new department.

State law should be amended to bring the personnel of all executive branch agencies and IHL within the scope of the authority of the proposed new department. The new department should also be given authority over contract employees and independent contractors.

For the limited purpose of budgetary projections, the staffs of the Governor, the judiciary, and the Legislature should also be included in the agency's databases. This should not confer any discretionary authority over the ability of these entities to select, promote, or compensate the staffs, but should ensure that there is a single personnel database containing information regarding these employees for purposes of budgetary recommendations and management.

Authority over contractors: The new department should also be given broad authority over contract employees and independent contractors. At present, the Personal Service Contract Review Board has some oversight over the selection of contractors but the authority is limited to contracts in excess of \$100,000. Changes in law should give the new department authority to approve all contracts for executive branch agencies and IHL, regardless of the value of the contract. This authority should require the new department to determine the need for contracts as well as establish competitive selection processes for contractors.

The new department should be given authority over all employee fringe benefits except for retirement.

Benefits management: The new department should be given authority over all employee fringe benefits except for retirement. This would entail managing state insurance programs, workers' compensation, and cafeteria plans, as well as supplemental insurance coverage such as dental and vision plans.

Transfer of Executive Branch Human Resources Personnel to DHRM

The Legislature should reassign all human resources employees of all executive branch agencies and institutions of higher learning to the newly created department.

Also, to facilitate an enterprise approach to human resources management in Mississippi state government, the Legislature should consider reassigning all human resources employees of all executive branch agencies and institutions of higher learning to the newly created Mississippi Department of Human Resources Management (DHRM). All human resources staff transferred into the department should be required to complete DHRM's certification program, if they have not already done so. DHRM management would then assign these new DHRM employees to their highest and best use in service of the statewide human resources management system. For example, DHRM management could reassign some of the newly acquired human resources employees to full-time service to the state's larger agencies, while reassigning others to critical, but currently understaffed, human resources management functions such as workforce planning, efficiency reviews, and position audits.

In conjunction with the transfer of all executive branch human resources personnel to DHRM, the department should explore the feasibility of purchasing and implementing a statewide "Self-service HRM" software system, in order to reduce the number of human resources personnel performing clerical and data entry functions. Reported benefits of the Texas Health and Human Services Commission's purchase of a self-service human resources and payroll computer application software system include:

- a decrease in agency dependence on paperwork;
- simplification of the human resources process; and,
- employee empowerment through direct ownership of their benefits package.

This system allows Texas state employees to print earnings statements, verify all types of leave balances, and review their benefits online. Also, the system allows employees to update personal information online and provides automatic immediate notification of the change to the agency's human resources staff. By eliminating clerical functions for human resources staff, such as paperwork and data entry, this type of automated self-service HRM system has reportedly provided Texas's human resources personnel with significantly more time to perform higher value work such as workforce planning. After implementing self-service HRM, one Texas employer reported the cost of processing a change of address for an employee dropped from \$10 per transaction to 25 cents. (The Department of Finance and Administration's MAGIC project will most likely address many of these issues. See page 73.)

Focus on the Most Efficient Utilization of the State's Human Resources

DHRM should increase current efforts at identifying the most efficient organization for delivering essential public services effectively and the number and characteristics of employees needed to staff such an organization.

DHRM should increase current efforts at identifying the most efficient organization for delivering essential public services effectively and the number and characteristics of employees needed to staff such an organization now and in the future. Through elimination of unnecessary steps in workflow processes and through the cost-efficient utilization of available technologies to support all work processes, DHRM should continue to identify opportunities for consolidation and elimination of state government positions and present these opportunities to the Joint Legislative Budget Committee annually as part of the annual budget process.

DHRM's efforts at increasing the efficiency of the state's workforce should include identification of opportunities to share administrative support staff among smaller agencies, to create clerical staffing pools that could be assigned to cover temporary and seasonal fluctuations in the demand for such workers, and the increased use of volunteers and inmates (where feasible) to staff special, short-term projects. For example, Chicago's Mayor's Fellow Program matches the skills and expertise of volunteer executives to short-term projects (e. g., United Airlines staff trained all of the city's operators and supervisors on customer service techniques, IBM helped public health nurses reduce the time spent on paperwork through hand-held devices). Also, Arizona's Department of Corrections uses volunteers to assist the prisons with their substance abuse and self-help programs.

DHRM should also attempt to reduce personnel costs by seeking opportunities to eliminate unnecessary, higher-cost credentials from the minimum qualifications for state government positions.

Also, some states have expanded their use of inmates from providing janitorial and grounds-keeping services to operating call centers (for tiers of calls where the inmate would have no access to confidential information), maintaining school buses, remodeling facilities (e. g., schools during the summer), refurbishing old computers for school use, providing agency mail and printing services, and abating graffiti. Increased utilization of inmates not only provides state services at a much lower cost than hiring full-time state or contractual employees, but also provides the inmates with valuable job skills that can be utilized upon release.

DHRM should also attempt to reduce personnel costs by seeking opportunities to eliminate unnecessary, higher-cost credentials from the minimum qualifications for state government positions. For example, some states have reduced statewide personnel costs by reducing the unnecessary utilization of sworn law enforcement officers. DHRM should review all provisions in state law requiring the use of sworn law enforcement officers and make recommendations to the Legislature to eliminate any provisions unnecessarily requiring the use of such officers.

In these instances, the state could achieve savings through the hiring of less expensive personnel.

A discussion of implications for change in each of the seven major human resources management areas follows.

Workforce Planning

DHRM should be the leader in developing a formal, written, statewide workforce plan that is tied to Mississippi's statewide strategic plan.

DHRM should be the leader in developing a formal, written, statewide workforce plan that is tied to Mississippi's statewide strategic plan (see discussion on page 31). DHRM should base the statewide strategic workforce plan on forecasts of statewide human resources needs through analysis of such information as employment trends, employee demographics, retirement eligibility data, turnover and hiring data, and training statistics. The plan should detail statewide efforts to address current and future human resources challenges. On an annual basis, DHRM should submit the statewide human resources workforce plan to the Legislature for its consideration.

Also, DHRM should ensure that each agency has a comprehensive workforce plan, linked to the agency's strategic plan, that includes the following elements:

- an analysis of the agency's current workforce situation;
- an assessment of future workforce needs;
- a determination of any skill gaps;
- the development of action plans to close gaps;
- plans for implementation of action plans; and,
- evaluation of results.

DHRM should maintain an online repository for workforce planning practices information and resources, including reports with agency-specific information.

DHRM should ensure that each agency has a comprehensive workforce plan, linked to the agency's strategic plan.

In light of the aging workforce, DHRM should also ensure that all agencies create succession plans to assess, evaluate, and develop talented employees to fill key state government positions where vacancies are expected in the near term. DHRM should provide guidelines for developing, implementing, and monitoring succession plans based on best practices research.

To address the high turnover rate in Mississippi state government, DHRM should develop an electronic state employee exit survey to determine the reasons for every separation from state employment. Every terminating state employee should be required to complete the online survey. DHRM should summarize the results for state policymakers and agency managers so that corrective action can be taken to reduce unusually high occurrences of avoidable types of

turnover. DHRM should continue to study the fiscal impact of turnover in jobs where high turnover exists. Because job satisfaction is the most reliable predictor of turnover, DHRM should work with agencies with high turnover rates to conduct valid job satisfaction surveys of employees in high-turnover positions and implement efforts to increase their satisfaction. DHRM should then assist these agencies to follow up on the success of their efforts by monitoring satisfaction and turnover rates in those positions.

DHRM should also ensure that all agencies create succession plans to assess, evaluate and develop talented employees.

With respect to the collection and analysis of all key workforce indicators, including turnover data, Mississippi could follow the example of the Virginia Department of Human Resource Management in providing state agencies with a variety of key data reports to assist with workforce planning. The Virginia Department of Human Resource Management's management information system for human resources management is called HuRMan. This information stored on HuRMan is available to Virginia state agencies at any time; agency personnel may simply log into the system and access the data immediately.

The Virginia Department of Human Resource Management also provides state agencies in Virginia with an Equal Employment Opportunity (EEO) Assessment Tool that helps them monitor their employment practices to ensure fairness and equity, as well as compliance with EEO laws and regulations. If the management information system detects a potential violation (e. g., a significantly higher percentage of males receiving salary increases than females), the system flags the data for EEO compliance. The Virginia Department of Human Resource Management staff is responsible for contacting agencies if there is a potential problem.

Finally, the Virginia Department of Human Resource Management provides state agencies in Virginia with an "HR at a Glance" report, which gives a picture of the state as a whole, and a state workforce plan, which is a compilation of the agency workforce plans. With these reports, state agencies in Virginia may compare their situations to that of the state and make decisions regarding human resources.

Recruitment

DHRM should enhance the state's ability to attract the most qualified individuals for state employment by:

- creating a positive state brand (i. e., image of employment with the State of Mississippi);
- developing a prestigious state internship program to attract recent college graduates to careers in public service;

- improving the state personnel recruitment website as an important tool for recruiting candidates for state employment online; and,
- aggressively recruiting for service-wide occupations where future gaps exist.

An assessment of the current image of state employment would be beneficial in designing a new and effective branding strategy for the State of Mississippi. Participants in the assessment could include current employees, job applicants, and the general public. A branding strategy could then be developed to highlight those features of state employment that are appealing. Examples of marketing and branding would include developing a logo and tag line that could be used on the Internet, in brochures, and in other recruitment efforts.

DHRM should consider developing a state government internship program modeled after the Presidential Management Fellows Program.

DHRM should consider developing a state government internship program modeled after the Presidential Management Fellows Program (see discussion on page 97) and the State of New York's internship program. The State of New York's program rotates graduate students through state government, giving them high-level training and mentorship opportunities. The program matches students in specialized programs (e. g., Masters of Public Health) to appropriate agencies (e. g., the Department of Health).

DHRM should continue to recruit aggressively for service-wide occupations where future gaps exist, as determined through workforce planning.

In addition to developing a positive state brand and internship program, DHRM should continue to recruit aggressively for service-wide occupations where future gaps exist, as determined through workforce planning (e. g., IT, healthcare, engineering). DHRM should explore the feasibility of developing a "Rapid Hire" program for such high-need government positions. The Texas Department of Transportation implemented a Rapid Hire program that allowed agencies to hire college graduates and interns in an expeditious manner for high-need positions such as civil engineers. In FY 2006, TXDOT hired 571 of its 1,246 new employees through its Rapid Hire program.

Also, DHRM should develop career guides to help potential applicants learn about developing careers that suit their knowledge, skills, and abilities.

DHRM should evaluate the state's recruitment efforts, including tracking all recruitment costs.

DHRM should educate Mississippi state government employers on the importance of maintaining timely correspondence with all applicants during the entire application process. Some research indicates that the speed of follow-up contacts with applicants during recruitment is important as to whether the applicant chooses to remain in the applicant pool. Responsiveness from the employer could indicate to applicants that the organization is efficient and responsive to the needs of others. An applicant should receive notification via e-mail or other contact when the application is received, after it is

reviewed, and a notice as to whether the applicant has been chosen to be interviewed for the position.

Finally, DHRM should evaluate the state's recruitment efforts, including tracking all recruitment costs and using this information to help determine whether certain efforts are more cost-effective than others.

Selection

In the area of employee selection, DHRM should:

- focus its immediate efforts on completing the identification of competencies for all positions;
- develop policies for an efficient and fair hiring process that promotes equal employment opportunity; and,
- conduct yearly post-audits of samples of applicants employed by hiring agencies to ensure compliance with hiring policies.

Individual agencies would then:

- have the authority to select from the pool of applicants based on their own assessment devices (developed with the assistance of the DHRM), which should be competency-based rather than based on the point system;
- be required to use the behavioral interviewing guide available on DHRM's website; and,
- adhere to the hiring policies established by DHRM.

Training

DHRM should enhance retention efforts statewide by ensuring that every state employee has access to needed training and professional development as well as a clear career path.

DHRM should enhance retention efforts statewide by ensuring that every state employee has access to needed training and professional development as well as a clear career path based on current abilities and knowledge and skills acquired on the job either through DHRM approved training or through off-site educational programs.

DHRM should be responsible for coordinating and accounting for training of all executive branch employees through a single statewide database (including courses attended, credit hours, and cost of training). DHRM should ensure that all training of state employees is provided as economically as possible, taking advantage of current technologies (e. g., statewide webinars in lieu of training sessions at off-site locations). DHRM should explore the

feasibility of consolidating existing state employee training programs into a Mississippi Government Training Institute as a mechanism for meeting the state government workforce's training needs as efficiently and effectively as possible.

State agency training coordinators should conduct training needs assessments and create a training plan as prescribed by DHRM. These needs should be included in the agency workforce plans and should be the basis for delivering training that supports the agency's goals. DHRM should create a statewide training plan that tailors specific training programs to agencies' needs.

Compensation

The Legislature should fully fund the Variable Compensation Plan.

In order to attract, retain, and motivate high-performing employees, the Legislature should fund the Variable Compensation Plan (VCP). However, the Legislature should only fund the productivity pay component of the plan for those agencies that have established a valid performance measurement system, as certified by DHRM.

Benefits

DHRM should establish an employee benefits division, which would include the life and health insurance program staff transferred to the department from DFA.

DHRM should establish an employee benefits division, which would include the life and health insurance program staff transferred to the department from DFA. This division should be responsible for proposing to the Legislature a comprehensive set of employee benefits that should be made available to all employees of the State of Mississippi.

In making its recommendation to the Legislature, the division should consider the following types of employee benefits: all types of health-related insurance coverage (e.g., vision, dental, disability, cancer, intensive care, long-term care), life insurance, a cafeteria plan, flexible work schedules (e. g., ten-hour workdays with three days off, thirty-two-hour work weeks, telecommuting), paid holidays and policies governing all types of leave (including leaves of absence and the accumulation and granting of compensatory leave), employee counseling assistance, and educational benefits currently available only to staff of IHL. The division should also review all benefits only available to a subset of state employees (e. g., assigned vehicles, "free housing" at residential facilities) and make a determination as to whether it would be preferable to eliminate these benefits (e. g., by requiring agency staff to pay the fair market rental value of "free housing") since they are not available to all employees.

DHRM should study the feasibility and cost-effectiveness of offering multiple health insurance options for state employees.

Specifically with respect to health-related benefits, the division should study the feasibility and cost-effectiveness of offering multiple health insurance options for state employees (i. e., co-pays and a variety of deductibles and coverage amounts). The division should also study the feasibility and fiscal impact of imposing smoking and/or obesity surcharges on state employee health insurance.

Also, to allow agency heads greater flexibility in managing positions and allow employees to benefit from opportunities such as job sharing, the Legislature should consider authorizing full-time equivalent positions in appropriations bills rather than full-time, part-time, time limited, and full-time/part-time positions.

By developing statewide benefit plans through DHRM, state employees would probably have access to less expensive and more comprehensive benefits than are currently available on an agency-by-agency basis. Also, there are several advantages to making one comprehensive set of benefits available to all state employees. For example, state employees would be saved the time and inconvenience of having to terminate enrollment and then re-enroll when transferring from agency to agency. Further, by making benefits uniform, employees might also be able to transfer compensatory leave.

Once the Legislature has agreed upon a comprehensive set of benefits that should be made available to all state employees, DHRM should detail these benefits in the statewide employee handbook and set policy requiring that all state employees (including employees of all three branches of government) are entitled to the same package of benefits and subject to the same administrative rules and regulations.

To make sure that the state's benefit package continues to be competitive with competing private sector employees, the DHRM should conduct yearly benefits surveys, in addition to its salary surveys.

Review of State Employee Retirement Benefits

The Public Employees' Retirement System should explore possible changes to state employees' retirement benefits.

In addition to the employee benefits analysis conducted by DHRM, the Public Employees' Retirement System (PERS) should explore possible changes to state employees' retirement benefits. For example, in order to reduce the unfunded accrued liability of the state employees' retirement plan, the Legislature should require the PERS Board to conduct a follow-up study to the December 2005 report entitled *PERS Evaluation Report* issued by the Retirement Study Committee. The follow-up study should

address lowering employer contributions to PERS through the following options:

- lowering the benefit accrual rate (i. e., the multiplier);
- modifying the fixed cost-of-living adjustment;
- limiting service credit for unused leave; and,
- increasing the number of years of service required for retirement to thirty.

Job Performance Measurement

All state agencies should develop appropriate employee performance measures that are tied to agency goals.

All state agencies should develop appropriate employee performance measures that are tied to agency goals. As discussed on page 106, performance measures include production data, human resources personnel data, training proficiency, and judgmental data. These measures should be placed into an Employee Development Plan for each employee. Also, DHRM should develop an online system for collecting and managing employee performance measurement information.

DHRM should require and provide online training for all new managers (updated biannually) regarding employee performance appraisals.

Because performance appraisals are often judgmental measures, DHRM should require and provide online training for all new managers (updated biannually). Training should focus on those factors that affect the reliability of appraisal ratings, such as considering behaviors of employees over the entire period of the review instead of only recent behaviors. Also, DHRM should train managers in avoiding inadvertent biases.

Chapter 7: Procurement and Asset Management

Key Ideas in Chapter 7:

Procurement

- Beyond following established regulations and guidelines, the acquisition of goods and services in Mississippi is primarily decentralized. PEER contends that agency-level procurement offices could be more effective if they were better positioned as an important part of a well-defined state level strategic planning and procurement effort, rather than simply serving the procurement needs of their individual agencies.

Surplus Property

- State entities are responsible for identifying surplus property within their organizations and entities have no standardized criteria by which to identify items as surplus.
- State agencies are not encouraged to procure property items from the Office of Surplus Property rather than from a commercial vendor.
- The inventory management system utilized by the Office of Surplus Property is approximately fifteen years old and does not include features for modern inventory management.

Vehicle Management

- The state's fledgling vehicle management system provides an example of the type of enterprise thinking that should be applied to state government.

Capital Facilities

- No state entity has a central leadership role in the planning, designing, operating, and maintaining of the state's capital facilities.
- Because DFA does not supervise all capital facilities projects, the state does not have a comprehensive strategic plan for capital facilities.
- The state has no comprehensive strategy for maintaining capital facilities.

Opportunities for Change: Procurement and Asset Management

Procurement

- The Office of Purchasing, Travel, and Fleet Management should review procurement laws, policies, and procedures for ambiguity, inconsistency, and obsolescence.
- The state should consolidate its purchasing efforts with counties, towns, purchasing consortia, or the federal government in order to take advantage of competitive pricing for commodities and services.
- The Office of Purchasing, Travel, and Fleet Management should implement solid strategic sourcing concepts that should be predicated by a needs assessment and a spend analysis to guide the implementation phase of any significant sourcing strategy.
- The Office of Purchasing, Travel, and Fleet Management should hold user agencies responsible for monitoring the performance of any contracts negotiated under their direct authority.

Surplus Property

- To help address the issues in this chapter regarding surplus property, PEER proposes a new acquisition and disposal model charted on page 133.

Vehicle Management

- The Legislature should consider extending the jurisdiction of the Bureau of Fleet Management to vehicles owned and operated by the institutions of higher learning and community and junior colleges.

Capital Facilities

- The Legislature should make DFA the single system manager for budgeting, acquisition, disposal, and operations decisions for all capital facilities.
- DFA should also establish and manage preventive maintenance and energy conservation programs for all state capital facilities and installed equipment.
- DFA should be responsible for developing a comprehensive, statewide strategic plan for state capital facilities management.
- The Legislature should appropriate funding for capital facilities management decisions based on the DFA strategic plan (subject to revenue collections at that time and other state budget needs).
- DFA should provide construction program management services for all state-funded projects (including public school districts) and all non-state funded projects of state and local public entities. These projects could be funded on a "service fee" basis.

Chapter 7: Procurement and Asset Management

If Mississippi adopts the enterprise model for state government, after engaging in strategic planning and implementing appropriate information, budgeting, accountability, and human resources functions, it still must provide for its needs in order to accomplish its goals. These needs include procurement and asset management systems that provide and/or maintain commodities, equipment, vehicles, and facilities to accomplish the state's goals effectively and efficiently.

Procurement

Observations on the Need for Change

Broadly defined, government procurement is the process by which a governmental entity acquires the goods and services it requires to administer and operate its service programs and meet the needs of its constituents. As a rule, when discussing procurement from a state-level perspective, one generally finds that the state, through a central agency, defines the general policies and procedures that will govern the procurement process and may prescribe rules for differing types or amounts of goods or services bought.

Beyond following established regulations and guidelines, the acquisition of goods and services in Mississippi is primarily decentralized.

For example, in Mississippi, the Department of Finance and Administration's Office of Purchasing, Travel, and Fleet Management (OPTFM) is responsible for adopting purchasing regulations that govern the purchase of commodities, supplies, and equipment by state agencies, the negotiations of contracts, and the distribution of all information pertinent to those regulations, contracts, and any other information relevant to the procurement process itself. At this level of detail, Mississippi's procurement philosophy generally conforms to what one would find in other parts of the country.

Beyond following established regulations and guidelines, the actual acquisition of goods and services in Mississippi is primarily decentralized, meaning that state agencies, entities, and more specifically, local governing authorities (i. e., cities, counties, school districts) have a large amount of procurement independence. When combined with various exceptions to controls and little in the way of statewide procurement strategy or accountability systems, that independence could be costing the state more in procurement dollars than is necessary.

The purpose of this chapter is to challenge policymakers to rethink the procurement philosophy of the state with an eye toward identifying and adopting the best practices of government and private sector that have the potential to facilitate improvements in efficiency and effectiveness. Such an effort would require a redefining of the state's overall procurement strategy and implementation practices. This is not a blanket criticism of the current system or its operation, but a challenge to find ways to make the system better.

PEER contends that agency-level procurement offices could be more effective if they were better positioned as an important part of a well-defined state level strategic planning and procurement effort, rather than simply serving the procurement needs of their individual agencies.

PEER contends that agency-level procurement offices could be more effective if they were better positioned as an important part of a well-defined state level strategic planning and procurement effort, rather than simply serving the procurement needs of their individual agencies. Each office would then operate as a partner in implementing the state's overarching procurement philosophy with full strategic knowledge and accountability, and not merely as process-based organizations.

PEER contends that this is the way any well-run enterprise should view its procurement system. An enterprise approach would demand that we change the manner in which we view government procurement as a whole. For example, we should begin to engage in strategic planning that takes full advantage of the explosion in technology and develop a blueprint to apply successful, sophisticated contract expertise and supply chain management techniques to anticipate state agencies' needs and ensure that goods and services are available to satisfy each entity's operational goals.

Systemic Impediments to Change

Mississippi's current procurement system, while it has many valuable components, is deficient in the following areas that underpin a strategic approach to procurement:

- *The system does not produce a comprehensive strategic plan to identify the procurement needs of the state as a whole and to serve as the basis for designing needed procurement processes.* For example, what needs to be centralized and what needs to be decentralized to achieve maximum efficiency? The lack of centralized accountability means that state agencies, institutions of higher learning, and governing authorities are not required to work together in a strategic manner for the common good.
- *The system does not produce data on volume and type of acquisition that is needed to produce the management information to leverage the state's buying power.* As a result, the Office of Purchasing, Travel, and Fleet Management currently does not routinely gather the

data needed to identify the volume and type of statewide agency spending accurately. This information is needed in order to conduct a statewide needs assessment and spend analysis to inform decisions on buying.

- *The system fragments the state's buying power by not including all levels and entities of government under a strategic philosophy of procurement.* With decentralized procurement, the Office of Purchasing, Travel, and Fleet Management does not have the ability to leverage statewide spending or engage in strategic planning statewide. To reduce fragmentation, all state entities would have to utilize the same processes and the same e-procurement system for the state to engage fully in aggregate buying.
- *Given the state's current budgeting processes, state agencies have little incentive to be more cost-efficient in procurement decisions.* Agency managers have the perception that their annual appropriation for a succeeding fiscal year will be reduced by the Legislature if they do not spend the majority of their appropriation in a given year. As a result, state agencies tend to develop a "spend it or lose it" mentality and expend end-of-the-fiscal year balances to procure items, some of which might be unnecessary or wasteful.

Opportunities for Change: Procurement

Today's procurement office must be able to improve government efficiency by driving down costs, developing and negotiating complex contracts, and providing a variety of procurement services that contribute to the state's fiscal stability.

Procurement literature suggests that effective procurement and supply management can generate significant savings to the state. For example, according to The Hackett Group, a global strategic advisory firm, world-class organizations look at procurement as an investment rather than as a cost center.⁴⁴ The Hackett Group found that world-class organizations generate 133 percent greater return on their investment in the area of procurement than average organizations. World-class organizations produce this return on investment by designing a system that facilitates an adaptive and responsive procurement process based upon extensive research that assesses that organizations' operational needs and spending trends.

According to the National Association of State Procurement Officials (NASPO), the procurement profession is transitioning from its traditional mission to a more strategic mission. The traditional mission of just being a "provider" of goods and services is slowly being changed. It is now more important that procurement organizations operate as "manager of the providers" of goods and

⁴⁴ Francis J. Quinn, "The Power of Procurement," Supply Chain Magazine Review (December 2005).

services.⁴⁵ Today's procurement office must be able to improve government efficiency by driving down costs, developing and negotiating complex contracts, and providing a variety of procurement services that contribute to the state's fiscal stability. The increase in data-intensive, technically intricate procurement projects has signified that traditional procurement skills and practices will no longer be sufficient to meet the demanding objectives of a changing government.

Also, according to NASPO, several years ago the state of Texas conducted a study that compared the cost of procurement in the public sector with that of the private sector. The results were that governments spent an average of 5.5 cents to process every dollar of procurement, while the private sector spends just 1 cent per dollar to accomplish the same.⁴⁶ Absent more direct data, if one can accept that it is reasonable to apply this statistic to Mississippi, in Fiscal Year 2006, according to information obtained from the Department of Finance and Administration, Mississippi spent approximately \$481 million on the purchasing of commodities. Therefore, by the public sector standard cited in Texas, it cost approximately \$26 million to process these procurement efforts, while by the private sector standard it would have cost only approximately \$5 million to do the same. It is therefore imperative that the Office of Purchasing, Travel, and Fleet Management align its procurement organization and its practices so that it mirrors those found within the private sector.

PEER has determined that an overall goal for the state should be to develop a state procurement system that will operate as the most efficient and effective fiscally responsible member of state government that it can be. By transforming the manner and the method by which the state conducts procurement, the Office of Purchasing, Travel, and Fleet Management could become a catalyst that generates significant and measurable savings to the state and its taxpayers. To do so, it must address at least the following issues:

- develop a statewide organizational strategy for procurement;
- conduct a statewide needs assessment;
- streamline the procurement process;
- implement strategic sourcing focused on spend visibility, data accessibility, and consolidation opportunities; and,

⁴⁵ National Association of State Procurement Officials, "Responding to an Aging and Changing Workforce: Attracting, Retaining and Developing New Procurement Professionals," National Association of State Procurement Officials Research Brief (March 2008), 1.

⁴⁶ National Association of State Purchasing Officials and National Association of State Information Resource Executives, "Buying Smart: State Procurement Saves Millions" (1997), 3.

- prioritize improvements in technology in order to provide value-added decision support to the overall procurement strategy.

Creation of an enterprise-based procurement system would require some significant changes in the way we think about purchasing, in the way we define central and agency level responsibilities, and in the information base we would be using for decision-making. It would also require new knowledge and skills on the part of key staff at all levels. Following are the six "milestone" elements PEER believes are necessary to achieve these changes and to bring the state's procurement to a higher efficiency level.

Clarify the bounds of central procurement authority and ensure its application throughout all state entities

The Office of Purchasing, Travel, and Fleet Management should review procurement laws, policies, and procedures for ambiguity, inconsistency, and obsolescence.

Through the Chief Procurement Officer, the Office of Purchasing, Travel, and Fleet Management should begin the process of clarifying its bounds as a single point of authority and accountability in procurement matters. Needed changes in law should be brought to the attention of the Legislature in order to allow the office to increase its concentration on overall state government purchasing needs, improving procurement productivity at all levels, and increasing statewide cost savings. This clarified central authority should also allow the state to marshal various state agency procurement operations to ensure that their practices are aligned with the best in private and public sector procurement policies and procedures.

The Office of Purchasing, Travel, and Fleet Management should also review procurement laws, policies, and procedures for ambiguity, inconsistency, and obsolescence. Laws and procurement regulations should reduce confusion for involved parties including bidders, suppliers, customers, and also allow procurement staff to focus more on activities that add value to the procurement process.

Increase the state's purchasing power through strategic leveraging

The state should consolidate its purchasing efforts with counties, towns, purchasing consortia, or the federal government in order to take advantage of competitive pricing for commodities and services.

The Office of Purchasing, Travel, and Fleet Management should adopt a more aggressive pursuit of cooperative purchasing. The state should consolidate its purchasing efforts with counties, towns, purchasing consortia, or the federal government in order to take advantage of competitive pricing for commodities and services.

The Office of Purchasing, Travel, and Fleet Management should also review purchasing thresholds in order to make recommendations to the Legislature as to whether adjustments should be made to simplify the procurement

process and allow user agencies appropriate flexibility. A consolidation strategy must be pursued to ensure that all user agencies are abreast of overall state government procurement strategies and initiatives and that all are in compliance. This would help eliminate vendor confusion and assure those doing business with the state that all agencies operate under the same authority.

The Office of Purchasing, Travel, and Fleet Management should attempt to coordinate and centralize spending for goods and services throughout state government. Aggregate spending allows the state to lower its costs by leveraging its purchasing power, eliminating duplication of efforts, and also increasing competition. It is imperative that the state align itself with procurement best practices that are molded in the private sector and aggregation is aligned with those practices.

Apply a consistent, well-managed, and enterprise-level strategic sourcing process to statewide procurement efforts

The Office of Purchasing, Travel, and Fleet Management should implement solid strategic sourcing concepts that should be predicated by a needs assessment and a spend analysis to guide the implementation phase of any significant sourcing strategy.

The Office of Purchasing, Travel, and Fleet Management should implement solid strategic sourcing concepts that should be predicated by a needs assessment and a spend analysis to guide the implementation phase of any significant sourcing strategy. Strategic sourcing is based on a detailed examination of past and current practices designed to produce the best values for the state as a whole and requires an organized effort throughout state government. It includes such concepts as cooperative purchasing, electronic commerce, and reverse auctioning.

The Office of Purchasing, Travel, and Fleet Management should develop and maintain an electronic database that tracks agency purchases and spending patterns and then proceed to conduct a spend analysis to become abreast of what agencies are buying and how much they are spending annually. The office currently does not have a system in place that effectively tracks agency spending information on an annual basis. The collection of this data would allow the office to conduct a needs assessment of state agency purchasing and prioritize commodities and services based on savings opportunities, implement a pricing strategy to confirm that the state's spending is fully leveraged, and identify other sourcing strategies and the expected cumulative benefits of their implementation. (The Department of Finance and Administration's MAGIC project will most likely address many of these issues. See page 73.)

Strategic sourcing must be implemented as a statewide initiative and will require cooperation throughout all state agencies to be effective. It is an initiative that, if implemented effectively, will establish solid statewide business rules and functions, guides to formalize and

maintain procurement coordination throughout state government, a more significant role for information technology in the procurement process, better valued products and services, and increased purchasing leverage.

Maintain and produce a corps of capable, professional, and highly qualified procurement staff

The Office of Purchasing, Travel, and Fleet Management must retain and attract a corps of intelligent and well-versed procurement personnel. The knowledge, skills, and abilities of today's procurement staff must be able to adapt to the changing nature of the role of procurement. A comprehensive knowledge of private sector business practices and changes in technology is important. Procurement staff must now be able to work in diverse environments forming profitable relationships with customers and suppliers. Procurement staff must also be able to handle, organize, and communicate information, primarily through electronic commerce.

Procurement staff should be required to obtain professional certifications.

The OPTFM should ensure that its staff is highly knowledgeable in the best practices of procurement and are certified in their respective areas. Any central procurement office must initiate strategies that encourage continuing education and constant awareness on all aspects of the procurement spectrum. The central procurement office should be responsible for complex, high-risk, and high-dollar transactions on behalf of the entire state, for reviewing relevant legislation, and for constructing applicable policies and procedures. It is therefore understandable that the rapid advancement of technology, globalization of the marketplace, and increased competition will require a more dedicated, involved, and knowledgeable procurement workforce in the future.

Procurement staff should be required to obtain certain professional certifications. With consistently updated knowledge, procurement staff could facilitate better contract concessions and better negotiations with vendors and suppliers.

Develop an accountability system in order to set and achieve annual goals, monitor agency performance, and determine real cost savings

The Office of Purchasing, Travel, and Fleet Management should hold user agencies responsible for monitoring the performance of any contracts negotiated under their direct authority.

The Office of Purchasing, Travel, and Fleet Management should actively manage relationships with all vendors and suppliers and maintain accurate records pertaining to each relationship. The Office of Purchasing, Travel, and Fleet Management should also hold user agencies responsible for monitoring the performance of any contracts negotiated under their direct authority.

The Office of Purchasing, Travel, and Fleet Management should annually review its commodity supply and equipment contracts in order to ensure that these contracts are satisfying the needs of the various state agencies as intended. Also, a system should be established to measure statewide procurement performance in its entirety. An example of such a system would be a purchasing scorecard.

Utilize information technology resources to facilitate the procurement process.

The Office of Purchasing, Travel, and Fleet Management should expand its utilization of electronic commerce.

The Office of Purchasing, Travel, and Fleet Management should expand its utilization of electronic commerce. Electronic commerce gives state government the technological advancement to engage in strategic sourcing, supplier rating systems, supplier contract management, catalog management, and surplus property management. It provides the opportunity to increase purchasing efficiency, produce results in less transaction time, and reduce transactional costs.

The Office of Purchasing, Travel, and Fleet Management, by expanding its use of technological resources, would be able to streamline services providing convenient “one stop” access to services and information. It would also be able to enhance the quality, efficiency, and effectiveness of traditional government services, while stimulating economic growth and competitiveness by interacting more effectively with the private sector. Increasing the use of technology would enable procurement offices to manage increasing and more complex workloads with limited resources.

Surplus Property

As of June 30, 2008, state agencies and universities had machinery and equipment valued at \$315.1 million. (“Machinery and equipment” is property with an acquisition cost in excess of \$5,000 and having a useful life expectancy of at least five to fifteen years.) MISS. CODE ANN. Section 29-9-9 (2) (1972) states the following:

Whenever any vehicle, equipment, office furniture, office fixture or any other personal property which has been acquired or is owned by any institution, department or agency of the State of Mississippi becomes obsolete or is no longer needed or required for the use of such institution, department or agency, the same may be: (a) sold for cash, transferred, traded or exchanged for other property, furniture, equipment, fixture or vehicle...after having obtained the written approval of the Governor's Office of General Services and the State Auditor...; or (b) donated to any institution, department or agency of the State of Mississippi, or any political subdivision or local governing authority of the state.

Both the Office of General Services and the State Auditor have promulgated regulations to govern the disposal processes authorized in CODE Section 29-9-9. State law allows proceeds of all cash sales to be paid into the support and maintenance or contingent fund of the institution, department, or agency.

In most cases, state agencies transfer obsolete or unneeded property to the Department of Finance and Administration's Office of Surplus Property. Created by MISS. CODE ANN. Section 31-9-1 et seq. (1972), the Office of Surplus Property administers four programs, as described below.

- *Federal donation program:* The Office of Surplus Property regularly screens surplus property inventories of federal programs and activities to locate items that could be used by state entities or that have been specifically requested by state entities.
- *State surplus property:* State agencies and local governing authorities utilize the Office of Surplus Property as a disposal depot for property they no longer need.
- *Law enforcement support program:* This program allows law enforcement officers throughout the state to screen and obtain property for use in fighting crime and preserving the peace.
- *Fixed price sales program:* The Office of Surplus Property purchases vehicles from the federal government and resells them to eligible donees throughout the state.⁴⁷

⁴⁷ Based on information provided by the Office of Surplus Property's web page, the office considers a "donee" to be a public or private organization of the State of Mississippi that is dedicated to the education, training, health, civil protection, safety, administration, or other public benefits of taxpayers.

There are two categories of eligibility for donee participation in the programs listed above--public and non-profit. Public agencies include state agencies, political subdivisions, instrumentalities, multi-jurisdictional districts, and Native American/Indian tribes located on state reservations. Surplus property acquired by public agencies must be used for public purposes—e. g., education, parks and recreation, public safety. A non-profit organization may acquire surplus property if it is a tax exempt 501 (c) (3) organization and licensed or accredited to supply a basic education or health benefit to the public. Donees may not use acquired surplus property for personal use. The general public may acquire items from the Office of Surplus Property through public auctions, generally held four times each year.

State entities must obtain the approval of DFA and Department of Audit to dispose of surplus property by public auction sale, sealed bids, or private treaty negotiated sale. Such approval is not necessary for transfer of property from one institution, department, agency, political subdivision or local governing authority to another, including transfers to the Office of Surplus Property.

In lieu of a regular appropriation, MISS. CODE ANN. Section 31-9-13 (1972) provides authority to the Department of Finance and Administration to assess a fee or commission on each surplus item sold. Such collections are deposited into a revolving fund to be used to operate and support DFA's Office of Surplus Property. State law stipulates that the maximum balance in the revolving fund not exceed \$1 million above and beyond four months of operating expenses of the Department of Finance and Administration.

State entities must obtain the approval of the Department of Finance and Administration and State Auditor's Office to dispose of surplus property by public auction sale, sealed bids, or private treaty negotiated sale. Such approval is not necessary for transfer of property from one institution, department, agency, political subdivision or local governing authority to another, including transfers to the Office of Surplus Property.

In some cases, property owned by state entities has no residual or salvage value and must be destroyed. For such items with an original purchase price greater than \$1,000 and listed on an entity's property inventory, the entity must establish a salvage committee to review the item and agree that it should be disposed of through destruction. The entity must complete a form for submission to the State Auditor's Office describing the item and its method of destruction. For items with an original purchase price of less than \$1,000 and not listed on an entity's property inventory, the entity must establish its own internal procedures and accountability controls to identify the item as needing destruction and the method by which such destruction should occur.

Observations on the Need for Change

While the mission of Mississippi's surplus property program is to save tax dollars by supplying good property to state and local organizations at a low cost, the program has the following weaknesses that should be addressed.

- *State entities are responsible for identifying surplus property within their organizations and entities have no standardized criteria by which to identify items as surplus.* As a result, agencies may destroy property items with residual value or retain unneeded property that could be sold or traded in, thereby generating revenue for the state or reducing the cost of new property.
- *State entities are not encouraged to procure property items from the Office of Surplus Property rather than from a commercial vendor--i. e., there is limited re-utilization of state property.* The lack of re-utilization possibly occurs because state entities do not have access to inventory holdings of items warehoused by the Office of Surplus Property.
- *The inventory management system utilized by the Office of Surplus Property is approximately fifteen years old and does not include features for modern inventory management.* The office is in the process of procuring a new system that will interface with the State Auditor's Property Division.
- *The office needs specialized staff to increase value of property items.* Office of Surplus Property staff contend that they could increase the value of certain property items if their staff could be expanded to include positions such as mechanics and repair specialists.

<h3>Opportunities for Change: Surplus Property</h3>

The Department of Finance and Administration's offices of Surplus Property and Purchasing, Travel and Fleet Management, as well as the State Auditor's Property Division, should analyze the feasibility of creating a property acquisition and disposal model with the following attributes:

- a computerized, fully accessible database listing all items in inventory and under the control of the Office of Surplus Property, including specifications and photos of such property;
- a requirement that state entity procurement staff search the Office of Surplus Property's database prior to

purchasing a property item with a value in excess of \$1,000 from a commercial supplier;

- uniform standards regarding the valuation of surplus property;
- a requirement that the Office of Surplus Property age its surplus property inventory on a regular basis to identify items that should continue to be held in inventory and those that should be disposed of;
- a requirement that the general public have search access to the Office of Surplus Property's database and the ability to purchase items from inventory during normal business hours rather than through periodic public auctions; and,
- uniform standards and procedures for the disposal of property items that are not on inventory and have an original purchase price of less than \$1,000.

See Exhibit 6, page 133, for PEER's proposed acquisition and disposal model for surplus property.

Vehicle Management

The state's fledgling vehicle management system provides an example of the type of enterprise thinking that should be applied to state government.

While the state's fledgling vehicle management system cannot serve to illustrate fully the potential benefits of adopting an enterprise approach to government, it does provide an example of the type of enterprise thinking that underpins the general concept for management of government programs and services that this report is attempting to bring forward for consideration. Although it may fall short on some dimensions critical to a fully functioning "enterprise" system, it is a good example of Mississippi's move in that direction. See Exhibit 7, page 134, for a case study in enterprise thinking regarding Mississippi's vehicle management system.

Exhibit 6: A Hypothetical Framework for Surplus Property Inventory and Disposal

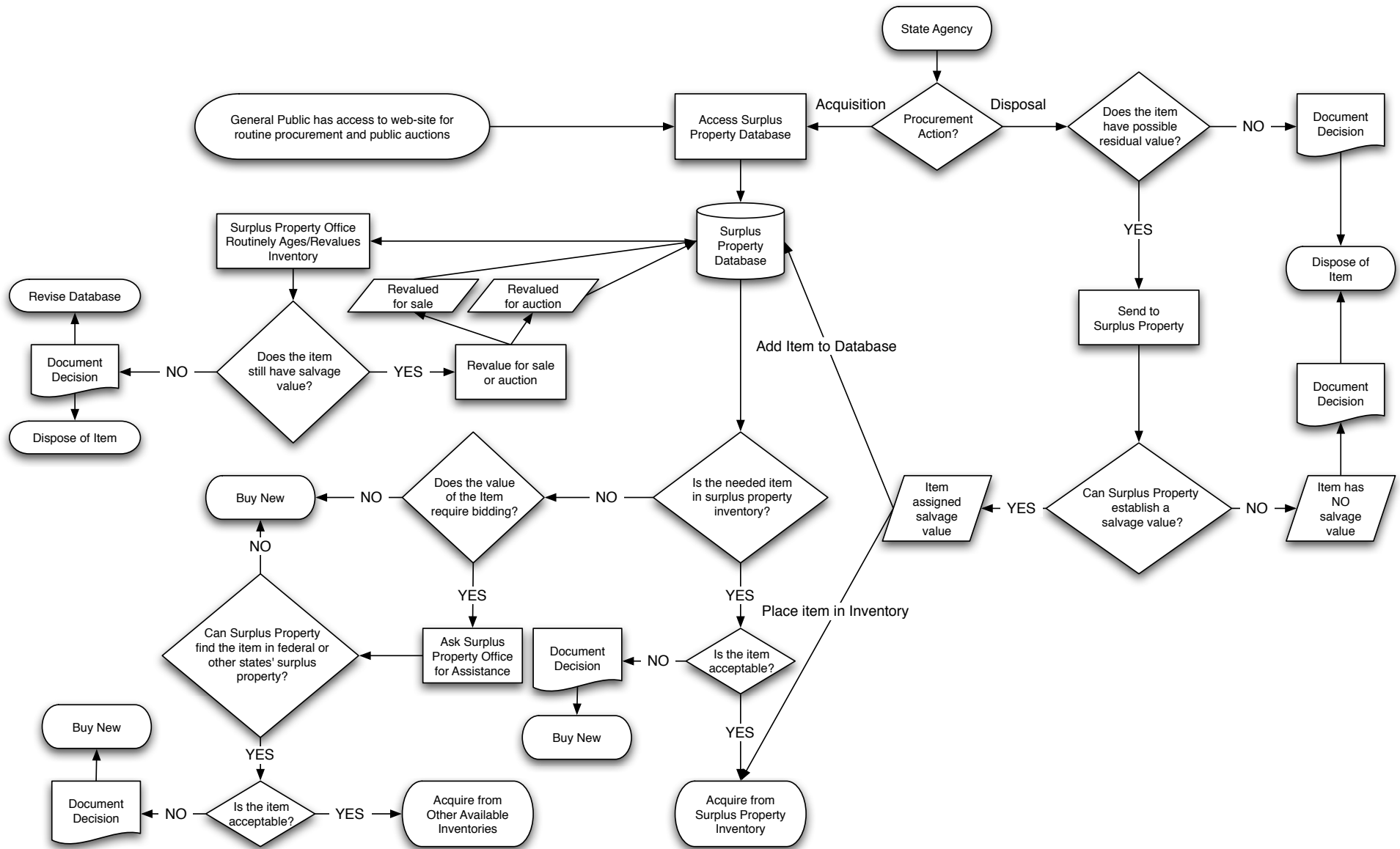


Exhibit 7: A Case Study in Enterprise Thinking: The Mississippi State Vehicle Management System

Overview of the System

Created by statute in 2006, the state's vehicle management system has been given the task, since June 30, 2008, of finding ways to manage more effectively the state's \$186 million (acquisition cost) vehicle inventory consisting of 4,733 trucks, 1,583 passenger vehicles, 849 law enforcement vehicles, 319 sport utility vehicles, and 273 buses - a total of 7,757 vehicles.*

Prior to 2006, state agencies had sole authority (subject to any limitations imposed by the appropriations process) to determine the number and types of vehicles that they procured, with such procurements usually occurring through the use of state contracts negotiated by the Department of Finance and Administration's Bureau of Purchasing and Travel. During its 2006 Regular Session, the Legislature enacted Senate Bill 2398, which created the Bureau of Fleet Management within the Department of Finance and Administration. According to the legislation, the purpose of the bureau is to coordinate and promote efficiency and economy in the purchase, lease, rental, acquisition, use, maintenance and disposal of vehicles by state agencies. In summary, responsibilities of the Bureau of Fleet Management involve:

- holding titles in the name of the State of Mississippi to all vehicles currently in possession of state agencies and to assign vehicles to such agencies for use;
- establishing rules and regulations for state agency use of vehicles;
- gathering information and specifying proper fleet management practices for state agencies;
- acquiring fleet management software and requiring agencies to provide necessary information for the bureau to properly monitor the size, use, maintenance and disposal of the state's fleet of vehicles;
- carrying out responsibilities relative to making recommendations to the Joint Legislative Budget Committee regarding agency requests for funds to purchase vehicles;
- reassigning vehicles in the possession of any state agency if the bureau believes that another state agency can make more efficient use of a vehicle;
- investigating the vehicle usage practices of any state agency; and,
- requiring each agency to submit to the bureau a vehicle acquisition/use/disposal plan on an annual basis.

So, where are we in implementation of the Vehicle Management System?

Status of the Vehicle Management System

DFA's Bureau of Fleet Management has designed and implemented a state vehicle management system with assistance from the State Auditor's Office and DFA's Mississippi Management and Reporting System (MMRS) office. The bureau has developed and disseminated a "Fleet Manual," a collection of policies and procedures to ensure uniformity and compliance within the vehicle management system. The bureau has also procured and begun utilizing a state vehicle management software system to compile management information. The software system

* These numbers exclude vehicles owned by the institutions of higher learning and vehicles seized by the Department of Public Safety and the Department of Wildlife, Fisheries and Parks, since these were removed from the bureau's authority in the enabling legislation.

is web-based and operates on a real-time online entry basis for all authorized users. The software will capture operational data and provide management reports regarding the state's vehicle fleet—e. g., assignment of vehicles by operators, usage of vehicles, and operational status. The software system became fully operational on July 1, 2008, and has been collecting vehicle mileage, maintenance, and repair information on all vehicles within the state's fleet.

The System's Impact to Date

According to the bureau's staff, implementation of the state vehicle management system resulted in a reduction of 184 vehicles from the state fleet during FY 2008. The bureau's employees also report a cost avoidance of approximately \$500,000 during FY 2008 due to the bureau's denial of state agency vehicle requests or by requiring agencies to purchase less expensive vehicles than requested or vehicles with less expensive features and accessories.

Benefits of an Enterprise Model for Vehicle Management

An enterprise model for vehicle management promotes a more fiscally rational approach to the management of the state's vehicles. Specific benefits of an enterprise model for vehicle management include the following.

1. *Controlling the acquisition of vehicles appropriate for their intended use.* These controls require the Bureau of Fleet Management to review agency vehicle purchase requests to determine the most cost efficient vehicle type for a particular work activity. The bureau can also use these controls to conduct break-even analyses to make the most economical decisions regarding vehicle purchases—e. g., paying an employee a mileage reimbursement versus purchasing a vehicle for that employee's work activity.
2. *Controlling or eliminating the use of state vehicles for commuting and personal use.* By establishing usage standards and auditing or investigating employees' vehicle usage (with assistance from the State Auditor's Office), the bureau can monitor and control commuting by state employees.
3. *Assigning vehicles to perform certain functions.* The bureau has authority to review state agencies' use of vehicles and, in cases where agencies have unneeded vehicles, dispose of the vehicles or reassign them to agencies that need vehicles.

The new fleet management system falls short of a full fledged "enterprise" model in that the 2006 legislation specifically excludes from the bureau's authority those vehicles controlled by the institutions of higher learning and vehicles seized by the Department of Public Safety and the Department of Wildlife, Fisheries and Parks. Thus, Mississippi has set aside some valuable assets that should be managed under this system. Why? Likely for a number of reasons, but a primary concern voiced throughout the debate was loss of control by managing agencies and the accompanying concern over impact on services. However, allowing these exclusions ignores the fact that a well-designed and managed enterprise management system is designed around an impeccable customer service orientation. The only requirement imposed in turn on these "customer" agencies is a disciplined approach to establishing and documenting need. Properly designed and implemented, a state can effectively manage a multi-million dollar asset such as a vehicle fleet and meet the service needs of user agencies. These are not mutually exclusive conditions.

It is the PEER Committee's hope that this exercise in enterprise thinking will return public policy debate to consideration of bringing all state-level vehicles under this system and to finding ways to extend these benefits to county and city level governments without negatively affecting program performance on the part of any agency or program in need of vehicles to do its job.

SOURCE: PEER analysis.

Opportunities for Change: Vehicle Management

The Legislature should extend the jurisdiction of the Bureau of Fleet Management to vehicles owned and operated by the institutions of higher learning and community and junior colleges.

The Department of Finance and Administration's Office of Purchasing, Travel and Fleet Management should continue its efforts to implement fully the provisions of MISS. CODE ANN. Section 25-1-77 (1972). Also, the Legislature should consider extending the jurisdiction of the Bureau of Fleet Management to vehicles owned and operated by the institutions of higher learning and community and junior colleges.

Capital Facilities

The state should construct, maintain, and operate capital facilities in the most effective and efficient manner possible, given their fiscal impact on the state budget.

Over the years, Mississippi has made a significant investment of financial resources in state-constructed capital facilities. According to the Department of Finance and Administration's *2008 Inventory of Buildings* report, the state's current capital facility inventory consists of 6,359 buildings with an original construction cost of approximately \$4.2 billion. The current replacement cost of these buildings is estimated to be approximately \$13.6 billion. (The capital facility inventory consists of buildings located at institutions of higher learning; community and junior colleges; mental health facilities; youth services, corrections, public safety, and agriculture facilities; Department of Finance and Administration locations; Department of Wildlife, Fisheries, and Parks locations; and miscellaneous institutions and agencies.)

The challenge for the state is to construct, maintain, and operate capital facilities in the most effective and efficient manner possible, given their fiscal impact on the state budget.

Duties of DFA's Bureau of Building, Grounds, and Real Property Management

MISS. CODE ANN. Section 31-11-1 et seq. (1972) defines the duties of the Department of Finance and Administration (DFA) relative to state construction projects. DFA's Bureau of Building, Grounds, and Real Property Management functions as a service arm to state institutions, agencies, and departments with regard to construction projects. The bureau also has the power to acquire, hold, and dispose of real and personal property for the state.

Specific responsibilities of the bureau include the following:

- contracting with architects, engineers, contractors, suppliers and others;
- approving plans, specifications studies, and sites for buildings;
- serving as liaison with the federal government in various building programs;
- inspecting incarceration facilities at the Mississippi State Penitentiary and court-approved county jails;
- providing a staff of professionals to plan, manage, inspect, and approve services for which the bureau has contracted;
- setting policies and procedures to guide those concerned with the orderly and lawful pursuit of providing physical facilities for state government operations;
- handling furniture and equipment needs funded by the Legislature;
- reviewing and submitting to the Legislative Budget Office the repair and renovation, capital improvement and preplanning needs for state institutions, agencies and departments;
- reviewing repair and renovation requests and making allocations based on the priority of requests and inspections of the sites;
- reviewing state agencies' contracts with project professionals (e. g., architects, engineers); and,
- accomplishing any special tasks mandated by the Legislature.

As stated on page 138, the department's responsibilities are limited with regard to certain projects undertaken by public school districts, institutions of higher learning, community and junior colleges, and the state Military Department.

Weaknesses in Mississippi's Capital Facilities Environment

The current decentralized management and operational environment for capital facilities has weaknesses that directly impact whether state government can provide the necessary services in a satisfactory and timely manner and at the lowest cost possible. The following describe these weaknesses.

- *No state entity has a central leadership role in the planning, designing, operating, and maintaining of the state's capital facilities.* In most cases, the Department of Finance and Administration serves as the construction program manager for state construction projects in Mississippi. In this capacity, the department represents the interests of the user entity and exercises independent oversight of the professional contract and constructor team—i. e., general contractor and sub-contractors. DFA's role as a construction program manager does not apply to:
 - public school district projects that are funded with state funds;
 - institutions of higher learning, community and junior college, and state Military Department projects paid for by federal, self-generated, local, or other non-state funds; and,
 - any construction project specifically exempted in legislation.
- *Because DFA does not supervise all capital facility projects, the state does not have a comprehensive strategic plan for capital facilities—i. e., there is no formal comparative analysis of one entity's capital facilities needs to another entity's needs.* Instead, DFA annually prepares a Capital Renewal Plan, consisting of capital facility requests of state agencies, boards and commissions, universities, and community and junior colleges, for submission to the Joint Legislative Budget Committee.

While the Capital Renewal Plan provides the Legislature with the entities' capital facility requests for a five-year period, it does not include some elements needed for the state to plan strategically—as an enterprise—for capital facility needs, as described below.

- The state's Capital Renewal Plan does not provide a defined strategy for management of the funding, design, acquisition, disposal, operation, and maintenance of the state's capital facilities.
- The Capital Renewal Plan provides a review of agency facility and holdings and makes facility needs recommendations for the upcoming five years. However, the plan is not developed based on defined program needs but is compiled based on a limited building assessment review.
- The Capital Renewal Plan is primarily a compilation of entities' capital facility requests and does not formally compare or analyze one entity's needs

against another entity's needs. As a result, the Legislature and Governor do not have the necessary analytical information with which to prioritize the state's capital facility needs and ensure adequate funding for such facilities. Also, decisionmakers do not have information needed to consider opportunity costs in the decisionmaking process-- i.e., if Option A is funded, Option B does not receive funding.

- The Capital Renewal Plan does not recognize environmental changes within an entity's operations. For example, it might be more prudent and cost-effective for the state to construct another type of facility rather than the type of facility requested by the entity--e. g., a community group home versus a large residential unit.
- *The state has no comprehensive strategy for maintaining capital facilities.* According to DFA and Institutions of Higher Learning staff, the state has an increasing volume of deferred maintenance needs at state agency facilities, university campuses, and community and junior college campuses. However, the state currently has no measurement of the costs of the state's deferred maintenance needs because individual state agencies or institutions are primarily responsible for making decisions regarding maintenance projects.

While IHL has the constitutional authority to manage and control its use of self-generated funds used for construction and renovation projects, PEER suggests that the Legislature require that IHL submit to DFA's oversight and pre-planning of all of its projects, including those utilizing self-generated funds as a pre-condition to the receipt of bond funds for capital improvement projects.

Opportunities for Change: Capital Facilities

The Mississippi enterprise model requires that the state construct, manage, and operate its capital facilities more effectively and efficiently. To accomplish this will require actions addressing program authority, planning, monitoring of facility operations, and provision of construction program management services as described below.

Establish a Single Manager for Capital Facilities

The Legislature should make DFA the single system manager for budgeting, acquisition, disposal, and operations decisions for all capital facilities.

The Legislature should make DFA the single system manager for budgeting, acquisition, disposal, and operations decisions for all capital facilities. In making these decisions, the department should comply with the strategic plan discussed on page 31.

In this role, DFA should conduct cost/benefit studies to determine new management initiatives for improving effectiveness and efficiency in constructing, maintaining, and operating capital facilities. For example, the department could:

- Determine the impact of expanding staff for architectural and engineering services in order to conduct enhanced financial analysis of proposed and ongoing projects through life-cycle cost evaluations.
- Provide expanded assistance in the master planning process of state entities, the State Board for Community and Junior Colleges, and local public school districts.
- Develop standardized design criteria for the amount of office space based upon personnel level/type, cubicle space, roofing systems, and exterior finishes that should be applied equally throughout all state construction and major renovation projects.

DFA should also establish and manage preventive maintenance and energy conservation programs for all state capital facilities and installed equipment.

DFA should also be placed in charge of maintenance for all state facilities. In this role, DFA would be appropriated maintenance funds each year and would allocate them statewide after directly factoring in maintenance decisions/needs with renovation, acquisition, and disposal needs of state-funded entities. This action would address deferred maintenance in capital facilities statewide.

DFA should also establish and manage preventive maintenance and energy conservation programs for all state capital facilities and installed equipment. These programs should include periodic quality assurance audits of preventive maintenance programs.

Develop a Statewide Strategic Plan for Capital Facilities Management

DFA should be responsible for developing a comprehensive, statewide strategic plan for state capital facilities management.

DFA should be responsible for developing a comprehensive, statewide strategic plan for state capital facilities management in order to identify and provide a prioritized timetable for capital facility needs of state entities and to provide an operational management strategy for acquiring, constructing, designing, disposing, funding, maintaining, and operating these facilities. The basis for this plan would be:

- 10-Year Consolidated Program Needs Plans from state agencies, boards, and commissions with which to establish current and future capital facility and land needs; and,
- 25-Year Consolidated Program Needs Plans from the Board of Trustees of State Institutions of Higher Learning (IHL Board) and the State Board for Community and Junior Colleges that consolidates the capital facility needs of the eight universities and fifteen community and junior colleges on a priority basis.

Using the above two sources, as well as input from the Office of Governor and the Secretary of State, DFA should develop and submit its strategic plan to the Legislature for approval and funding.

Improve Appropriations Process for Capital Facilities

The Legislature should appropriate funding for capital facilities management decisions based on the DFA strategic plan (subject to revenue collections at that time and other state budget needs).

To ensure application of the strategic plan as described on page 31, the Legislature should appropriate funding for capital facilities management decisions based on the DFA strategic plan (subject to revenue collections at that time and other state budget needs). DFA should submit to the Legislature a combined proposal for prioritized capital facility projects and subsequent land needs for state entities, the IHL Board and universities, and the State Board for Community and Junior Colleges and its individual colleges. This proposal should contain project funding recommendations covering the next fiscal year (first plan year), covering three fiscal years (first through third plan year), and covering five fiscal years (first through fifth plan year). The three prioritized proposals would provide the Legislature with the state's capital facility and subsequent land needs for the upcoming fiscal years as well as provide the means with which to authorize appropriations for

capital facility and subsequent land needs subject to the state's current budget situation, short-term facility and land needs, and other state priorities (such as transportation, education, economic development).

Expand DFA Construction Program Management Services

Although DFA performs the role of construction program manager (CPM) for most state entities, its services do not extend to some state or local entities, as discussed on page 138. As presently staffed and funded, DFA does not have the in-house capability to perform some of the design and construction tasks that some private construction program management contractors provide.

As a result, some entities utilize private firms for construction program management services. DFA should provide construction program management services for all state-funded projects (including public school districts) and all non-state funded projects of state and local public entities. These projects could be funded on a "service fee" basis.

DFA should provide construction program management services for all state-funded projects (including public school districts) and all non-state funded projects of state and local public entities. These projects could be funded on a "service fee" basis.

Such an action could achieve results similar to those noted in PEER Report #395, *Benefits and Limitations of The Use of Construction Program Management by Mississippi's Public Entities*, for the Department of Management Services in Florida. In this report, PEER noted that the department had a full-time building construction division to perform CPM tasks for state projects (which were required to use the department's services) and local government, community and junior college, and school district projects (which had the option of using these services). The department had a staff of fifty-one personnel as well as some contract construction inspectors and managed projects totaling approximately \$600,000,000 annually.

This department was funded by fees paid by the state or local entities (approximately \$3,400,000 annually). Entities paid the department approximately 1.5% to 2% of total construction cost in comparison to a private CPM firm's fee of approximately 4% to 6%. The department limited its reimbursable expenses to travel expenses, while a contract with a CPM firm might entail reimbursement of all project expenses.

In FY 1998, by applying cost saving measures, the Florida Department of Management Services saved approximately 13% in new facility construction costs compared to private sector averages. Reportedly, these savings were due, in part, to the use of two prototype office buildings and subsystems for state offices, guaranteed maximum price contracts, a non-traditional prequalification process for all

construction contractors, and state purchases of building supplies (to save sales tax).

Chapter 8: Additional Opportunities for Change

Key Ideas in Chapter 8:

Shared Services

- In a shared services arrangement, limited resources are combined into a single, separate entity, thereby freeing the individual agencies to focus on the essential functions and goals of the organizations, as well as the customers who benefit from the provided services, instead of the administrative and support functions currently performed by each agency.
- Requiring performance information from the shared services entity promotes accountability by holding the entity to certain targets and keeping the entity's focus on the needs of its customers: the individual state agencies.

Privatization

- Most government services or programs are potential candidates for privatization, but only when data is available for a properly conducted "make or buy" decision.

Opportunities for Change: Shared Services and Privatization

Shared Services

- The Legislature should require the state's primary control agencies—Department of Finance and Administration, Department of Information Technology Services, and State Personnel Board—to research and identify shared services opportunities within state government.

Privatization

- PEER proposes a model for a privatization program governed by a six-member Joint Legislative Privatization Commission with three members each from the House of Representatives and Senate Appropriations committees. The commission would be empowered to consider possibilities for privatization and make recommendations thereon. The commission would implement the program through a three-year phase-in.

Chapter 8: Additional Opportunities for Change

As stated in the introductory chapter, the PEER Committee chose to focus this first report on possibilities for improving administrative areas that undergird the work of all governmental entities. It is PEER's contention that, regardless of specific mission, all entities of government should be efficient and effective in carrying out these responsibilities:

- information technology;
- budgeting and accountability;
- human resources management; and,
- procurement and asset management.

As previously noted, the idea of viewing government as an enterprise, when applied to these administrative activities, presents a strong case for developing shared service structures whenever and wherever possible.

Further, the concept of enterprise government also begs the question of "what should government be doing?" This question demands a revisit of the principles that should govern the use of privatization as a tool for improving governmental efficiency and effectiveness. PEER believes it would be valuable to policymakers to bring the principles underlying each of these concepts into better focus in this chapter. It is PEER's hope that these ideas will be included in any discussion leading to a change in the way we think about and execute our governmental service responsibilities.

Shared Services

Three issues central to government could be addressed with implementation of a shared services reorganization:

1. *A global downturn in the economy has led to increased fiscal pressures and difficulties in balancing budgets.*
2. *Growing expectations that public-sector organizations need to be more accountable to stakeholders and deliver better public services*

have left governments struggling to provide more citizen-focused services with less funding.

3. *Impending labor shortages as an aging workforce retires means many governments will find it difficult to retain the knowledge workers needed to run their operations.*⁴⁸

In a shared services arrangement, limited resources are combined into a single, separate entity, thereby freeing the individual agencies to focus on the essential functions and goals of the organizations, as well as the customers who benefit from the provided services, instead of the administrative and support functions currently performed by each agency.

Shared services is an organizational concept that provides for “the consolidation of administrative or support functions (such as human resources, finance, information technology and procurement) from several departments or agencies into a single, stand-alone organizational entity whose only mission is to provide services as efficiently and effectively as possible.”⁴⁹ Limited resources are combined into a single, separate entity, thereby freeing the individual agencies to focus on the essential functions and goals of the organization, as well as the customers who benefit from the provided services, instead of the administrative and support functions currently performed by each agency.⁵⁰

A shared services organization can provide the state with a reduction in costs, “increased transparency of services and results, and improved accountability in serving citizens.”⁵¹ Illinois implemented a shared services initiative in 2003 that moved agency programs for procurement, employee benefits, information technology and telecommunications, facilities management, internal audit, legal services, media services, and fleet management into one department. According to a Deloitte report, this initiative saved Illinois more than \$529 million for fiscal years 2004 and 2005. These savings included reductions in the amount of the budget spent through a reduction in personnel costs, enhanced reimbursement of federal funds, rate reductions, and reduced baseline appropriations. The majority of savings in Illinois were realized in information technology and telecommunications, and procurement, healthcare, and employee benefits.⁵²

The U. S. Office of Management and Budget estimated in *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2006*, that if the federal government consolidated its Financial Management and Human Resources Management systems, it could save more

⁴⁸ Accenture, *Driving High Performance in Government: Maximizing the Value of Public-Sector Shared Services*, (January 2005), 2.

⁴⁹ Accenture, *Driving High Performance*, 3.

⁵⁰ Accenture, *Driving High Performance*, 3.

⁵¹ Deloitte Consulting, LLC, *State of Illinois Savings Validation Results*, 2005, 1.

⁵² Deloitte Consulting, LLC, *State of Illinois*, 1-6.

than \$5 billion over ten years. Unlike Illinois, the federal government suggested using cross-agency service providers, rather than creating one separate, independent agency.⁵³

The U. S. Food and Drug Administration established a shared services organization that provided benefits such as “\$10 million in cost savings over several years, documented and standardized business processes, consolidation of the IT infrastructure, improved communication and efficiency, and improved decision making.”⁵⁴ Also, the National Aeronautics and Space Administration (NASA) established the NASA Shared Services Center to consolidate financial management, human resources, IT, and procurement functions. The benefits cited were “the ability to deliver services at lower costs to improved timeliness, accuracy, and consistency of information, and stronger strategic management of resources.”⁵⁵

Implementation of a Shared Services Concept

According to Accenture, a global management consulting, technology services and outsourcing company, a key element of a shared services program is to create a separate agency to house these services. Accenture cites the following reasons as justification for a separate shared services entity:

- *separates shared services center from any negative connotations associated with existing operating units or an organization’s headquarters;*
- *avoids conflicts of interest by providing clear purchaser-provider clarity;*
- *combats lack of trust and concerns about service levels that are often expressed when a peer organization takes over services;*
- *disengages the shared services organization from entrenched work paradigms and instills new values and a culture of operational excellence; and*

⁵³ Office of Management and Budget, *Analytical Perspectives: Budget of the United States Government, Fiscal Year 2006* (Washington, D. C.: Government Printing Office, 2005), 174.

⁵⁴ Timothy J. Burns and Kathryn G. Yeaton, “Success Factors for Implementing Shared Services in Government” (Washington, D. C.: IBM Center for the Business of Government, 2008), 12.

⁵⁵ Burns and Yeaton, *Success Factors*, 12.

- *allows the shared services organization greater latitude during the design and implementation stage for establishing entirely new operational procedures that will in turn create higher value results.*⁵⁶

Requiring performance information from the shared services entity promotes accountability by holding the entity to certain targets and keeping the entity's focus on the needs of its customers: the individual state agencies.

The first step in creating a shared services program is to establish a vision, strategy, and scope. Decisions need to be made on what functions will be moved from individual agencies and placed under the purview of the shared services organization and what responsibilities lie with what entity. The strategy should also include "the organizational model, sourcing strategy, charging mechanism, service-level definition and performance metrics."⁵⁷ Benchmarking and performance measures are needed at the outset of creating a shared services organization to ensure agencies are receiving the necessary services efficiently and effectively. Requiring performance information from the shared services entity promotes accountability by holding the entity to certain targets and keeping the entity's focus on the needs of its customers, the individual state agencies.⁵⁸

Communication at all levels of implementation of a shared service organization is key. It is necessary to garner support from top management and reduce the fears regarding job losses by current employees. Training on the new shared services structure and information regarding job descriptions and any change in pay should be communicated at the forefront of a reorganization.⁵⁹

Opportunities for Change: Shared Services

The Legislature should require the state's primary control agencies to research and identify shared services opportunities within state government.

The Legislature should require the state's primary control agencies—Department of Finance and Administration, Department of Information Technology Services, and State Personnel Board—to research and identify shared services opportunities within state government. Specifically, the control agencies should determine how financial and administrative services could be provided to agencies with small or no permanent staffs, primarily regulatory agencies, through a shared services concept.

⁵⁶ Accenture, *Driving High Performance*, 27.

⁵⁷ Accenture, *Driving High Performance*, 24.

⁵⁸ Accenture, *Driving High Performance*, 32.

⁵⁹ Accenture, *Driving High Performance*, 22.

Privatization

Most government services or programs are potential candidates for privatization, but only when data is available for a properly conducted “make or buy” decision.

Privatization has no universally accepted definition due to the large number of alternatives for private sector delivery of services to the public. However, PEER defines *privatization* as a management method of providing a portion or all of a formerly government-provided and produced program and/or its services through the private sector using one or a combination of three major categories: delegation, divestment, or deregulation. Exhibit 8, page 152, describes the three privatization categories in greater detail.

Privatization has always been a potential tool in the toolbox of strategies that policymakers can use to improve government efficiency and effectiveness. However, it is a tool that must be used with due deliberation and attention to detail. A well-constructed privatization contract will ensure that the contractor is prepared to deliver successfully the contracted programs and services to the public at required performance levels. The contract should also require a minimum input of public resources and contain appropriate accountability and quality assurance systems. If well done, privatization can have the following benefits:

- flexible alternatives for state management/operation of some programs and services;
- more economical, efficient, and effective program and service operations;
- reduced project completion times and more flexible and timely services;
- lower state revenue needs, which create opportunity for lowering taxes and stimulating economy;
- shared management/operational risks between the state and the private sector--e. g., cost overruns;
- new state options for financing expensive infrastructure construction and maintenance projects;
- the potential for experimental/temporary programs, which creates new private sector jobs; and,
- a source for expertise, resources, and/or services not currently provided by public employees.

Examples of opportunities for privatization range from the operation of major programs (e. g., use of private prisons by the Department of Corrections) to the operation of

Exhibit 8: Categories of Privatization

Franchise--The state awards a private organization the right in a given geographical area to provide and to sell a service or product to the public for a fee, according to regulatory guidelines. Private sector provider becomes the only producer and deliverer of the affected public services; usually pays the government a fee for this right.
Examples: leasing of state-owned parks, licensing of public transportation and utilities, or vehicle towing.

Contract--The state pays a private organization (profit or nonprofit) through a mutually signed written agreement to provide a function or service, while maintaining responsibility for producing and overseeing the private provider's results; commonly used when the public entity does not have the needed in-house expertise or when the service can readily be obtained at a lower cost from competitive private organizations.
Examples: building maintenance, computer programming.

Delegation--part or all of a function or service is assigned to the private sector, while the state retains responsibility of overseeing production and/or delivery.

Grant--The state subsidizes the private sector to reduce costs of public services provided to citizens. Facilitates private-sector assumption of a governmental function or service responsibility. *Examples: adult literacy programs, price supports for agricultural goods.*

Voucher--The state issues coupons or tickets to eligible consumers to purchase products or services from the private sector. Requires the private sector to provide the products or services and in turn redeem the vouchers.
Examples: food stamps, Medicaid.

Direct Payment--The state pays eligible consumers to purchase products or services from the private sector.
Examples: welfare assistance payments, clothing purchases for wards of the state.

Liquidation--The state can divest itself of a poorly performing enterprise by selling its assets when either no buyer can be found for it or the prospects are bleak for achieving profitability or significantly reducing operational costs.

Example: closure and sale of assets of the state's charity hospitals.

Divestment--The state turns over the ownership, control, financial responsibilities, and delivery of a public service to the private sector. Since the private organizations become the only producer and deliverer of the affected public services, the government no longer has any responsibility for carrying out this activity, except that it may possibly retain a regulatory role and/or limited delivery service capability.

Sale--The state shifts its function and ownership of a public service by selling its assets to a single buyer in a negotiated sale; to the public; to the managers; to the employees; or to its users.

Examples: federal government's sale of CONRAIL stock, rural electric cooperatives.

Donation--This method of privatization involves the government giving away the enterprise to its employees, users, customers, or the public at large. By so doing, the government realizes recurring savings to the extent that it no longer makes annual appropriations for the public entity's continued operation.

Example: giving of the English Channel Hovercraft Ferry Service to its management and workforce.

Deregulation--The state replaces its regulatory requirements for a public service with either private sector regulation or no regulation of the service. The private sector controls, produces, and provides a service with no government involvement, with an end result of a demand-driven, market-based arrangement to satisfy unmet public needs.

Examples: airline industry, private postal services.

SOURCE: PEER Staff.

specific programs (e. g., child support enforcement program in the Department of Human Services) to the operation of city services (e. g., trash collection or water and sewer operation). In fact, most services or programs are potential candidates for privatization, but only when data is available for a properly conducted “make or buy” decision.

Concerns Limiting the Use of Privatization

Some issues that limit the broad use of privatization opportunities and potentially compromise their utility should be addressed. These issues range from a fear of short cuts in service delivery to increased private sector profits to loss of state jobs. However, this range of philosophical, psychological, and natural barriers to change may be eliminated or addressed through proper understanding and education regarding the critical elements of a responsible privatization model.

Often the decision to privatize a service or program has not been backed by a proper needs assessment process that generates the management information needed to determine the most efficient and/or effective organization structure for delivering the required program or service.

As a rule, in state government today, the decision to privatize a service or program has not been backed by a proper needs assessment process that generates the management information needed to determine the most efficient and/or effective organization structure for delivering the required program or service. As a result, decisionmakers do not have appropriate comparative data upon which to base a defensible “make or buy” decision. Such a system would require the support of a state accounting/budgeting and management information system adequate to collect and evaluate total operational costs (direct/indirect expenditures) against state program and service outputs.

Opportunities for Change: Privatization

Privatization has potential, but it must be done well to be cost effective and efficient. Creating the ability to use privatization as a cost effective management tool will require the creation of a mandatory cost/benefit evaluation process for state programs and services that is supported by an adequate management information system. One possible structure and implementation process for such a system is as follows:

- Legislate a privatization program governed by a six-member Joint Legislative Privatization Commission with three members each from the House of Representatives and Senate Appropriations committees, empowered to review candidates for privatization and make recommendations thereon.

- Implement the program in a three-phase process, as described below.
 - Year One – The Legislature would direct staffs of the PEER Committee, Joint Legislative Budget Committee, Department of Finance and Administration, and Governor’s Office to support the efforts of the Joint Legislative Privatization Commission. During the commission’s first year of operation, it would:
 - Review programs that might be candidates for privatization, relying on professional staffs of the agencies previously named.
 - Make recommendations to the next legislative session on appropriate language for general legislation and, if necessary, appropriations language. Such recommendations would include a requirement that the agencies directed to act in legislation would prepare requests for proposals in year two to be put out on bid for implementation in Year Three.
 - Year Two – Assuming that the Legislature has adopted the recommendations through general law with the Governor’s acquiescence, agencies whose programs are identified as candidates would be required to prepare a request for proposal. The process would involve:
 - developing a clear description of the program or function to be possibly privatized;
 - allowing the agency to determine the most efficient organization needed to carry out the program or function;
 - allowing the agency to compete in the selection process;
 - allowing Department of Finance and Administration staff to serve as an evaluator of proposals if the agency chooses to participate in the competitive process; and,
 - making a decision by January 1 of Year Two and making a recommendation to the Legislature for appropriations funding as well as any necessary general law revisions.

- Year Three – Implementation of successful bids for those programs or functions chosen to be privatized.

Chapter 9: Conclusion

As noted previously, in approaching the task of designing and conducting this statewide performance review, the PEER Committee desired to reach out to state employees, the general public, and private sector representatives. PEER also wished to incorporate what has been learned from recent performance reviews in other states and from past performance improvement efforts in Mississippi.

The information obtained through these sources was used as both a foundation and as a background for this report. With more than three hundred and fifty discrete ideas brought forward and with many ideas and issues raised multiple times, PEER had much to consider. From this work and from PEER's own research, the Committee distilled the following themes regarding the components of enterprise government addressed in this report:

Improving Customer Service

- The importance of a customer service orientation is no less important in the public sector than it is in the private sector. Therefore, the goal of exemplary customer service, whether the customer is a citizen or another state employee in an agency-to-agency transaction, should be the guiding principle for every public employee at every level of service.

Strategic Planning

- The State of Mississippi should have a comprehensive, ongoing, transparent, self-perfecting, and state-level strategic planning effort designed to prioritize its goals and serve as the basis for monitoring progress in all areas of governmental responsibility.

Information Technology

- Adequate, well-designed information systems are the key to problem identification and to successful change. Identifying and incorporating an appropriate use of technology in administrative and service processes should be a foundation element of any performance improvement effort.

Budgeting and Accountability

- The state should recommit to implementing fully all aspects of performance-based budgeting as envisioned by the Mississippi Performance Budget and Strategic Planning Act of 1994, using fully audited and approved information generated to improve program performance.
- The state should rethink and improve the way that it performs its basic business operations by centralizing responsibility for oversight of the state's basic business practices, by assigning primary responsibility for key business practices, and by continually comparing the state's basic business practices to those of other successful large enterprises.
- Any agency or agencies given control responsibilities should be service-oriented by culture, helping agencies, in all ways possible, to achieve their service goals, but requiring the utmost in needs assessment and accountability for resources expended.

Human Resources Management

- Improved state service structures depend on a qualified, well-trained, adequately compensated, optimally sized, and highly accountable workforce. The state's human resources system should support all of these goals.

Procurement and Asset Management

- There is no unimportant public dollar. The full weight of the State of Mississippi's purchasing power should be brought to bear when procuring goods and services for the state. This means that all state entities should be included in the process, without exception. Assets should be managed with due diligence to ensure a full useful life for equipment and highest and best use for state properties.

General Performance Improvement

- State government should develop and adopt a continuous work improvement process designed to evaluate all work continually, finding ways to eliminate tasks and redundant efforts and should reward those employees who find ways to do so.

Appendix B, page 162, contains specific suggestions for change that were obtained from performance suggestions offered by state employees, the general public, private sector representatives, and performance review reports from other states.

Appendix A: Other States' Recent Statewide Performance Reviews

Texas Performance Review Efforts Since 1991:

Breaking the Mold: New Ways to Govern Texas (June 1991);

Against the Grain: High Quality, Low-Cost Government for Texas (1993);

Gaining Ground: Progress and Reform in State Government (1994);

Disturbing the Peace: The Challenge of Change in Texas Government (1996);

Challenging the Status Quo: Toward Smaller, Smarter Government (1999);

e-Texas 2001 (2000);

Limited Government, Unlimited Opportunity (2003);

Additional e-Texas Recommendations (2003);

Staff Performance Report (2003);

Staff Performance Report (2005); and,

Texas State Government Effectiveness and Efficiency (2007).

Recent Performance Reviews from Other States:

Governor's Commission to Promote Government Efficiency and Savings on State Spending (North Carolina, 2002);

Governor's Commission on Efficiency and Effectiveness (Virginia, 2002);

Moving New Mexico Forward (New Mexico Performance Review, 2003);

Governor's Efficiency Review Initiative (Arizona, 2003);

Governor's Commission on Management, Accountability and Performance (South Carolina, 2003);

Government Efficiency Commission (Indiana, 2004); and,

California Performance Review (California, 2004).

Appendix B: Seminal Ideas for Change and Specific Suggestions for Performance Improvement

As stated in the Introduction chapter, in planning its performance review of Mississippi state government, PEER solicited performance improvement ideas from state employees, the general public, and private sector representatives. In addition, PEER reviewed its own body of work and statewide performance reviews conducted in other states to identify areas that should be further analyzed in this current review. PEER incorporated the essence of these ideas in its enterprise approach to performance improvement as described in this report.

This appendix contains a distillation of the performance improvement ideas received by PEER throughout this review. While the ideas have been paraphrased for presentation in the appendix, all ideas received by PEER have been included in some form. Inclusion of the ideas in this appendix does not imply the PEER Committee's support or endorsement of these ideas.

PEER realizes that a number of the ideas are similar to "Opportunities for Change" sections within some chapters in this report. Also, PEER realizes that it is possible that certain state agencies or entities have already implemented some of the ideas. However, the PEER Committee thought it important to present to the Legislature and other state policymakers these seminal ideas in order to stimulate serious and creative thinking about how we can better serve the people of Mississippi.

Improving Customer Service

The importance of a customer service orientation is no less important in the public sector than it is in the private sector. Therefore, the goal of exemplary customer service, whether the customer is a citizen or another state employee in an agency-to-agency transaction, should be the guiding principle for every public employee at every level of service.

A cross-section of supporting performance improvement suggestions (paraphrased):

Improve Access to Services

Physical Access

1. Keep state agency offices open longer so taxpayers who cannot afford to miss work can be served. State agencies that interface directly with the public should change their hours to accommodate citizens who work from 8 a.m. until 5 p.m.
2. Maximize availability of one-stop shopping for state programs and services.

Computer Access

3. Reduce costs and improve customer service by making all state forms accessible through the use of Internet forms. The goal is that all forms the state requires the public and businesses to complete and file should be accessible, with each form capable of being completed online.
4. Eliminate time spent by state employees processing paper documents (and possibly reduce the number of state employees needed) by allowing the public and businesses to submit information required by state agencies through a computer.
5. Utilize the Internet more. Accept electronic payments for taxes, etc.
6. Continue the evolution to online accessing of various forms of licensing, registration and fees, while reducing physical walk-up facilities offering these services. People who complain that they do not have home or work online access can be directed to their local libraries for assistance.
7. Make all forms and services available through the Internet—tax payments, car tags, etc.
8. Reduce the number of mailings by the Mississippi Department of Employment Security (MDES). Presently, when someone applies for unemployment, MDES mails two pieces of paper requesting information and then also calls, thus duplicating their own efforts and wasting time asking for the same information more than once. One way to stop this would be to allow a company to register an e-mail address to receive any requests for information from MDES. This would save MDES a lot of postage and make their employees more efficient because they do not have to handle two pieces of mail and hand-write notes from a telephone call for every claim.

Improve Access to Information

9. Make state budget details available to the interested public in a timely and affordable fashion. This should include staffing schedules and compensation.
10. Make state agency phone numbers and state employee e-mail addresses readily accessible on the state's website.

11. Have a person answer phones at state offices instead of a machine.

Improve Accountability for Customer Service

12. Require all agencies to develop, publish, and report on customer service standards.
13. The State Personnel Board should establish a Customer Service Representative job class for all state agencies to oversee customer service at each agency.

Strategic Planning

The State of Mississippi should have a comprehensive, on-going, transparent, self-perfecting, state-level strategic planning effort designed to prioritize its goals and serve as the basis for monitoring progress in all areas of governmental responsibility.

A cross-section of supporting performance improvement suggestions (paraphrased):

Statewide Planning

14. Establish a task force to develop a roadmap for Mississippi's future that includes the development of guiding principles, and a long-term vision, statewide goals. The roadmap should be updated as necessary, based on factors such as performance results and unanticipated environmental changes—e. g., dealing with the after-effects of Hurricane Katrina.
15. Based on the roadmap developed by the taskforce, develop a comprehensive, on-going, transparent, self-correcting, and statewide strategic plan to serve as the basis for monitoring progress in all areas of governmental responsibility toward achieving the statewide goals. Individual agency strategic plans must link to the state's long-term goals as incorporated into the statewide strategic plan and to the budget.

Information Technology

Adequate, well-designed information systems are the key to problem identification and to successful change. Identifying and incorporating an appropriate use of technology in administrative and service processes should be a foundation element of any performance improvement effort.

A cross-section of supporting performance improvement suggestions (paraphrased):

Improved Efficiency Through Information Technology

16. Make greater use of document scanning and imaging.
17. Make better use of technology—i. e., why should citizens be required to do things by paper?
18. Identify areas where technology can be utilized to reduce the quantity of human resources assigned to a task.
19. Develop an intranet in each state agency and a statewide WAN (wide area network) to save thousand of dollars in travel, postage, faxing, and employee paid time to attend meetings and or in-service training.
20. Implement data modeling. By documenting or “mapping” data collection and considering future information needs (data modeling), processes can be reengineered and data redundancies eliminated.
21. Maximize the use of technology for human resources--e. g., standardize human resources web content for state agencies and improve the navigability and content of the State Personnel Board’s e-recruitment website.
22. Use computers to their fullest potential. This will require better training simply because employees do not have the basic skills to operate them in order to maximize the workflow generated by each computer.

Acquisition of Computer Systems and Software

23. Eliminate the purchase of expensive and duplicative administrative information systems.
24. Purchase software licenses on a statewide basis at selected times each year. The state could reduce software and licensing costs by reducing requirements to fix or correct all defects.
25. Write solution-oriented bids that ask vendors to propose an information technology business solution to state-identified problems and goals. To avoid projects becoming costly or obsolete, solution-oriented bids allow the state to define the business problem and take advantage of the private sector’s expertise and creativity in responding to that problem.
26. Use value-based purchasing in which the state purchases the best information technology solution available and not the solution that only costs the least. It enables the state to consider total life-cycle costs, quality, and vendor performance.
27. Update personal computers and software on longer intervals.
28. Identify all information technology maintenance and support service providers that have multiple contracts with the state and negotiate a single master services contract with each identified vendor.

29. Make agencies take an inventory of software purchases and software renewals and implement open source alternatives where feasible.

Enterprise Approach to Information Technology

30. Improve integration of databases across agencies.
31. Consolidate information technology infrastructures.
32. Implement a statewide enterprise architecture.
33. The Department of Information Technology Services (ITS) should coordinate the use of the state's technology by ensuring agencies employ common technology to facilitate the flow of information between agencies and to the public. Computer systems of individual agencies should be compatible with computer systems of other agencies, particularly the Department of Finance and Administration.
34. ITS should establish a Technology and Project Management Office to support technology projects and develop an approval and oversight process to ensure projects are implemented timely and efficiently with coordinated implementation between vendors and agency personnel.
35. ITS should establish a statewide Information Security Council to define security measures and procedures for the state's technological systems.
36. Assign one computer identification code to each agency for use in all state computer systems, similar to a federal identification code.
37. Provide state employees with more training in the field of information technology by using local colleges and/or universities to provide such training.

Budgeting and Accountability

The state should recommit to implementing fully all aspects of performance-based budgeting as envisioned by the Mississippi Performance Budget and Strategic Planning Act of 1994, using fully audited and approved information generated to improve program performance.

The state should rethink and improve the way that it performs its basic business operations by centralizing responsibility for oversight of the state's basic business practices, by assigning primary responsibility for key business practices, and by continually comparing the state's basic business practices to those of other successful large enterprises.

Any agency or agencies given control responsibilities should be service-oriented by culture, helping agencies, in all ways possible, to achieve their service goals, but requiring the utmost in needs assessment and accountability for resources expended.

A cross-section of supporting performance improvement suggestions (paraphrased):

Accountability

38. Make Mississippi state government more transparent to policymakers and citizens by developing an on-line system of accountability emphasizing agency performance on key indicators.
39. Create an online balanced management scorecard (i. e., a framework that translates an organization's vision and strategy into a coherent set of performance measures) for measuring state government performance in critical administrative support areas such as procurement, information technology, and human resources management.

Budget Process

40. Improve communication among the Legislature, Legislative Budget Office, State Personnel Board, and Department of Finance and Administration regarding personnel budget requests.
41. Require the Legislative Budget Office to identify core programs and performance targets in the Governor's budget proposal so the Legislature can review these items and fund as the Legislature deems appropriate.
42. Fully implement all aspects of performance-based budgeting as envisioned by the 1994 law. Use the information generated to improve program performance.
43. Create an incentive in state government to be innovative and/or save money. Only the leaders in the state agencies generally inform legislators regarding state agency budgets so they lack the knowledge to make informed decisions.
44. To allow greater flexibility in the filling of state government positions, the Legislature should authorize full-time equivalent positions (FTEs) in appropriations bills rather than full-time, part-time, time limited, and full-time/part-time positions.
45. Discontinue the Legislative Budget Office's practice of printing its annual budget book and issue the Joint Legislative Budget Committee's recommendations to legislators in electronic format. Further, the Legislative Budget Office (LBO) should make this information accessible to the public through online access.
46. Establish a savings incentive program for state agencies that would allow the agencies to be appropriated half of any general revenue they were able to save in a year, up to one percent of their general fund revenue. Retained agency savings could be used to establish innovation capital funds within the agency that could be used to fund capital-intensive projects, information technology projects, and other ventures aimed at saving money for the state in the long run. Such an incentive program would tend to discourage end-of-year spending on non-essential goods and services.

47. Implement a budget development process that ensures all funding requests conform to and support the statewide vision and goals. Departments should identify core programs and develop action plans (strategies) that can be included in the budget bill.
48. The Governor should issue an executive order instructing the Department of Finance and Administration to prepare a long-range financial plan for the state of Mississippi.

Consolidation

49. Move finance/accounting/procurement areas completely out from the state agencies and combine them under one accountability agency independently managed and free from agency influence and demands.
50. Achieve savings by improving the way that the state performs its basic business operations by centralizing responsibility for oversight of the state's basic business practices and by assigning primary responsibility for key business practices.
51. Use technology to consolidate business processes such as payroll processing and accounts receivable.
52. Use a centralized agency to improve state contract negotiation and management.
53. Fold individual agency payroll systems into service bureaus.
54. Explore the possibility of using a single payroll system to serve all Mississippi public colleges and universities.
55. Reduce the number of payroll cycles operated by the state. Currently, the state operates three different payroll cycles (weekly, semi-monthly, and monthly), which reduces efficiency and complicates the payroll system. In addition, require employees with at least forty hours personal leave to have their payroll checks directly deposited into their account.
56. Consolidate or coordinate revenue and receivables collections.
57. Consolidate business services, particularly at the county level.

General Fiscal Suggestions

58. Compare the state's basic business practices to those of successful large enterprises in order to achieve greater efficiencies.
59. Patent inventions or improvements developed by government employees in their daily work to generate revenues for the state.
60. Require state employees to show proof of in-state vehicle registration as a prerequisite to working and parking at a state agency facility.

61. Implement and/or increase safety, case management, and return to work initiatives to reduce workers' compensation costs.
62. Consolidate some special funds into the general fund so that the state might be able to save time and expense associated with maintaining separate accounts.
63. Legislate penalties on state entities for failing to comply with state laws—e. g., the recently enacted e-verify law—or failing to correct deficiencies identified by the Department of Audit.
64. Use some sort of measurement such as return on investment to determine whether the benefits of an agency or program exceed the costs involved.
65. Repeal MISS. CODE ANN. Section 25-9-120 (3) (a) (1972), which exempts from the purview of the Personal Service Contract Review Board computer- or information-technology-related services governed by the Department of Information Technology Services; personal service contracts entered into by the Department of Transportation; or any contract for an attorney, accountant, auditor, physician, dentist, architect, engineer, veterinarian, or utility rate expert.
66. Establish a single state identification number, much like a federal identification number, for use by state entities. Presently, the Public Employees' Retirement System, Department of Finance and Administration's Office of Insurance, Department of Information Technology Services, Legislative Budget Office, and Department of Audit have different and unique identification codes for use by state entities.
67. Devise a remote expense reimbursement form for state employees who are away from their Jackson office frequently. Establish a direct billing arrangement with hotels under contract to the state. Issue gas credit cards to state employees for official travel, such as the Mississippi Highway Patrol does with its employees.

Grants

68. Coordinate and oversee grants management in Mississippi state government, which is presently fragmented and inconsistently administered.
69. Reduce the number of agencies that charge administrative costs to grants administered by a particular agency—i. e., multiple agencies "get a piece of the pie" when it comes to grants.

Revenue Enhancement and Collections

70. Standardize collection management across agencies, shorten the period for declaring accounts delinquent, and inventory the total amounts and status of accounts receivable for all state agencies.
71. Submit legislation to allow the state to use "debt sales" to raise dollars from its uncollectible and unworked accounts receivable.
72. Increase state debt collections by allowing citizens to use credit cards to pay government fees and taxes.

73. Increase the state's collection of accounts receivable by requiring citizens to pay monies owed to the state prior to registering a vehicle.
74. Collect from state employees, vendors, state grant applicants, and loan applicants all debts owed to the state or debts owed to individuals, such as student loans, delinquent taxes, and child support payments, as a condition of their continued employment or privilege to do business with the state.
75. Collect overpayments to vendors and state benefit recipients.
76. Eliminate the use of paper checks by using requiring the direct deposit and electronic (EBT card) payments.
77. Eliminate the fee for online payment of car tags, water bills, and other government services. State law requires that the "convenience charge" be used to cover the cost of the service, even though it is likely that it is more costly to send in a check with a stamp for manual, human processing. It is more costly to handle the checks/bills than to automate.
78. Hire additional auditors for the Mississippi State Tax Commission.
79. Offset payments to vendors by tax lien amounts.
80. Determine whether additional Medicaid dollars could be recouped for medical services provided to children through the schools.
81. Tie state fees and penalties to the inflation index.
82. Charge for copies of public records requested by citizens so long as state law permits state agencies to charge for such. This practice would be an additional source of state revenue.
83. Simplify the state's income tax forms to such an extent that every form can be read and processed electronically so that we do not have to hear every year that the State Tax Commission has to hire temporary employees to process tax returns. Also, there should be a tax incentive for filing taxes electronically or a tax penalty for filing them manually.
84. Allow state agencies to own their own vending machines or allow state agencies to set up contracts with distributors and allow a percentage of the sales to stay with the agency.

State Treasurer's Office

85. Automate the Treasurer's Office's offset program.
86. Establish a local government investment pool, which would improve the rates earned on deposited funds.
87. Automate the process for approving bank accounts outside of the State Treasury.

88. Electronically process cash receipts acknowledging agency receipt of federal funds.

Human Resources Management

Improved state service structures depend on a qualified, well trained, adequately compensated, optimally sized, and highly accountable workforce. The state's human resources system should support all of these goals.

A cross-section of supporting performance improvement suggestions (paraphrased):

Strategic Workforce Planning

89. The State Personnel Board should plan for and manage its workforce on an enterprise-wide basis by establishing a centralized unit within SPB to plan for the state's future workforce needs given the number of state employees and managers eligible for retirement in the near future.
90. Hire only the minimum number of full-time employees required year round and hire seasonal or part-time for all other non-annual workloads.
91. Abolish or consolidate positions vacated by those who resign or retire, instead of downsizing state agencies.
92. Reduce administrative overhead in state agencies—e. g., those employees earning high salaries.

Contracts

93. Decrease the number of contract workers. Agencies (e. g., Mississippi Department of Transportation) have lots of employees, but still use contract workers to do the bulk of the agency's work. What are the full-time employees doing? Who supervises the hiring of contract workers?
94. Prohibit retired state employees from coming back as contract workers and doing the same job while double dipping in the retirement system and the state payroll.
95. Require bidding of all personal service contracts greater than \$5,000 to eliminate "sweetheart" deals.

Selection

96. Reduce the number of political hires because they limit promotional opportunities of career employees.

Training

97. Cross-train staff. In business, it is extremely rare to find someone that is completely “slot trained” anymore. In order to diminish the number of employees (thereby saving considerable taxpayer dollars), you must rely upon your employees to perform more than one single function. The other immediate benefit is efficiency. Answers are more quickly generated, thereby improving service.

Compensation

98. Provide equitable pay for similar types of positions.
99. Improve salaries.
100. Expand the use of career ladders.
101. Centralize benefit and compensation plans for university staffs. Approximately 70% of staff job titles across the eight universities could be re-classified under similar job families.

Classification

102. Eliminate all agency-specific designations of system-wide job classes.
103. Conduct a complete overhaul of all positions within the state to make state entity operations more efficient.

Benefits

104. Improve state employees’ health coverage. Presently, wellness benefits are rarely or only partially paid.
105. Eliminate state-funded insurance and “buy” health coverage.
106. Establish through the Public Employees’ Retirement System a health insurance program for retirees.
107. Eliminate the administration of employee benefits programs by each individual agency. Agencies choose benefit plans to support employee needs and requests. Combining these efforts would increase employee choices.
108. Stop duplication of human resources services for state employees.
109. Charge state employees and each family member covered by state insurance a premium for either being a smoker and/or for being overweight, such as Alabama does in its state employee health insurance program.
110. Eliminate the 13th check paid to retirees by the Public Employees’ Retirement System and use the savings to reduce the state’s contribution rate or increase the

system's assets to ensure payment of future benefits. The state retirement system is only funded at about 70% of its liability for pension benefits, yet the system continues to pay 13th checks.

111. Eliminate cell phones except for agency heads, directors or workers who travel daily as part of their job.

Job Performance Measurement

112. Enforce time accountability among state employees—make them work eight-hour days. Use time clocks if necessary.
113. Terminate personnel who are not productive regardless of how long they have been employed by a state entity.
114. Overhaul the policies of the State Personnel Board rather than exempting agencies from the board. This only partially corrects the problem. A state government manager cannot present a true picture of performance of state employees using the measures on the board's current performance rating forms. The forms only address the main part of a job. Private sector employers allow more freedom on performance appraisals.

Procurement and Asset Management

There is no unimportant public dollar. The full weight of the State of Mississippi's purchasing power should be brought to bear when procuring goods and services for the state. This means that all state entities should be included in the process, without exception. Assets should be managed with due diligence to ensure a full useful life for equipment and highest and best use for state properties.

A cross-section of supporting performance improvement suggestions (paraphrased):

Capital Facilities

115. Prevent the Department of Archives and History (MDAH) from unnecessarily delaying renovation projects. MDAH tries to control the renovation of any older building that could conceivably become a landmark building.
116. Streamline the Department of Archives and History's process for approving permits for renovation of buildings listed on the National Register of Historic Places and Mississippi Landmarks. Flexibility should be allowed in the choice of materials and interior, in keeping with the historical properties of the building.
117. Eliminate the use of "allowances" for items that could be bid in the state construction process. These allowances are being abused on state projects and costing the state money by circumventing the bid process.

118. Prevent the Mississippi Department of Transportation from continuing to renovate its building even though the Legislature directed the agency to stop such renovations. Who has to approve or oversee such renovations?
119. Reduce excessive costs being incurred by the state due to bad building maintenance.
120. Reduce the state's waste of money due to poor energy practices in state buildings.
121. Reduce the state's energy usage and utility costs in government buildings due to a lack of ongoing management of utility expenses through extensive computer auditing and analysis.
122. Require the Mississippi Development Authority energy division to conduct on a four-year cycle energy audits on state entities' buildings, including those of state agencies, boards and commissions, universities, and community and junior colleges. Provide the Mississippi Development Authority's energy division with enforcement power to ensure state entities cooperate with the energy audits. The energy division should provide copies of its energy audits to the Department of Finance and Administration so that they may incorporate wise energy practices into their management of state buildings.
123. Require state agencies to institute an energy reduction program to monitor the efficient use of electric power. Identify program areas for which demand has declined and target them for staff reductions.
124. Require the Department of Finance and Administration and the Mississippi Development Authority's energy division to coordinate in the development of energy utilization requirements for state buildings.
125. Require the Mississippi Development Authority's energy division to provide the Department of Finance and Administration with a yearly summary of energy-related recommendations to incorporate into the department's management of capital facilities as well as the state's strategic planning efforts for capital facilities.
126. Enact legislation specifically requiring the submission of energy management plans by community and junior colleges. This would negate an Attorney General's opinion exempting community and junior colleges from having to submit energy management plans.
127. Re-engineer the state's capital outlay process to eliminate the gap between contract cost and actual final cost on transportation and construction projects.
128. Build less extravagant and costly state buildings. We do not build fancy, architectural-award-winning buildings for our company, because we need to keep overhead extremely lean in order to be competitive. Not so with Mississippi state government. Some state office buildings, especially the ones recently renovated, are luxurious compared to what most businesses can afford.
129. Centralize management of the state's real estate assets and maintain data on the vacancy rates of all state-owned and leased property and identify opportunities for co-location of agencies in any buildings (leased or owned) with vacancies.
130. Explore sale-lease back opportunities for state-owned property.

131. Enact legislation to require the Department of Finance and Administration to manage capital improvement or repair and renovation projects with a total cost of \$250,000 or less for all institutions of higher learning and state agencies.
132. Enact legislation to subject projects of the community and junior colleges to a two-phase funding and approval requirement in order to ensure that community and junior colleges projects compete with other state projects for funding and are in the best financial interest of the state.
133. Enact legislation to assign the management of all sixteenth section land to the Secretary of State's Public Lands Division. Revenue generated from the leasing of sixteenth section land should remain with the local school districts in which the particular revenue-generating piece of land is located.
134. Enact bond legislation for capital improvement projects that provides the amount of bond funds in a lump sum to provide leeway amidst the projects but includes a list specifying approved projects, with funds for critical repair and renovation projects line-itemed.
135. Require that movable furniture and equipment purchases for most capital improvement projects be made from general fund appropriations of the entities slated to occupy state facilities.
136. Eliminate the use of bond funds for preplanning and replace these with appropriated funds in a revolving fund for the Department of Finance and Administration.
137. Require that any bond funds not spent by the close of a project be used to retire part of the bond debt that financed the project. Should such funds be moved from one project to another, the Department of Finance and Administration should keep an accurate accounting of such transfers.
138. Require the Department of Finance and Administration to create a step-by-step evaluation process for professionals and bureau staff to evaluate and document the necessity and cost reasonableness of each change order and formalize this process in the bureau's policies.
139. Require the Department of Finance and Administration to formalize its procedures for not paying both the contractor and subcontractor the same amount of overhead cost when the subcontractor mainly completes the work.
140. Require the Department of Finance and Administration to monitor the total cost of all construction contracts and the status of change orders and errors and omissions.
141. Require the Department of Finance and Administration to study ways to reduce increased fees on state construction projects resulting from change order requests.
142. Require the Department of Finance and Administration to mandate professional contractors to perform appropriate quality assurance methods on state construction projects and submit a documented cost savings and/or cost avoidance report for all project savings generated through these methods.

143. Eliminate housing for state employees except in cases where an employee's duty assignment necessitates living on grounds and is at the convenience of the agency.
144. Include the value of state-provided housing in an employee's retirement calculations.

Procurement

145. Offer state employees a percentage of the difference between the quoted price from the state travel agency versus employee-booked travel.
146. Consider "live bidding" where bidders are pre-qualified.
147. Use strategic sourcing.
148. Require the state to develop a comprehensive and efficient method of procurement. Currently, state procurement is fragmented among the Department of Information Technology, Department of Finance and Administration, State Personnel Board, and some exempted state agencies like Mississippi Department of Transportation, with each agency having its own regulations and processes. The state should speed up its procurement process.
149. Require the development and implementation of a single statewide electronic procurement system that collects all state procurement and contracting information. Such a system would improve the state's ability to strategically source its procurement and contracts.
150. Enact legislation to enable the use of reverse auctioning as a procurement tool.
151. Develop a statewide system of inventory management, centralize distribution systems across state agencies, identify total inventory balances, and achieve a one-time cost savings by reducing these balances.
152. Minimize the printing of materials through the use of technology—e. g., make reports available online.
153. Require state agencies, boards, and commissions to print letterhead on in-house laser printers rather than paying for commercial printing.
154. Develop guidelines limiting the purchase of personal digital assistants to essential uses such as transmitting vital information to the central office from the field.
155. Utilize gain-sharing projects whereby a vendor is paid out of an increased revenue stream that results from technology innovation provided by the vendor. Gain sharing can be applied to a wide variety of revenue-generating programs (e. g., collections, fees, permits) where improved technology could result in enhanced revenue.
156. Require each state agency to conduct an internal review to determine how it can streamline paperwork and forms to make processes more efficient and to reduce state data collection demands.

157. Require all agencies to utilize electronic forms to the greatest extent possible.
158. Require a bidding process for most state purchases. Require the refund of any tax dollars that are not supported by appropriated purchase documentation.
159. Establish centralized purchasing for all state agencies. Expand state contract bidding.
160. Require bidding of all professional and other service contracts with an estimated cost greater than \$5,000 to eliminate “sweetheart” deals.

Surplus Property

161. Improve stewardship of public assets. Presently, unused items are intentionally destroyed and thrown in a county dump even though people would buy the items at a reduced amount.
162. Improve the state’s surplus property operation. Presently, the operation is a joke and a waste of time and money.
163. Make the state’s surplus property inventory available online and require agencies to review this list prior to making any equipment purchases.
164. Require all state agencies to undertake an inventory of their real property assets and dispose of surplus real property at fair market value, with the Department of Finance Administration given a clear role of oversight in managing the state’s real property.

Vehicle Management

165. Require state entities to purchase only fuel-efficient vehicles—no Crown Victorias or Tahoes. Review vehicles used by state agencies (including four-wheelers, small vans, street sweepers, etc.) because many types of state-owned vehicles sit idle while contractors do the work with their own vehicles.
166. Eliminate state agencies’ use of vehicles—at least some of them.
167. Require state entities to park at least fifty percent of the vehicles that go home with so-called “essential personnel” each night. Require state vehicles to be driven the speed limit.
168. Reduce the number of state vehicles. Anyone traveling less than a specified number of miles per year should be reimbursed for personal use of their private automobile and the state car eliminated. All Department of Mental Health facility directors have cars and they live on the grounds of the facilities.
169. Require state entities to use state vehicles longer than they do, especially the Mississippi Department of Transportation. Implement a freeze on new vehicle purchases for a year or two or make agencies buy vehicles that are at least two years old.

170. Explore to see if the mileage of state vehicles can be increased/and or the lifespan of the fleet increased.
171. Require state entities to perform repairs and routine maintenance where vehicles are stationed rather at some distant location. For example, staff of the Mississippi Department of Corrections who are located on the Gulf Coast are required to travel to the prison in Greene County for auto maintenance. This is expensive in both time and money.
172. Reduce the cost of off-site medical travel for residents of state facilities (e. g., prisoners, juveniles in detention facilities, residents of group homes and mental hospitals) through telemedicine.
173. Provide “basic” vehicles to state agencies.
174. Reduce travel expenses for non-official autos and trucks. Staff of the Department of Wildlife, Fisheries, and Parks have the best trucks and boats. Go minimum, not maximum.
175. Sell all state-owned vehicles, planes, boats, etc. and lease only what is really needed.

General Performance Improvement

State government should develop and adopt a continuous work improvement process designed to evaluate all work continually, finding ways to eliminate tasks and redundant efforts and should reward those employees who find ways to do so.

A cross-section of supporting performance improvement suggestions (paraphrased):

Streamline Processes

176. Continuously review the performance of state agency programs in order to improve or eliminate ineffective programs or programs with an unnecessarily high cost/benefit ratio.
177. Create a Mississippi Government Efficiency Commission to improve efficiency in targeted areas of state government.
178. Conduct an in-depth efficiency review of two or three pilot agencies.
179. Develop and adopt a continuous work improvement process—evaluate all work and continually find ways to eliminate tasks and redundant work.
180. Reduce non-value activities. Any activity that does not add value to the project is eliminated or reduced. Examples are: double handling materials, moving materials of less than a truckload. I have seen Department of Transportation employees, for example, take more than one vehicle to a job site when one vehicle

would have carried all the people and supplies. Have the supplies delivered to the job site by the supplier rather than dropped off at the shop and then reloaded and carried to the job site later.

181. Look for opportunities to eliminate unnecessary red tape and paperwork in state government.
182. Quit talking about things so much and make a decision. State government has too much bureaucracy, too much paper shuffling, and not enough getting to the point to make a decision. State government must be more flexible and have a sense of urgency and keep the customer in mind.
183. Cut the red tape for doing business in Mississippi.
184. Make State Children's Health Insurance Program eligibility screenings more efficient and accessible.
185. Expedite the permitting at the Department of Environmental Quality.
186. Require state entities to strive for manufacturing excellence—doing the right things right the first time every time; being dependable, reliable, and available.
187. Require state entities to place more focus on quality and results;--i. e., "lean manufacturing" (eliminating waste and improving customer service). There is a perception that state employees are not concerned with time factors or timetables.
188. Require state entities to employ 21st century management tools such as Six Sigma.⁶⁰
189. Improve cooperation between governmental entities. Make processes transparent.
190. Standardize policies and procedures.

Consolidate Programs and Functions

191. Streamline state government by eliminating ineffective, non-essential, and duplicative programs, including consolidating programs, services and functions. For example, administrative support for state regulatory boards could be consolidated and provided by one central staff and the boards themselves could be consolidated to ensure greater regulatory consistency and to reduce the costs of regulation;--e. g., collapse mental health-related boards, such as boards of psychology and marriage and family therapists, into a Board of Mental Health.
192. Consolidate K-12 schools and higher education.
193. Avoid education program duplication.
194. Explore potential consolidation of school districts, universities, and counties.
195. Reduce excessive number of school superintendents.

⁶⁰ *Six Sigma* is a rigorous and systematic methodology that utilizes information and statistical analysis to measure and improve a company's operational performance, practices, and systems.

196. Consolidate and close state agency satellite offices.
197. Consolidate parole offices.
198. Consolidate government printing services.
199. Centralize state agency procurement staff.
200. Consolidate workforce development programs.
201. Consolidate responsibility for state museum operation and oversight into one agency.
202. Share program support staff in large agencies within multi-service centers.
203. Eliminate duplicate state systems (e. g., personnel, procurement, financial management).

Cost Saving Ideas

204. Require every employee (including managers) to submit one written cost-saving idea per quarter.
205. Encourage front-line employees who are doing the work to develop cost savings ideas and more efficient ways of operating and reward them for their ideas.
206. Develop an online system whereby state employees can make suggestions on an ongoing basis as to how to improve state government's efficiency and effectiveness.
207. Establish incentive or awards programs (e. g., Malcolm Baldrige award) to reward agencies that excel in targeted areas of improvement such as strategic workforce planning.
208. Encourage state agencies to facilitate meetings at which a cross-section of employees could brainstorm and discuss ways to save money and ways to build morale in a challenging environment.
209. Use water on "glued" envelopes rather than tape.
210. Choose most appropriate envelope for lowest postage amount. Send items folded rather than flat to save postage.
211. Recycle file folders and notebooks.
212. Implement a four-day work week, possibly saving on utility costs.

Appendix C: Elements of a Central Customer Service Office

As has been established in other states, Mississippi could consider the creation of a central customer service office to be responsible for the implementation and oversight of a statewide customer service system. (The office could be located within the Department of Finance and Administration.) The office would be staffed with a customer service director and customer service representatives to oversee and assist agencies in the development of an action plan and provide training to customer service coordinators designated at the agency level. The customer service office would be responsible for holding periodic meetings with agency coordinators to provide an opportunity for sharing information and best practices and provide an opportunity to invite subject matter experts in various areas of customer service to conduct training workshops.

The customer service office would be served by a toll-free telephone number that is publicized in telephone books throughout the state and on the state government website. Oversight responsibilities of the office would include, but would not necessarily be limited to:

- conducting annual audits of state agencies to certify customer service standards for the activity being performed to ensure that the standards have been appropriately developed and reasonably implemented;
- assisting customers in locating agency information and services and ensuring customers speak with a person when they call for assistance;
- providing guidance to customers in finding the appropriate state agency customer service coordinator who can give them the information or services;
- providing training for Customer Service Coordinators;
- assisting agencies in the development of a Customer Service Action Plan; and,
- developing a website to provide customers with information on its mission and the various customer services efforts available in various state agencies.

A customer service office might also be given responsibility for developing a customer service survey for customers who can visit the office's website for assistance. In addition, the office might:

- conduct customer focus group sessions to obtain information and suggestions from customers on ways to improve customer service in the state;

- be responsible for monitoring and assessing state agency responsiveness to citizen requests for assistance and collecting information on complaint resolutions (each agency is generally responsible for handling and tracking complaints and reporting the timeliness of complaint resolutions in its annual report);
- annually review agencies' training needs assessments and develop a training program for agency customer service coordinators each fiscal year; and,
- review all agency annual customer service reports and prepare a comprehensive customer service delivery report for the Legislature.

A statewide customer service system would also require state agencies, boards, and commissions that provide significant service directly to the public to have a customer service plan that contains at least the following components:

- **Customer Service Action Plan:** The plan should establish customer service standards, including measuring performance and customer satisfaction.
- **Compact with Customers:** A written commitment should specify how a department will serve its customers.
- **Customer Service Coordinator:** Each Customer Service Coordinator is responsible for implementing the department's customer service program.
- **Customer Service Award:** Outstanding departments and employees are recognized.

Each state agency, board, and commission that provides significant service directly to the public would also be required to take the following actions:

- Designate a Customer Service Coordinator who would be responsible for developing and conducting a customer survey and employee customer service training needs assessment and developing a Customer Service Action Plan. Each year the Customer Coordinator is responsible for collecting customer service and complaint data and preparing a customer service report for the Customer Service Office.
- Provide customer service training for employees as necessary;
- Develop an intranet in each state agency to make access to service descriptions, contact points, eligibility, etc. easy to achieve;
- Ensure customers speak to a person when they call state agencies;
- Identify the customers to determine the kind and quality of services they want and their level of

satisfaction with existing services, including complaint resolution;

- Identify all services provided to customers, including requests for information;
- Post service standards and measure results against them;
- Certify service performance standards;
- Benchmark customer service performance against the best in the business as identified by the agency;
- Survey front-line employees on barriers to and ideas for matching the best in the business;
- Provide customers with choices in sources of service and the means of delivery;
- Make information, services and complaint systems easily accessible; and,
- Provide means to address customer complaints.

State agency employees would be required to take the following actions in service of the customer service program:

- provide input on employee surveys;
- implement improvement plans;
- respond to complaints;
- adhere to customer service standards;
- apply for awards; and,
- use customer tool kit that would include guidelines, best practices, and strategies for implementation.

While a centralized model offers the potential for constructive change, additional work should be done to understand the advances in technology and thinking that could underpin a shift to an enterprise model of government and that could truly reap the benefits of a customer-focused service structure. However, in the interim, state agencies would do well to consider independently in what ways their individual approach to customer service reflects the best practice elements suggested by a centralized model.

Appendix D: Governmental Customer Service Efforts

Great Britain's Customer Service Effort

In 1991, Great Britain's former Prime Minister John Major initiated a major push to improve government customer service by establishing the British Citizens' Charter. The charter was administered under the Prime Minister's Cabinet Office by a staff of about fifty employees. The charter, which provides guiding principles to be followed by the British government, was based on the assumption that citizens are entitled to expect high-quality, efficient government services, accurate information on agency performance, responsive complaint and redress procedures, and customer service standards.

In 1997, Britain revised the charter in a new format called "Service First." Its goal was to improve service delivery across the public sector by building on the principles of the original charter and placing greater emphasis on responsiveness, quality, effectiveness, and cross-sector cooperation. A Cabinet Office's Service First Unit began development of best-practice guides and "quality networks" that invite communication and idea sharing between different parts of government. A recognition program called "Charter Mark" is used to encourage and reward excellent customer service. The Service First team established service standards for government and contract "mystery shoppers" help evaluate government service.⁶¹

Federal-Level Customer Service Efforts

President Clinton's Executive Order

In September 1993, President Bill Clinton issued an executive order requiring federal agencies to establish and implement customer service standards, customer surveys, and customer service plans. The federal customer service model required all executive departments and agencies that provide service directly to the public to take the following actions:

- identify the customers who are, or should be, served by the agency;

⁶¹ Texas Comptroller of Public Accounts, *Challenging the Status Quo: Toward Smaller, Smarter Government* (Austin, 1999), Chapter 3.

- survey customers to determine the kind and quality of services they want and their level of satisfaction with existing services;
- post service standards and measure results against them;
- benchmark customer service performance against the best in business;
- survey front-line employees on barriers to and ideas for matching the best in business;
- provide customers with choices in the sources of service and the means of delivery;
- make information, services and complaint systems easily accessible; and,
- provide means to address customer complaints.

The U. S. General Services Administration's 2006-2007 Government-Wide Survey of Citizen Service Activities

The U. S. General Services Administration (GSA) and other federal agencies with model customer service practices utilize strategic planning, customer service standards, and performance measures to reinforce their customer service goals. The U. S. General Services Administration recently announced the results of its 2006-2007 Government-Wide Survey of Citizen Service Activities, intended to identify ways in which the federal government can improve the quality of service provided to the American taxpayer.

Recommendations generated by GSA's government-wide assessment final report included the following:

- consolidate citizen service activities within agencies;
- consolidate data sources;
- "professionalize" customer service;
- establish an Interagency Customer Service Work Group;
- develop customer service guidance; and,
- foster increased awareness of service availability.

State-Level Customer Service Efforts

The following are examples of how state governments have taken steps to improve customer service.

- *Ombudsman Office* - In July 1996, Arizona created an Office of the Ombudsman–Citizens' Aide to improve state government's effectiveness, efficiency, and responsiveness. The ombudsman's office listens to

complaints and takes action to correct the underlying situations.

- *Customer Service Standards* - In 2003, the Governor of Washington issued an executive order to improve customer service by establishing customer service standards. All state departments were directed to assess customer satisfaction and report quarterly to the Governor's office.
- *Complaint Tracking System* - The 2003 executive order by the Governor of Washington also required departments to establish complaint systems to track and resolve customer service problems.
- *Office of Quality and Performance* - Washington's Governor also established an Office of Quality and Performance within the Governor's office to administer the executive order. The office was staffed by two employees and the budget was provided by a funding pool created from contributions from all departments. The office's staff met monthly with other departments' Internal Quality Consultants as a group to provide guidance and training. The training needs of individual departments were assessed in separate quarterly meetings with the Internal Quality Consultant of each department and action plans were developed and implemented to address training needs.
- *Streamline Regulations/Service Improvement Plans* - In 2003, Oregon's Governor issued an executive order to streamline regulations and improve customer service. State regulatory agencies were ordered to evaluate customer service delivery and customer satisfaction and required to submit customer service improvement plans to the Governor. The Office of Regulatory Streamlining was created to implement this executive order.
- *Complaint Tracking/Resolution System* - Florida's Legislature passed the Florida Customer Standards Act in 2001. This legislation required agencies to develop a complaint resolution system and designate an employee or employees to resolve customer complaints. State agencies are also required to track complaint resolutions and collect data for use when conducting management and budget activities and preparing annual reports.
- *Customer Identification* - The 1995 Texas Legislature passed legislation requiring the Governor's Office of Budget and Planning and the Legislative Budget Board to select nine agencies and universities for a pilot project to identify agency customers and review customer satisfaction. The 1997 Legislature expanded the project to include thirty agencies that were instructed to identify customers and assess their satisfaction with services.

- *Inventory of External Customers* - The 1999 Texas Legislature passed the Customer Service Standards Act, which required state agencies to create an inventory of external customers for each budget strategy. Each agency was required to collect information from customers using surveys, focus groups, or other appropriate methods regarding the quality of service delivered by the agency and report information to the Governor's Office of Budget and the Legislative Budget Board by June 1 of each even-numbered year. Customers may be asked to evaluate:
 - facilities, including the customer's ability to access the agency, the office location, signs, and cleanliness;
 - staff, including employee courtesy, friendliness, and knowledge and whether staff members adequately identify themselves to customers by name, including the use of name badges for accountability;
 - communications, including toll-free telephone access, the average time a customer spends on hold, call transfers, access to a live person, letters, and electronic mail;
 - internet sites, including the ease of the use of the site, information on the location of the site and the agency, and the information accessible through the site such as a listing of services and programs and whom to contact for further information or to complain;
 - complaint handling processes, including whether it is easy to file a complaint and whether responses are timely;
 - ability to timely serve its customers, including the amount of time a customer waits for service in person, by phone, letter or at a website; and,
 - brochures or other printed information, including the accuracy of that information.
- *Exemplary Customer Service Award* - The Texas Customer Service Standards Service Act also required the Legislative Budget Board to develop performance measures for state agencies. The act also gave the Governor's Office of Budget and Planning and the Legislative Budget Board responsibilities to inspect agencies and award the Texas Star award to a state agency that provides exemplary customer service based on performance measures and standards.

Appendix E: Texas's Strategic Planning and Performance Budgeting System

Texas's Strategic Planning and Performance Budgeting System is described as a "mission- and goal-driven, results-oriented system that combines strategic planning and performance budgeting. . .into the State's appropriations process"⁶² with the following objectives identified by the state's Legislative Budget Board:

- *Focus the appropriations process on outcomes.*
- *Strengthen monitoring of budgets and performance.*
- *Establish standardized unit-cost measures.*
- *Simplify the budget process by reducing the number of key and non-key measures required, improving the classification of measures, and simplifying the data required in the Legislative Appropriations Requests.*
- *Provide rewards and penalties for success and failure.*
- *Have the [State Auditor's Office] certify the accuracy of performance measurement data.*⁶³

Texas has been cited in various reports, such as those issued by the United States Government Accountability Office and the Florida Office of Program Policy Analysis and Government Accountability, as having a history in performance-based budgeting.

In 1974, Texas incorporated performance measures into the state's budget system. Heightened emphasis was placed on using these measures in 1991 with the adoption of the Lieutenant Governor's Budget Reform Proposal. The requirement that agencies develop long-term strategic plans in conjunction with the budgeting process was added in 1993.

Texas uses a two-year budget process that begins with the development of a statewide vision by the Governor and the Legislative Budget Board (LBB), including the development of goals and benchmarks for certain state agencies and

⁶² Mississippi State Auditor's Office, *Performance-Based Budgeting*, 19.

⁶³ Texas State Auditor's Office; Texas Legislative Budget Board; Texas Governor's Office of Budget, Planning, and Policy, *Guide to Performance Measure Management*, Report No. 06-329 (Austin, 2006), 7.

programs. This statement ultimately becomes the framework for state agencies' strategic plans.⁶⁴

The next step for state agencies is to develop strategic plans consistent with the statewide vision. Instructions for completing the plans are issued by the Governor's Office of Budget, Planning, and Policy (GOBPP) and the LBB.⁶⁵ See the following section for a discussion of the components of Texas's strategic plans.

After completing the strategic plan, agencies develop their budget request (Legislative Appropriations Request). Hearings are held by the LBB and the GOBPP regarding the strategic plan and the budget request to determine the "items to be included in the agency's strategic plan and the performance measures to be contained" in the budget request. The LBB and the GOBPP approve the strategic plans and the LBB and the State Auditor's Office monitor compliance with an agency's budget. The LBB compiles one appropriations bill, which includes performance measures for all state agencies and the bill is then submitted to the Legislature.⁶⁶

Throughout the process, Texas's budget system incorporates three interrelated components:

- strategic planning;
- performance budgeting; and,
- performance monitoring.

The Role of Strategic Planning in Texas State Government

Texas's agency strategic plans "outline[] agency goals and objectives and produce[] strategies that lead to priority-based resource allocation decisions the agency plans to follow to achieve those long-term goals."⁶⁷ One of the purposes of Texas's strategic planning, according to the GOBPP and LBB, is "to establish statewide direction in key policy or functional areas to move away from crisis-driven decision-making."⁶⁸ Every even-numbered year, state agencies in Texas develop and issue five-year strategic plans that include, but are not limited to, the following information:

⁶⁴Texas Senate Research Center, *Budget 101, A Guide to the Budget Process in Texas* (Austin, 2007), 2.

⁶⁵Texas Senate Research Center, *Budget 101*, 2.

⁶⁶Texas Senate Research Center, *Budget 101*, 3-4.

⁶⁷ Texas Governor's Office of Budget, Planning, and Policy and Texas Legislative Budget Board, *Instructions for Preparing and Submitting Agency Strategic Plans, Fiscal Years 2009-2013* (Austin, 2008), 4.

⁶⁸ Texas Governor's Office of Budget, Planning, and Policy and Texas Legislative Budget Board, *Instructions*, 5.

- *a statement of the mission and goals of the state agency;*
- *a description of the indicators developed under this chapter and used to measure the output and outcome of the agency;*
- *identification of the groups of people served by the agency, including those having service priorities, or other service measures established by law, and estimates of changes in those groups expected during the term of the plan;*
- *an analysis of the use of the agency's resources to meet the agency's needs, including future needs, and an estimate of additional resources that may be necessary to meet future needs;*
- *an analysis of expected changes in the services provided by the agency because of changes in state or federal law;*
- *a description of the means and strategies for meeting the agency's needs, including future needs, and achieving the goals established [by the Governor]...for each area of state government for which the agency provides services;*
- *a description of the capital improvement needs of the agency during the term of the plan and a statement, if appropriate, of the priority of those needs;*
- *identification of each geographic region of this state...served by the agency, and if appropriate the agency's means and strategies for serving each region;*
- *a description of the training of the agency's contract managers...;*
- *an analysis of the agency's expected expenditures that relate to federally owned or operated military installations or facilities, or communities where a federally owned or operated military installation or facility is located;*
- *an analysis of the strategic use of information resources as provided by the instructions...; and*
- *other information that may be required.*⁶⁹

The LBB and GOBPP issue instructions and work with each agency to develop strategic plans.⁷⁰ The strategic plans include outcome, output, efficiency, and explanatory/input data that are used by legislators to evaluate agency

⁶⁹ Texas, *Acts 2007*, 80th Leg., ch. 691.

⁷⁰Texas Senate Research Center, *Budget 101*, 20-21.

performance. Every performance measure requires a definition that explains the measure and the method used for its calculation. The description must also contain the following information: "an explanation of why the measure is important, outside factors that may affect measurement data, and the source of the information." Performance measures "should flow from the agency's mission, goals, objectives, and strategies with an emphasis on serving the agency's customers" and "are the basis for planning future agency actions."⁷¹ Any changes to the strategic plan must be approved by both the LBB and GOBPP.⁷²

The goals, objectives and strategies contained in an agency's strategic plan are the starting point for the agency's budget and some measures are carried over to the appropriations bill. A reader can look at the appropriations bill and find the corresponding definition for each goal, objective, and strategy within the agency's strategic plan. Each document builds on the previous step in the planning process.

The planning process can influence the amount the Legislature appropriates to each agency. During joint budget hearings, GOBPP, LBB, and agencies discuss performance targets, funding for the agency, and different aspects of the budget. After these hearings, the LBB creates the general appropriations bill draft.⁷³ Projected targets and actual performance have an affect on funding of the agency and agencies have been assessed reductions in their budgets based on unrealized performance targets.⁷⁴

The Role of Performance Budgeting in Texas State Government

Each state agency prepares a Legislative Appropriations Request that includes descriptions of the agency's goals, objectives, strategies, and performance measures⁷⁵ (used by the LBB to develop performance targets for each agency), as well as the following information:

- Summary of Request—Summarizes the agency's expenditures and encumbrances for past years, budgeted amounts for the current fiscal year, and requested appropriations for the coming biennium;
- Supplemental Information Regarding Exceptional Items—Information about items that are not part of the agency's budget request, but are exceptional in nature and warrant further discussion; and,

⁷¹Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 9.

⁷² Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 4-5.

⁷³ Texas Senate Research Center, *Budget 101*, 3.

⁷⁴Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 10.

⁷⁵ Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 5.

- Appropriation Rider and Unexpended Balances Schedule—Details all appropriations through riders, including unexpended balances carried forward between bienniums.⁷⁶

The Governor’s Office of Budget, Planning, and Policy (GOBPP) and the Legislative Budget Board (LBB) staff issue instructions for developing strategic plans. Also, the LBB provides state agencies with detailed instructions for preparing their Legislative Appropriation Request (LAR). Included in each agency’s LAR are the performance measures on which budgeting is based. The LBB and GOBPP hold hearings with each agency concerning the agency’s strategic plan and LAR. The LBB staff prepare the general appropriations bill draft, which includes performance measure information for each agency.⁷⁷ Within the General Appropriations Bill, “outcome measures are aligned with goals” and “output, efficiency, and explanatory measures are aligned with strategies.”⁷⁸ Agency funds are appropriated at the strategy level, instead of at a program level.⁷⁹ An agency’s strategic plan and budget request do not need to be identical.⁸⁰

The Role of Performance Monitoring in Texas State Government

State agencies are required to report actual performance data quarterly for “key output and efficiency measures and on an annual basis for key outcome and explanatory⁸¹ measures.”⁸² All non-key measures are reported in the annual operating budget and budget requests. If data changes after it has been reported, an agency may update the information with an explanation as to why the data was updated. Data on all performance measures (not just those contained in the appropriations bill⁸³) is entered into the

⁷⁶Texas Senate Research Center, *Budget 101*, 24.

⁷⁷Texas Senate Research Center, *Budget 101*, 2-3.

⁷⁸ Texas Legislative Budget Board, PowerPoint Presentation, “Appropriations Overview 2008-09 Biennium,” 2007, 18.

⁷⁹Texas State Auditor’s Office et al., *Guide to Performance Measure Management*, 2.

⁸⁰Texas Governor’s Office of Budget, Planning, and Policy and Texas Legislative Budget Board, 10.

⁸¹ According to *Guide to Performance Measure Management*, page 11, an *explanatory* or *input measure* is an “indicator of factors, agency resources, or requests received that affect a state entity’s performance.”

⁸² *Key measures* are defined by the Texas Legislative Budget Board as “outcome, output, efficiency, and explanatory [input] measures that are referenced in the General Appropriations Act and for which actual performance must be reported in ABEST (the Automated Budget and Evaluation System of Texas). Key measure reporting indicates the extent to which an agency is achieving its goals or objectives.” Texas Legislative Budget Board, *Performance Measure Reporting for State Agencies* (Austin, 2003), 1.

⁸³ LBB PowerPoint, “Appropriations Overview 2008-09 Biennium,” 2007, 24.

web-based Automated Budget and Evaluation System of Texas (ABEST). Agencies must also retain "adequate documentation" to support the data submitted and must set up internal controls to ensure the data is accurate.⁸⁴

After reporting performance measurement data, agencies are required to provide additional information when the actual performance of a key measure varies "5 percent or more from targeted performance," including information on how the agency plans on addressing the variance and any missing details for the measure. At its discretion, an agency may also explain any variance in a performance measure that is less than 5 percent.⁸⁵

Periodic assessments are conducted by LBB to focus on performance target variances of 5 percent or more. In conducting the review, LBB asks the following questions:

- *How does the reported performance compare to previous periods?*
- *Is the variance from targeted performance relevant to successful achievement of the goal or objective?*
- *Did external factors affect performance to the extent that targets could not be met?*
- *Is the variance due to a faulty projection of performance?*
- *Did the variance cause unanticipated effects?*
- *Are the agency's explanations of variance complete and adequate?*⁸⁶

The State Auditor's Office (SAO) also selects agencies to review the "accuracy of reported performance measures" and assess the related internal controls. SAO uses the following factors in choosing agencies to review:

- *substantial changes in organizational structure or personnel;*
- *expressions of concern by legislators;*
- *patterns of unexpected performance;*
- *dollars appropriated to an agency;*
- *indications from previous audits that an agency has potential performance measure control weaknesses;*

⁸⁴Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 18-19.

⁸⁵Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 19.

⁸⁶Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 19-20.

- *frequency with which an agency's performance measures have been reviewed; and,*
- *agency requests [for review] are also considered.⁸⁷*

Next, SAO uses the following steps to review the agency's performance measures and internal controls:

- *Determine which of the agency's measures to audit.*
- *Determine whether the agency can re-create the number reported in ABEST.*
- *Determine the method the agency used to collect, calculate, and report the performance measure data.*
- *Determine whether the agency followed the measure definition.*
- *Determine whether adequate controls exist over performance measure data to ensure consistent reporting of accurate information for manual systems.*
- *Determine whether adequate controls exist over performance measure data to ensure consistent reporting of accurate information for automated systems.*
- *Obtain a list of items to be sampled from the agency.*
- *Choose a sample.*
- *Test the agency's source documentation for accuracy.*
- *Determine each performance measure's certification category.⁸⁸*

Agencies request funding every two years and during this time, the Legislature, using the data collected on each performance measure, can determine which agencies are meeting their performance targets.⁸⁹

Texas also has an incentives program in place for agencies that meet the performance criteria of the program when it comes to reporting performance measures. Positive rewards may include, but are not limited to, increased funding, exemption from reporting requirements, increased funding transferability, formalized recognition or accolade, awards or bonuses, expanded responsibility, and expanded contracting authority. Negative incentives include, but are

⁸⁷Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 23.

⁸⁸Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 24.

⁸⁹Texas Senate Research Center, *Budget 101*, 32.

not limited to, evaluation of outcome variances for remedial plan, reduction of funding, elimination of funding, restriction of funding, withholding of funding, reduction of funding transferability, transfer of functional responsibility to another entity, recommendation for placement in conservatorship, direction that a management audit be conducted, and direction that other remedial or corrective action plans be implemented. Agencies are also authorized to provide compensation to employees who contributed to the agency's success, not to exceed 6.8 percent of the employee's annual base pay.⁹⁰

⁹⁰Texas State Auditor's Office et al., *Guide to Performance Measure Management*, 21.

Appendix F: Excerpt From a Texas Appropriation Bill for the Commission on the Arts

	For the Year Ending August 31, 2004	For the Year Ending August 31, 2005
Goal: ARTS ACCESS		
Ensure that Texas citizens and visitors are aware of the value of the arts and have equitable access to quality arts programs and services.		
Outcome (Results/Impact):		
Percentage of Total Assistance Dollars Provided to Applications From Minority Organizations	22%	22%
Percentage of Total Assistance Dollars Provided to Applications From Rural and Geographically Isolated Communities	29%	30%
C.1.1. Strategy: DISTRIBUTE DIRECT GRANTS	\$3,452,808	\$3,435,808 & UB
Output (Volume):		
Number of Funded Applications From Rural and Geographically Isolated Communities	550	550
Number of Funded Applications Minority Organizations	300	300

Definition of Terms Used in Appropriation Bill:

Goal:	Sets forth a goal the agency seeks to achieve
Outcome:	Sets forth a measurable target to be used in meeting a goal/strategy.
Strategy:	Sets forth actions to be taken by the agency to achieve the goal. There may be multiple strategies under one goal. Funding is provided at the strategy level.
Output:	Sets forth a performance measure used to count the services produced by an agency

Note: In addition to goals and strategies, the appropriation bill also contains a method of financing, number of full-time equivalent positions, and object-of-expense informational listing.

SOURCE: Texas Senate Research Center, *Budget 101, A Guide to the Budget Process in Texas*, 2007, 17-18

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