

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

Report to
the Mississippi Legislature



A Management and Operational Review of the State Personnel Board

In response to concerns regarding the impact of changes that the State Personnel Board (SPB) has recently made, PEER conducted a management and operational review, resulting in the following conclusions.

Service and Control--In response to feedback from state agencies, the SPB has implemented structural changes (e. g., creation of an Office of Human Capital/Core Processes to provide agencies with one-stop assistance) and substantive changes (e. g., creation of a pass/fail application evaluation system to expedite provision of certificates of eligibles to agencies) to make the agency less bureaucratic and more service-oriented. However, the SPB has not performed some control functions critical to the oversight of the statewide personnel system, such as controlling for personnel actions not authorized by law or auditing activities delegated to state agencies that should be performed in accordance with SPB policy.

Strategic Planning--While the SPB's executive staff made a documented effort to review the needs of state agencies as well as its own organizational structure, the agency's strategic planning process does not meet applicable best practices standards. The SPB's strategic plan does not thoroughly define environmental factors and their effects, establish overall agency goals, thoroughly develop strategies with defined action plans, or include effective performance measures suitable to the statutory mission of the agency. Also, the SPB has not developed a comprehensive strategic plan for the management of the state's human capital resources that recognizes the effects of economies of scale, internal recruitment competition between state agencies, or significant changes in the economic and competitive environment.

Internal Management--While the SPB made changes in 2009 to its organization structure, position class titles, and assignments of staff that were intended to address the service needs of state agencies, many of the changes appear to have not been in conformity with SPB's policy and practice regarding agency reorganizations and assignment of duties. Also, some of SPB's FY 2010 computer acquisitions were made without adequate information and planning that could have determined whether the agency was making the most efficient use of funds.

December 14, 2010

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 and three at-large members appointed from each house. 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.

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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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The Mississippi Legislature

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December 14, 2010

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On December 14, 2010, the PEER Committee authorized release of the report entitled **A Management and Operational Review of the State Personnel Board.**


Senator Nolan Mettetal, Chair

This report does not recommend increased funding or additional staff.

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A Management and Operational Review of the State Personnel Board

Executive Summary

Introduction

Following the appointment of the current State Personnel Director in March 2009, the State Personnel Board began making a series of changes at the agency. As these changes were implemented, PEER was apprised of concerns raised by several persons regarding the impact that these changes might have on the administration of the statewide personnel system. In response to these concerns, the Committee conducted this review.

PEER sought to determine:

- the historical reasons for having a central state personnel agency;
- the traditional functions of public personnel agencies;
- the responsibilities of service and control that the State Personnel Board must bear; and,
- the State Personnel Board's response to meeting these burdens and responsibilities.

Background

Public personnel management encompasses the processes for classifying work, compensating and selecting workers, and training workers to perform their jobs more effectively. The ultimate end of these programs is to make public personnel services both efficient and effective.

States without a central personnel agency may suffer from problems such as inefficient allocation of public funds, lack of a central compensation and classification system, and lack of a central personnel database. Options for states vary from having no central personnel agency to having a low control/low service agency to having a high control/high service agency. The level of service or control is a policy decision reflected in each state's personnel laws providing for state personnel administration.

In 1980, the Mississippi Legislature established a centralized personnel system--the State Personnel Board--for the statewide coordination of public personnel administration. The SPB is responsible for maintaining a

merit system, operating a classification and compensation system, tracking employee compensation expenditures, and providing for employee development, among other tasks. The SPB was empowered to function as a high control/high service personnel agency with the authority to make decisions impacting the use of personal services resources by many of Mississippi's state agencies.

In response to criticism of the State Personnel Board leveled by many state agencies under its authority, the SPB recently conducted a series of focus group meetings with state agencies to determine what agencies considered to be the board's strengths and weaknesses. These studies resulted in recommendations from participating agencies for both substantive and structural changes to the State Personnel Board.

Conclusions

Service and Control

In response to feedback from some state agencies during focus group meetings, the State Personnel Board has implemented structural changes (e. g., creation of an Office of Human Capital/Core Processes to consolidate the functions of the former Classification and Compensation and Selection divisions to provide agencies with on-stop assistance) and substantive changes (e. g., creation of a pass/fail application evaluation system to expedite provision of certificates of eligibles to agencies) to make the agency less bureaucratic and more service-oriented.

However, the SPB has not performed certain control functions critical to the oversight of the statewide personnel system, such as controlling for personnel actions not authorized by law and auditing activities delegated to state agencies that should be performed in accordance with SPB policy.

The Strategic Planning Process

Following the appointment of the current Executive Director, the State Personnel Board made a concerted effort to consult with state agency directors and human resources specialists to determine the agency's strengths and weaknesses. The agency followed this analysis with several structural and substantive changes to the SPB, as noted above. While this effort was beneficial to the improvement of service delivery, the State Personnel Board's strategic planning process does not meet applicable best practices standards for strategic planning. The SPB's strategic plan:

- does not thoroughly define environmental factors and their effects;
- does not establish overall agency goals;
- does not thoroughly develop strategies with defined action plans; and,
- does not include effective performance measures suitable to the statutory mission of the agency.

Also, the SPB has not developed a comprehensive strategic plan for the management of the state's human capital resources that recognizes the effects of economies of scale, internal recruitment competition between state agencies, or significant changes in the economic and competitive environment.

Internal Management Issues

Weaknesses in the State Personnel Board's internal management have resulted in decisions regarding reorganization and computer acquisition being made without the necessary information being directed to those that need it to make rational decisions about their work and responsibilities.

Throughout 2009, the State Personnel Board made changes in its organization structure, position class titles, and assignments of staff that were intended to address the service needs of state agencies. While it appears that much that was done was to address state agencies' concerns about service needs, many changes appear to have not been in conformity with SPB's policy and practice regarding agency reorganizations and assignments of duties to staff.

Also, some of SPB's FY 2010 computer acquisitions were made without adequate information and planning that could have determined whether the agency was making the most efficient use of funds.

Recommendations

1. In the future, the State Personnel Board should proactively seek guidance on the scope and purpose of legislative restrictions on pay increases to ensure that it does not take steps that will exacerbate fiscal problems by allowing unanticipated pay increases.
2. The State Personnel Board should establish an ongoing audit program that will annually audit any agency whose personnel functions are managed by agreement or whose management of certificates of

eligibles is maintained outside the State Personnel Board. All such audits should be prepared in written form and presented to the agency for examination and comment.

3. Additionally, the State Personnel Board should establish a random sampling program of new hires and either conduct or require that agencies conduct an education and experience verification program for these hires. The board should then examine the results of the program and decide whether there is need to make such a program a permanent fixture in the management of personnel.
4. The Legislature should amend MISS. CODE ANN. Section 25-9-117 (1972) to require a strategic planning system for the State Personnel Board. Such system should require the creation of a strategic planning council comprised of two members of the board and two agency personnel directors appointed by the Executive Director of the Department of Finance and Administration. This council should annually review and make recommendations on the agency mission and vision statements, agency goals and objectives, and agency performance measures and indicators. The council should ensure that all such revisions be conducted after it has caused to be performed a thorough environmental analysis of external economic, political, and social factors affecting agencies' ability to recruit, compensate, and retain competent workers. Such analysis should assist the council in identifying current threats and opportunities regarding personnel administration, as well as strengths and weaknesses of the current system. The council should present its findings and recommendations to the State Personnel Board in time for inclusion in the board's statutorily required strategic plan. The Legislature should further authorize the board to create and empower such other advisory bodies as may be necessary from time to time to assist the agency in planning activities.
5. In accordance with SPB Policy 6.3.7, the State Personnel Board staff should provide board members with all information that it would expect other agencies to submit to the State Personnel Board prior to initiating any agency reorganizations, reclassifications, reallocations, realignments, or other personnel actions.
6. In accordance with SPB Policy 8.6.1, the State Personnel Board should ensure that whenever it moves new employees to a new job classification, it

provides them with a formal notice of job duties to be performed within fourteen days.

7. In the future, the PEER Committee recommends that the State Personnel Board work closely with the Department of Information Technology Services to determine the most cost-effective solutions to problems associated with efficient data processing. Such solutions could result in reduced expenditure of funds, thus allowing such funds to be directed to other productive functions or activities.

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A Management and Operational Review of the State Personnel Board

Introduction

Authority

The PEER Committee conducted a management and operational review of the State Personnel Board (SPB). The Committee acted in accordance with MISS. CODE ANN. Section 5-3-51 et seq.

Problem Statement

Following the appointment of the current State Personnel Director in March 2009, the State Personnel Board began making a series of changes at the agency. As these changes were implemented, PEER was apprised of concerns raised by several persons regarding the impact that these changes might have on the administration of the statewide personnel system. In response to these concerns, the Committee conducted this review.

Scope and Purpose

PEER sought to determine:

- the historical reasons for having a central state personnel agency;
- the traditional functions of public personnel agencies;
- the responsibilities of service and control that the State Personnel Board must bear; and,
- the State Personnel Board's response to meeting these burdens and responsibilities.

Method

In conducting this review, PEER:

- reviewed applicable state law, State Personnel Board policy and procedures manuals, and policy memoranda;

- reviewed the State Personnel Board's financial information;
- interviewed staff of the State Personnel Board, including line staff, supervisors, and the Executive Director;
- interviewed concerned citizens;
- reviewed the SPB's expenditures for FY 2009 and 2010;
- reviewed the SPB's strategic plans and focus group documents pertinent to organizational and substantive changes made in the agency since March 2009; and,
- reviewed previous PEER reports on the State Personnel Board:
 - *A Management and Operational Review of the State Personnel Board* (Report #190, December 10, 1987); and,
 - *A Performance Evaluation and Expenditure Review of the State Personnel Board* (Report #313, September 14, 1994).

Background

To understand the role and purposes of the State Personnel Board, it is important to understand first the functions of public personnel systems. Also, it is important to understand the delicate balance that the SPB must strike between providing services to state agencies that often need help in managing and developing their staff and carrying out control functions that limit what agencies can do with their personnel resources.

Functions of Public Personnel Management

Public personnel management encompasses the processes for classifying work, compensating and selecting workers, and training workers to perform their jobs more effectively. The ultimate end of these programs is to make public personnel services both efficient and effective.

Generally, public personnel management encompasses the processes for classifying work, compensating and selecting workers, and training workers to perform their jobs more effectively. While there is some variance in duties of state personnel agencies among the fifty states, some of the principal functions performed include the following:

- *Classification Scheme and Plans of Compensation*--This function designs job classes on the basis of job tasks and determines what jobs are worth by setting minimum and maximum ranges of compensation. Failure to establish a uniform classification system could result in disparate pay for similar work, including a variance between what employees are paid within the same agency or from agency to agency for performing the same jobs. In such a scenario, for example, the Division of Medicaid could attract an experienced information technology employee from the Department of Information Technology Services for a similar type of job by simply being able to offer a higher salary, thus requiring the Department of Information Technology Services to go through the expensive recruitment and training process to find a new employee and raise them to the same productivity level of the lost employee. Also, compensation plan failures can result in the loss of talented workers for whom pay is not competitive with that available in relevant competitive job markets. First adopted in the early 1980s, the Variable Compensation Plan was

intended to keep Mississippi state government competitive with relevant competitive job markets.

- *Recruitment and Selection*--This function is responsible for reviewing a job applicant's education, experience, and test scores and determining whether these enable the applicant to meet the minimum qualifications for a particular position. This is one of the oldest forms of personnel management associated with the civil service reforms of the late nineteenth century. Such selection methods are part of selection systems commonly known as merit systems.
- *Training and Human Resource Development*--Central personnel agency training helps agencies with common training needs to have access to training that meets those needs. In addition to job function training, human resource development programs are devised for the purpose of improving the quality of the state's workforce, as well as focusing on an individual's career development path. Career development and training should also play a major role in succession planning efforts, as more experienced and higher ranking state employees leave for other jobs or retire.
- *Grievance Procedures*--States that confer upon their public employees property rights in employment often provide a centralized review agency to hear appeals of actions taken against employees. In Mississippi, there is an Employee Appeals Board housed in the offices of the State Personnel Board that hears appeals of employees who are aggrieved by personnel decisions of their employer agencies.
- *Other Functions*--In some states, central personnel agencies administer functions that do not affect the selection, classification or allocation of personnel, but do affect the benefits of public employees. Some states place the responsibility of administering employee health insurance, workers' compensation, and retirement in the central personnel agency.

Control and service are two other major functions of a personnel agency. States may choose the degree of emphasis placed on each function by the types of responsibilities they assign to their agencies.

Control functions are characterized by the central personnel agency's promulgation of regulations and some form of audit capacity to ensure that line agencies comply with regulations. An example of a control function would be the development and administration of a classification scheme and plans of compensation.

Service functions are those that agencies may choose to avail themselves of as they see fit. Examples of service functions would be management and skills training or consulting on the workflow of work processes.

Control versus Service: Important Policy Choices

Options for states vary from having no central personnel agency to having a low control/low service agency to having a high control/high service agency. The level of service or control is a policy decision reflected in each state's personnel laws providing for state personnel administration.

States may take different approaches in determining how much control or service a central personnel agency exercises. Options for addressing control and service vary from having no central personnel agency to having a low control/low service agency to having a high control/high service agency. Each option comes with its own strengths and weaknesses.

The following sections illustrate the options available to states in determining the directions of their state personnel systems.

No Central Personnel Agency

A state that operates without a central personnel agency leaves personnel decisions up to the Legislature and individual state entities.

The principal strength of not having a central personnel agency is that line managers with knowledge of their agencies' missions and needs have complete authority over job classification and employee selection. Prior to the creation of the Merit Council and the Classification Commission in the 1970s, Mississippi operated without a central personnel agency.

However, Mississippi's experience shows the problems a state may suffer when it chooses not to establish a central personnel agency.

- *inefficient allocation of public funds*--Without a central personnel agency, it is more difficult to allocate public funds effectively. For example, the Legislature may lack needed information to make appropriation decisions concerning personnel. In some instances, state entities may "recreate the wheel" to perform similar tasks (e. g., each state entity wishing to use a merit selection system would have to establish its own system or contract with a state entity that had such a system);
- *no central compensation and classification system*--Without a central personnel agency, no state entity has the authority to assure that persons performing similar

jobs are given the same classification and compensation ranges. As a result, no state entity could provide the Legislature with an independent assessment of agency needs and the impact these needs would have on the budget; and,

- *no central database*--The lack of a central database would make it difficult to compile equal employment opportunity reports for the federal government.

Low Control/Low Service Option

A low control/low service model would leave agencies free to manage personnel as they see fit but without the service advantages.

A state wishing to alleviate some personnel administration problems could create a central personnel agency with a low level of control authority and a mandate to provide a low level of service.

An example of the low control/low service option would be the personnel administration structure in Mississippi when the Merit Council and the Classification Commission were in existence. The Merit Council provided a single applicant evaluation and ranking unit for all state agencies, which were required by federal law to select personnel on the basis of merit. The Classification Commission provided agencies not under the Merit Council with a uniform system of job classification, which addressed the problem of unequal pay for similar work.

While these agencies carried out their limited missions well, they could not address a wide range of personnel problems unrelated to merit selection or classification. As a result of Mississippi's choice of the low control/low service option during that period, there was no independent analysis of the fiscal impact of agencies' budget requests, no means of tracking authorized positions, no single database, and a considerable level of patronage employment.

Low Control/High Service Option

A low control/high service model would leave agencies to manage personnel as they see fit, but would provide optional human resources services such as workforce development activities and long-range planning for agencies that might wish to use such.

A low control/high service central personnel agency would have complete authority to classify state executive positions and require line agencies to use the classification scheme. However, the agency's other functions would be provided to agencies purely as a service.

This option could work well in a state that has a few large "umbrella" agencies that could afford to have their own

large personnel shops. Many states have a form of cabinet government that consolidates into several large agencies the functions that Mississippi spreads out over many large and small agencies. In states with large agencies, it would be quite possible for each agency to have a large, well-trained personnel staff capable of providing virtually all of the services of personnel management that the agency would need. In such states, a central office might only be called upon to oversee grievance procedures or establish rules for the selection of employees, leaving administration and policy execution to each agency.

Mississippi has many small agencies that do not have large personnel departments. In states such as Mississippi, a low service/low control option would not appear to be viable.

High Control/Low Service Option

A high control/low service agency would be a regulator, but would leave matters such as training to the individual agencies.

A high control/low service central personnel agency would ensure that the typical personnel control functions such as classification, compensation, and selection of personnel are performed rationally. However, the central personnel agency would subordinate service goals such as training and developing the skills and abilities of the state's workforce.

While this appears to be an option for personnel administration, PEER knows of no example of such a system of administration.

High Control/High Service Option

Mississippi is an example of a state vesting its state personnel agency with the authority to enforce a broad range of controls and provide a broad range of services.

A high control/high service central personnel agency has broad authority to oversee and improve personnel management through the development of classification plans, compensation plans, employee selection criteria, employee selection certification methods, and budget recommendations while also providing a variety of personnel services such as training and counseling programs. In addition, a high control/high service central personnel agency has the authority to pre-audit personnel actions.

Each state's public policy regarding the degree of control or service of its personnel agency varies. State law becomes the ultimate determinant as to where a state fits into one of the categories of service and control set out above.

History of the Mississippi State Personnel Board

In 1980, the Mississippi Legislature established a centralized personnel system--the State Personnel Board--for the statewide coordination of public personnel administration. The SPB is responsible for maintaining a merit system, operating a classification and compensation system, tracking employee compensation expenditures, and providing for employee development, among other tasks. The SPB was empowered to function as a high control/high service personnel agency with the authority to make decisions impacting the use of personal services resources by many of Mississippi's state agencies.

Personnel Administration in Mississippi State Government Prior to the SPB

In the 1970s, Mississippi established two low control/low service personnel agencies, the Classification Commission and the Merit Council, with limited responsibility over the personnel practices of state agencies.

During the 1970s, the Mississippi Classification Commission and the Merit Council had some limited control over state agency personnel practices. The Merit Council managed merit-based selection criteria and evaluation for certain federally funded jobs such as those at the Mississippi Employment Security Commission, the Department of Public Welfare, and the Department of Health. The Classification Commission established uniform job classes for a variety of positions in state government.

These agencies had no control over compensation of employees; consequently, managers could pay employees what they could obtain through appropriations without regard for what other agencies paid for the same or similar work. Further, agencies had no limit on the number of positions they could fill aside from their line-item appropriation for personal services funds. If an agency wished to expend its funds on fifty or seventy positions, it was up to the agency to make that decision.

During the late 1970s, Mississippi experienced some unfortunate examples of the patronage system that sometimes affected state agencies. Additionally, concerns arose over the growth in personnel budgets that necessitated the development of an agency with the capacity to place controls on the growth of government. This control function would develop into the position management function of the State Personnel Board. Finally, the state became a party to lawsuits, notably *Walls v. Department of Public Welfare*, 730 F. 2d 306 (5 Cir, 1984), that showed that Mississippi's method of selecting employees, even those covered by the Merit Council, did not provide protection against lawsuits alleging the discriminatory impact of selection criteria.

In 1980, the Mississippi Legislature created a high control/high service personnel agency for state government.

By 1980, the Legislature saw that more oversight was needed for the personnel system and thereby created the State Personnel Board (see MISS. CODE ANN. Section 25-9-101 et seq. [1972]). CODE Section 25-9-101 gave a clear statement of legislative purpose in creating the SPB by providing:

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

Succeeding sections in Chapter 9, Title 25, made clear that the board was to have broad authority to administer the classification, selection, and compensation for positions in state service. Additionally the new agency had position management responsibility. Under the Statewide Personnel Law, all agencies defined in CODE Section 25-9-107 receiving appropriations whose positions were placed under the authority of the State Personnel Board could only fill employment positions authorized by the Legislature. Any authorized position had to be classified as prescribed by the State Personnel Board and compensated in accordance with policies and procedures established by the State Personnel Board. Under this system, the State Personnel Board had considerable control over how positions under its authority were compensated and could also, through its authority to approve positions changes (called reallocations and reclassifications), exercise considerable control over the ways agencies could spend their personal services appropriations.

Additionally, succeeding CODE sections provided that the board would be responsible for providing a broad range of services to the agencies whose positions were under its authority. CODE Section 25-9-119, a section setting out the powers of the State Personnel Director, provides in part that the State Personnel Director shall have the authority:

(j) To cooperate with appointing authorities in the administration of this chapter in order to promote public service and establish conditions of service which will attract and retain employees of character and capacity and to increase efficiency and economy in governmental departments by the improvement of methods of personnel administration with full recognition of the requirements and needs of management.

This paragraph grants sufficient authority for the State Personnel Director to develop training programs to improve the quality of the state's workforce.

By enacting a comprehensive statute, the Mississippi Legislature, through Chapter 303, *Laws of 1980*, empowered the State Personnel Board to be a high control, high service agency with broad authority necessary to carry out the purposes of the law.

Relative to the control mission of the agency was the enactment of provisions of law giving state service personnel property rights in their employment. MISS. CODE ANN. Section 25-9-127 (1) (1972) provides:

(1) No employee of any department, agency or institution who is included under this chapter or hereafter included under its authority, and who is subject to the rules and regulations prescribed by the state personnel system may be dismissed or otherwise adversely affected as to compensation or employment status except for inefficiency or other good cause, and after written notice and hearing within the department, agency or institution as shall be specified in the rules and regulations of the State Personnel Board complying with due process of law; and any employee who has by written notice of dismissal or action adversely affecting his compensation or employment status shall, on hearing and on any appeal of any decision made in such action, be required to furnish evidence that the reasons stated in the notice of dismissal or action adversely affecting his compensation or employment status are not true or are not sufficient grounds for the action taken; provided, however, that this provision shall not apply (a) to persons separated from any department, agency or institution due to curtailment of funds or reduction in staff when such separation is in accordance with rules and regulations of the state personnel system; (b) during the

probationary period of state service of twelve (12) months; and (c) to an executive officer of any state agency who serves at the will and pleasure of the Governor, board, commission or other appointing authority.

This provision effectively eliminated the patronage system in state government and ensured that most employees could retain their positions unless their employer had cause to dismiss them. The Employees Appeals Board, housed at the State Personnel Board, has the authority to hear any appeals of employee grievances that result from agency actions that adversely affect the employment rights of state service personnel.

Striking the balance between service and control has been an ongoing challenge for the State Personnel Board.

The role of service provider and plenary regulator of personnel practices is a difficult role for the State Personnel Board. As evidenced in the PEER Committee's reports of 1987 and 1994, PEER has often observed that the agency has chosen to strike the balance between control and service at different points, with state agencies sometimes becoming angry or frustrated at SPB's role. It would appear that finding the appropriate balance point for the SPB will always be an issue for debate.

The Present Structure and Functions of the State Personnel Board

At present, the State Personnel Board is organized into three offices, in addition to the Personal Services Contract Review Board and the Employee Appeals Board. Each of these components carries out control and/or service functions of the agency.

The State Personnel Board has utilized several different structures since its creation in 1980. The following describes the current structure and allocation of responsibilities.

The State Personnel Board consists of the following offices:

- *Office of Human Capital/Core Processes:* The Office of Human Capital/Core Processes is the primary contact point (in terms of both control and service) for state entities under the State Personnel Board's purview as well as potential job applicants looking to apply for state government jobs. The Office of Human Capital/Core Processes is responsible for recruitment, selection, classification, and compensation, as well as workforce processing. This activity includes evaluating job applications and establishing *certificates of*

eligibles, or lists of applicants who meet the minimum qualifications for a position.

- *Office of Workforce Development:* The Office of Workforce Development is responsible for assisting agencies developing their workforce through the use of training and a professional development system. The Office of Workforce Development is also tasked with establishing a performance assessment system to evaluate state employee performance and recommend ways to foster employee growth. The Office of Workforce Development is comprised of the Talent Management Division and the Career Development Division (formerly known as the Training Division).
- *Office of Administrative Services:* The Office of Administrative Services provides administrative and technical support for the State Personnel Board staff.
- *Personal Service Contract Review Board:* The Personal Service Contract Review Board is responsible for the promulgation of rules and regulations governing the solicitation and selection of contractual services personnel as required by MISS. CODE ANN Section 25-9-120 (1972).
- *Employee Appeals Board:* The Employee Appeals Board is tasked with conducting hearings and rendering decisions on matters affecting the employment status of state employees. When an employee is aggrieved by an action of the employing agency that adversely affects the employee, an appeal of the action may be taken to the Employee Appeals Board.

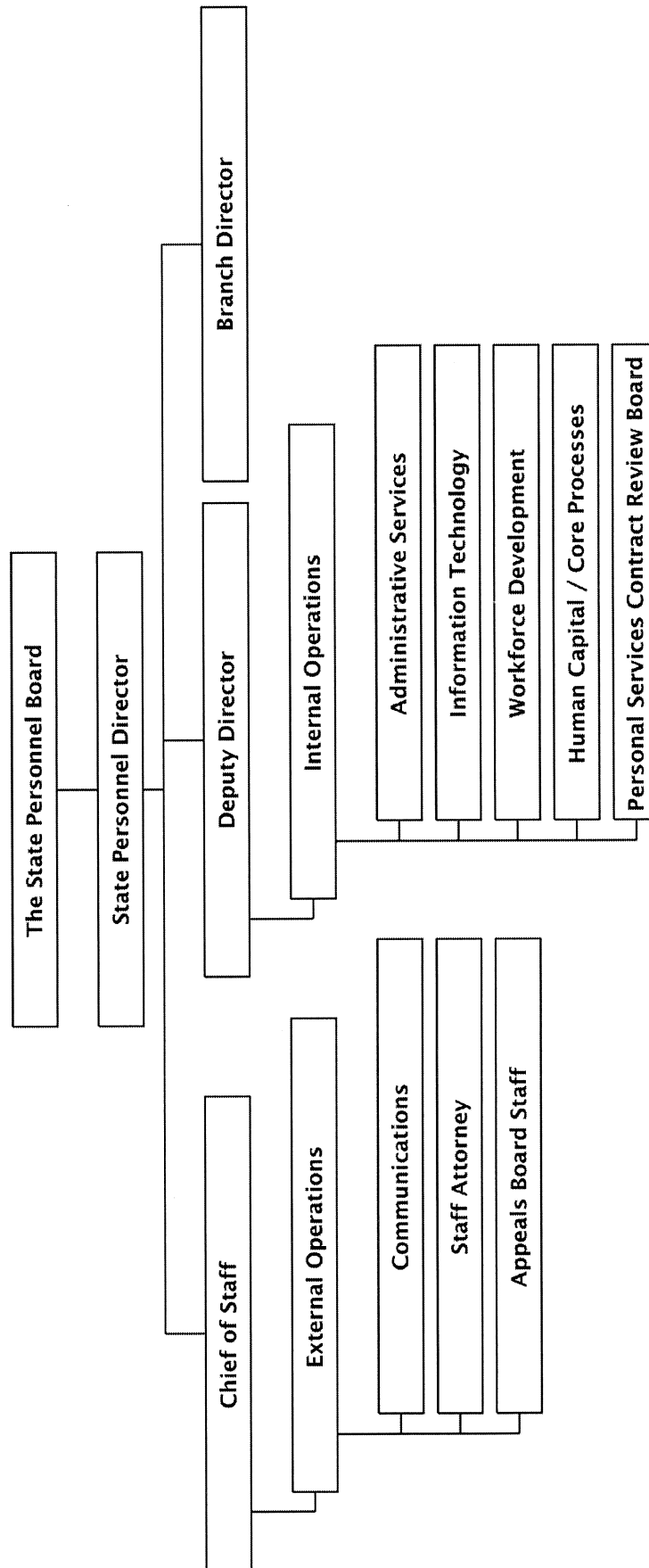
See Exhibit 1, page 13, for the State Personnel Board's organization chart.

The SPB's Recent Self-Study

In response to criticism of the State Personnel Board leveled by many state agencies under its authority, the SPB conducted a series of focus group meetings with state agencies to determine what agencies considered to be the board's strengths and weaknesses. These studies resulted in recommendations from participating agencies for both substantive and structural changes to the State Personnel Board.

Following her assumption of the position of State Personnel Director on March 1, 2009, the current State Personnel Director commenced several studies of the operations of the State Personnel Board. Perhaps most significant was a focus group study conducted by

**Exhibit 1: State Personnel Board
Organization Chart As Of July 20, 2010**



SOURCE: State Personnel Board.

Courtside Consulting LLC with several state agencies. The study found several areas of weakness and offered recommendations for change. According to documents of the State Personnel Board, the group consisted of personnel professionals from forty state agencies.

Findings of the Focus Group

PEER summarized the findings of the focus group as follows.

Agencies wanted the State Personnel Board to be less control-oriented.

Agencies were concerned that the State Personnel Board had become control-oriented. In many cases, they noted that the agency was more interested in controlling than in assisting agencies in finding legitimate ways of accomplishing their missions. Some suggested that the agency was in some cases punitive in dealing with some agencies.

As noted on page 11, the State Personnel Board must balance the need for service and the need for control in personnel administration. In this light, a collaborative spirit is commendable and necessary for state personnel administration. In view of the comments offered by state agencies, it appears that some adjustment was necessary.

Agencies wanted more training.

While generally complimentary of programs such as the Certified Public Management Program, agencies wanted the Training Division to provide more training. The agencies suggested that training on subjects such as legal compliance issues would be beneficial. Agencies also suggested that the SPB make more aggressive use of technology to make training available. This would include webinars.

Agencies alleged a “silo” organization and bureaucracy.

The need for a more efficient organization wherein agencies could conduct one-stop shopping was often stressed in the focus groups. The agencies believed that changes were needed in the Classification/Compensation Division and the Selection Division to make it possible for

¹ The *silo* approach to organizational structure and planning keeps units separate within their own budgets and hierarchies while focusing on each unit’s own service or delivery specialty, instead of focusing on the organization as a whole.

agencies to seek solutions to problems that crossed traditional organizational lines.

Agencies wanted SPB to be a leader in workforce planning and forecasting and an advocate for such with the Legislature.

Agencies saw strategic problems associated with workforce development, often associated with succession training and preparation, that needed to be addressed. Also agencies saw that there needs to be an advocate for workforce planning that can support broad strategic needs in the legislative process.

Recommendations of the Focus Group

The focus groups made several recommendations. These include the following:

- SPB should review its organization structure to eliminate “silos” and decrease bureaucracy and delays.
- SPB should assess its current organization structure to align services with customer needs and issues.
- SPB should engage in a process review of core functions designed to improve performance and customer satisfaction in the areas of recruitment, selection, classification, compensation, and budgeting.
- SPB should assume the role of chief workforce planning agent for the state of Mississippi, providing knowledge and support in areas such as succession planning, knowledge transfer, accelerated leadership development, employee retention, and critical human resources legal and compliance areas.

SPB should continue to improve its training and development role, including the provision of training opportunities to other levels of state employees, management training opportunities beyond Basic Skills Courses and the Certified Public Manager Program, and migration to an online format for appropriate courses.

- SPB should engage in an aggressive campaign to change its culture from one of regulation to one of proactive service.

These findings and recommendations make clear that several state agencies believed that the State Personnel Board’s functions had become excessively control-oriented and that action was needed to make the agency a more responsive service-oriented organization.

Following the focus group, the State Personnel Board responded with a series of structural and substantive changes. The changes PEER considers to be most significant are discussed in the following chapter.

Conclusions: Service and Control

In response to feedback from some state agencies during focus group meetings, the State Personnel Board has recently taken positive steps to become more service-oriented. However, some of the SPB's control functions required by law and good management practice have not been adequately maintained.

Improvements in Service Orientation

In response to state agencies' input in focus groups, the State Personnel Board has implemented structural and substantive changes to make the agency less bureaucratic and more service-oriented.

Structural Changes

The current Executive Director of the State Personnel Board, who assumed her position on March 1, 2009, made a presentation to the board on June 4, 2009, unveiling a reorganization of the agency. This reorganization reflected what the Executive Director believed would be changes necessary to make the agency more effective in providing services to state government.

Structural changes of the reorganization included:

- creation of the Office of Human Capital/Core Processes; and,
- creation of the Office of Workforce Development.

Substantive changes of the reorganization included:

- creation of a new job class for the restructured State Personnel Board professional staff;
- creation of a pass/fail application evaluation system;
- establishment of a two-point evaluation scale;
- increased agency input on Variable Compensation Plan salary surveys; and,
- a searchable website.

Creation of the Office of Human Capital/Core Processes

A major change in the agency brought about by the reorganization was the creation of the Office of Human Capital/Core Processes. This office consolidated the functions previously performed by several divisions within the agency.

This new office was created by merging two existing divisions--(1) Classification and Compensation and (2) Selection--that had been in existence in the State Personnel Board organization for many years. The consolidation allows agencies to pursue “one-stop shopping” when they seek assistance or approval of the State Personnel Board on a broad array of matters ranging from selection of new employees to position reallocations. This office also is responsible for assisting agencies in identifying workflow problems and identifying opportunities for the use of new technologies or outsourcing and opportunities for efficiency improvements.

In concert with these changes was the move toward a uniform classification system for the professional employees who had been in these two divisions (see “Substantive Changes” section, below). Prior to the reorganization, the agency’s Classification and Compensation Division had classification/compensation analysts and the Selection Division’s professional staff consisted of evaluation/counselors. The new structure utilizes a single job class of consultants who can work with agencies on the full line of needs.

By combining the two divisions, the SPB has taken a significant step toward eliminating two “silos” and has created an environment in which agencies can seek one-stop assistance from the SPB.

Creation of the Office of Workforce Development

Under the new structure, the Office of Workforce Development carries out the functions of assisting agencies in the assessment of employees and providing them with training. Through these functions, the office can help develop employees and provide agencies with a means of assessing an employee’s performance, readiness for more responsibility, or, if necessary, demotion or dismissal for poor performance.

This office appears to have been created for the purpose of providing agencies with an advocate for workforce development and to increase the training opportunities available to agencies and their employees.

Substantive Changes

Creation of a New Job Class for SPB Professional Staff

Following the creation of the new SPB offices described above, the State Personnel Board created a new job class--SPB Consultant--to include incumbents who had previously been classified as either a Classification/Compensation Analyst, Evaluator/Counselor, or Training Coordinator. The new class was intended to embrace the broad range of

professional services that SPB wants to provide to state agencies in a less bureaucratic, more seamless manner.

Creation of a Pass/Fail Application Evaluation System

SPB now sends to the requesting agency a list of all applicants who receive a passing score in the application evaluation process. This is essentially a pass/fail approach, replacing the past practice of sending certificates of eligibles containing the names of the top ten applicants.

This is intended to reduce the amount of time that will elapse during application evaluation and should make certificates of eligibles available to agencies more quickly. Agencies receiving certificates will now be entirely responsible for determining which candidates are the most suitable for the positions that are to be filled.

Establishment of a Two-Point Evaluation Scale

Effective October 1, 2010, the SPB changed the three-point evaluation scale for conducting performance appraisals to a two-point system, measuring successful/unsuccessful. Because there is no experience with the two-point system, PEER reserves judgment as to whether it will ultimately be beneficial to state agencies' personnel administration.

Increased Agency Input on Variable Compensation Plan Salary Surveys

The salary survey process enables the State Personnel Board to determine the salary amounts that persons performing functions similar to those of state service positions are earning in the relevant labor market. Over the years, PEER has criticized the SPB on several occasions regarding its methodology for conducting salary surveys. State agencies have also been skeptical of the processes used to find proper matches in the market.

In view of the current economic climate, now is perhaps the optimal time for testing changes in methods in view of the unlikely possibility of salary increases based on realignment in the near future. PEER suggests that the State Personnel Board review carefully the validity of methods and procedures that agencies use in preparing their arguments regarding the relevant labor market for positions and the appropriate amounts of realignment to be given. While some agencies may be methodical in preparing suggestions and some may be less so, ultimately what is recommended for realignment may affect positions across agency lines, necessitating careful board oversight.

Implementation of a Searchable Website

The new SPB website has keyword search capacity to allow an individual or agency to search for pertinent information.

Striking a Balance with a Shift to a Service Orientation

The SPB also intends to continue its discussions with agencies regarding its own performance and to have specialized panels on training. The agency has also revived the Mississippi Personnel Advisory Council, empowered by MISS. CODE ANN. Section 25-9-117 (1972), that had been dormant.

In general, these responses evidence the willingness of the State Personnel Board to be more responsive to the needs of agencies and to move in the direction of becoming a strategic partner in the development of the human resources of state government.

As noted earlier, the State Personnel Board must strike a balance between providing a broad range of services to state agencies in need of guidance and oversight and protection of the state's personnel system, which necessitates exercising control. Too much control could impair agencies in their ability to perform their functions and too little could undermine the very purpose for having a personnel system--e. g., uniformity, consistency, and fairness.

In making the changes set out above and in ensuring that agencies will have input in the future through the use of advisory councils and additional focus groups, the State Personnel Board has moved toward being a more effective service provider to agencies.

The overall effectiveness of its planning and administration of control functions will be discussed in the following sections of the report.

Lapses in Implementation of SPB's Control Functions

While the State Personnel Board has made several meaningful changes to make the agency more service-oriented, it has not performed certain control functions critical to the oversight of the statewide personnel system, such as controlling for personnel actions not authorized by law and auditing activities delegated to state agencies that should be performed in accordance with SPB policy.

While the major changes that have occurred recently in the structure and programs of the agency should provide agencies with improved service, PEER has discovered some control functions that are not being performed that have

allowed agencies to implement pay increases, reallocations, and reorganizations without proper oversight. If allowed to continue, this practice could erode the uniformity of policy necessary to the administration of a personnel system.

SPB's Failure to Comply with Appropriations Language Prohibiting Compensation Increases

The State Personnel Board did not comply with language in agencies' appropriations bills that prohibited personnel actions that, if implemented, would have resulted in compensation increases. By permitting such personnel actions, the State Personnel Board did not fully implement its control function and state agencies paid approximately \$7.6 million in salaries and fringe benefits that the Legislature had not contemplated expending for FY 2010.

As one of its measures to reduce expenditures during the recent economic downturn, the Legislature included language in the appropriations bills of state agencies that would prohibit certain personnel actions. These actions were such that, if implemented, would have resulted in compensation increases to the affected state employees. The Legislature has included this type of language in appropriations bills several times within the last six fiscal years (i. e., in FY 2006, FY 2010, and FY 2011).²

The Legislature's appropriations bills have the force of law and the State Personnel Board and all other agencies are bound to abide by them; therefore, the State Personnel Board has a responsibility to comply with provisions of appropriations bills when approving personnel actions for state entities under its purview.

Appropriations Language Prohibiting Personnel Actions that Would Normally Result in Compensation Increases

For FY 2010 and FY 2011, the Legislature included language in appropriations bills of agencies under the purview of the State Personnel Board that would prohibit in each of those fiscal years specific personnel actions that would normally result in compensation increases. The actions specifically prohibited included promoting or otherwise awarding salary increases through reallocation, reclassification, realignment, educational benchmark, career ladder, equity salary adjustment, or other means to increase salaries of employees or positions. The appropriations language also included exemptions.

The following is the language the Legislature included in agencies' appropriations bills concerning personnel actions for FY 2010:

² Because FY 2011 had just begun at the time this review commenced, PEER limited the review, in terms of compliance with appropriations language, to FY 2006 and FY 2010.

Unless otherwise authorized in this act, no state agency shall take any action to promote or otherwise award salary increases through reallocation, reclassification, realignment, educational benchmark, career ladder, equity salary adjustment, or any other means to increase salaries of employees or positions unless specifically exempted by the following conditions: award of teacher salary increments; the advancement of a trainee/cadet to the next level of a bona fide career ladder; the award of an educational benchmark for the attainment of a Certified Public Accountant License or higher level professional certification based on information provided to the State Personnel Board by the Legislative Budget Office [LBO added as the determining agency]; the immediate replacement of a departing employee with an employee from within state service at a salary level of the departing employee or the FY 2010 promotional formula, whichever is less; the emergency appointment of nurses, pharmacists or other health care and child protection professionals at a salary to be determined by the State Personnel Board; or a new hire associated with the American Recovery and Reinvestment Act of 2009. All positions supported by funds available through the American Recovery and Reinvestment Act of 2009 shall be designated as time limited positions.

The Legislature included this language in FY 2010 appropriations bills of all agencies under the purview of the State Personnel Board and included identical language in the FY 2011 appropriations bills.

The language exempted the following from the personnel actions that were to be prohibited:

- awarding of teacher salary increments;
- advancement of a trainee/cadet within a career ladder;
- awarding of an educational benchmark for the attainment of a certified public accountant license or other certification (as determined by the Legislative Budget Office);
- immediate replacement of a departing employee with an employee from within state service, under certain circumstances;
- emergency appointment of health care or child protection professionals; or,

- a new hire associated with the American Recovery and Reinvestment Act of 2009.

This was not the first time the Legislature has included language prohibiting personnel actions that would normally have resulted in compensation increases. Similar language was present in FY 2006 appropriations bills.

The State Personnel Board's Approval of Personnel Actions that Had Been Prohibited by Appropriations Language

The State Personnel Board approved agencies' requests for FY 2010 personnel actions that had been prohibited by FY 2010 appropriations bills.

The following PEER analysis was based on the letter of the appropriations language set out on the previous page. This is the only valid audit standard for utilization in this process. It has been suggested to PEER that the ultimate goal of the framers of the language was to ensure that the agencies under SPB authority implemented no personnel actions that resulted in net increases to their spending. Under such cases, an inter-agency promotion that resulted in a person's being paid less than the person who left the position would be within the spirit of the law. However, in the absence of clear guidance to the contrary, PEER must evaluate according to the letter of the law.

The State Personnel Board did not comply with language in the FY 2010 appropriations bills because it approved some agencies' requests for personnel actions that had been prohibited by the Legislature. The types of personnel actions that the SPB allowed³ included:

- *changes in the number of hours worked by employees*--While the appropriations language provided exemptions to the prohibition in selected situations as noted above, the language did not provide an exemption for increases in the number of hours an employee could work or the reclassification of a position from part-time to full-time, both of which would increase an employee's salary.
- *additional compensation for employees in situations not specifically exempted by the appropriations language*
- *inter-agency promotional transfers*--While the appropriations language would allow inter-agency promotions in specific situations, all others were prohibited.

³ See Exhibit 2, page 23, for definitions of specific terms related to these types of personnel actions.

Exhibit 2: Terms Related to Personnel Actions Allowed by the State Personnel Board in FY 2010 that Were Not in Compliance with Appropriations Language

Additional compensation is compensation provided to certain job classes in addition to the starting salary, based on labor market conditions and the economic value of comparable services. An example would be shift pay or location pay for nurses.

A *special compensation plan* allows agencies to compensate employees within selected job classes based on a demonstrated inability to compete for employees. An example would be teachers' pay increases or engineers-in-training at the Department of Transportation or the Department of Environmental Quality.

An *inter-agency promotional transfer* occurs when a state-service employee transfers to another agency to a job classification that is at a higher starting salary than the current job classification of the state-service employee. Example: Personnel Officer IV at Department of Environmental Quality to Bureau Director I at the State Fire Academy.

An *intra-agency promotion* occurs when an agency employee transfers to another position within the same agency that has a higher starting salary than the current job classification of the agency employee. Example: Division Director I at Tax Commission to Bureau Director I at Tax Commission.

An *agency head salary increase* is an increase in the actual salary of an agency's executive director.

SOURCE: SPB staff.

- *intra-agency promotions*--While the appropriations language would allow intra-agency promotions in specific situations, all others were prohibited.
- *agency head salary increases*--While the appropriations language would allow compensation increases for other job classes in specific situations (i. e., awarding of teacher salary increments or educational benchmarks), the language did not provide an exemption for an increase in salaries of agency heads.

PEER notes these same types of non-compliance with appropriations language also occurred in FY 2006 under a previous SPB Executive Director, when similar language was included in appropriations bills.

The State Personnel Board's Communications to Agencies Contradicted the Appropriations Language

The State Personnel Board's policy memoranda, which serve as its primary communication with state agencies under its purview, contradicted the language in appropriations bills prohibiting personnel actions that would normally result in compensation increases.

The State Personnel Board develops policy memoranda that it distributes to agencies under its purview to communicate with agencies' human resources personnel regarding how personnel actions will be processed for that fiscal year. Each of these memoranda is called a Variable Compensation Plan (VCP) Policy Memorandum.

PEER reviewed the VCP Policy Memorandum for FY 2010, which was dated July 1, 2009, and effective at the close of business on June 30, 2009, and found that the way that the SPB communicated the appropriations language (as well as past agency customs) to state agencies contradicted the actual appropriations language.

Examples include the following:

- *additional compensation*--Section A of the VCP Policy Memorandum for FY 2010 noted that additional compensation for FY 2010 was suspended with the exception of those positions currently authorized for additional compensation.

PEER contends that awarding such additional compensation did not comply with appropriations language if it was not for a new hire and it increased salaries.

PEER notes that Section A of the VCP Policy Memorandum for FY 2006 also excepted positions that had already been authorized for additional compensation from the prohibitive language in FY 2006 appropriations bills.

- *promotional transfers*--The VCP Policy Memorandum for FY 2010 states that the authorized salary for a current state employee transferring to a higher level position was the current salary or the new starting salary, whichever was greater, except as otherwise provided for in the "replacement of a departing employee" section.

PEER asserts that the Legislature made provisions for current state employees to move up to a higher job classification and increase their salary and that is through replacing an employee leaving the agency. As a result, promotions would not be in compliance with the appropriations language because they would increase salaries.

- *agency head compensation increases*--According to Section A of the VCP Policy Memorandum for FY 2010, appropriations language would suspend increases for executive directors beyond mid-point for Fiscal Year 2010.

However, because the appropriations language prohibited all increases in salaries of employees or positions (other than those specifically excepted), PEER believes that the State Personnel Board's policy memorandum, and resulting personnel actions that brought about compensation increases for agency heads, did not comply with the appropriations language.

Thus, despite the fact that agencies' appropriations bills prohibited personnel actions that would normally result in compensation increases, the SPB allowed agencies to implement these actions in contravention of law.

Failure to Control Agencies' Personnel Actions Resulted in Expenditures Not Contemplated by the Legislature

By allowing personnel actions that were prohibited by FY 2010 appropriations language, the State Personnel Board failed to implement this aspect of its control function in an effective manner. As a result, in FY 2010, agencies spent approximately \$7.6 million for compensation increases that were not contemplated by the Legislature.

As noted on page 22, the State Personnel Board approved the following types of compensation increases that did not comply with a strict interpretation of the FY 2010 appropriations language:

- additional compensation for employees under the State Personnel Board's purview;
- special compensation plan increases for positions other than teachers;
- inter-agency promotional transfers;
- intra-agency promotions; and,
- agency head increases.

In doing so, the SPB incorrectly authorized approximately \$7.6 million in compensation increases in FY 2010 that were not contemplated by the Legislature. (See Exhibit 3, page 26.)

As noted previously, the SPB had incorrectly authorized similar personnel actions in FY 2006 under a previous Executive Director, when similar language was included in appropriations bills. As shown in Exhibit 3, in that year, the SPB's actions resulted in approximately \$10.8 million in compensation increases that were not contemplated by the Legislature.

Exhibit 3: Compensation Increases Authorized by the State Personnel Board That Were Not in Compliance with Appropriations Language

Under strict interpretation of the language in the FY 2010 appropriations bills, the State Personnel Board incorrectly authorized compensation increases that did not comply with language in appropriations bills prohibiting such increases. Also, the SPB had incorrectly authorized similar personnel actions in FY 2006 under a previous Executive Director, when similar language was included in appropriations bills. As a result, agencies spent approximately \$7.6 million and \$10.9 million in FY 2010 and FY 2006, respectively, that the Legislature had not contemplated.

Type of Personnel Action	Directly Related FY 2010* Expenditures	Directly Related FY 2006 Expenditures
Additional compensation	\$257,212.57	\$1,297,080.92
Special compensation plan increases	334,956.51	288,477.43
Inter-agency promotional transfers	664,452.08	4,912,925.34
Intra-agency promotions	6,359,209.85	4,288,460.21
Agency head salary increases	55,785.54	15,831.56
Total	\$7,671,616.55	\$10,802,775.46

*FY 2010 amounts do not include amounts for agencies not under the purview of SPB, such as the Supreme Court, Judicial Performance Commission, and the Military Department. However, FY 2006 does include those amounts.

SOURCE: PEER analysis of FY 2006 and FY 2010 personnel records and appropriations bills.

Thus the State Personnel Board, under two different administrations, has approved compensation increases (that had been prohibited by appropriations language)

representing approximately 65% of all compensation increases (in terms of actual dollar value) during FY 2006 and FY 2010.

While the State Personnel Board did not fully enforce all aspects of the restrictive language, salary costs for agencies under SPB's purview were still reduced by \$42.8 million from FY 2009 to FY 2010.

SPB Has Not Established Oversight Procedures to Ensure the Integrity of the Merit System

The State Personnel Board does not regularly audit selection functions delegated to state agencies and cannot provide evidence that it has performed audits mandated by agency agreements. Thus SPB cannot determine whether selection decisions made in these agencies have been made in accordance with SPB policy and principles of merit.

The State Personnel Board has not established procedures to ensure that agencies that have been given certain independent authority over hiring and reallocations procedures are carrying out their responsibilities in accordance with SPB policy.

No Auditing of Agencies' Processes for Maintaining Their Own Certificates of Eligibles

As noted earlier in this report, a *certificate of eligibles* is the list of persons that the agency may interview for a position because the State Personnel Board, or an agency with authority to make an evaluation of qualifications, has determined that the persons on the list meet the minimum qualifications for selection. Additionally, the State Personnel Board has the authority to delegate to agencies the authority to carry out reallocations and reorganizations without prior State Personnel Board approval.

Many state agencies carry out highly technical functions and have successfully argued that they should be in control of the process by which candidates for merit selections for employment are made. In view of the fact that many agencies of state government have large, competent staff, such arrangements may be beneficial to the efficient functioning of government. However, because the State Personnel Board must function as the guardian of the merit principles set out on page 9 of this report, some oversight of the process is necessary.

The following agencies have or have had complete or partial authority to maintain certificates of eligibles for all of their personnel:

- the Office of the Attorney General;
- Mississippi Public Broadcasting;

- the Department of Public Safety;
- the Bureau of Narcotics;
- the Secretary of State; and,
- the Mississippi Development Authority (prior to 2008).

Additionally, the Department of Revenue, the Mississippi Development Authority, the Department of Employment Security, and the Forestry Commission have the authority to maintain certificates for some of their positions.

According to staff of the agencies to whom complete authority for certificates of eligibles has been delegated, the State Personnel Board does not routinely audit agencies for compliance with policies. Although in a few cases, agency staff remembered being audited a few years ago, or perhaps in the last ten years, these agencies are not regularly checked by SPB.

No Verification of Experience and Training

State Personnel Board Policy and Procedure Section 4.2.7(D) makes each individual agency under its purview ultimately responsible for verification of an employee's experience and training upon selection to a position in state service. The SPB is not responsible for reviewing the documentation or otherwise ensuring that such verification occurs.

As noted above, the State Personnel Board is the agency responsible for ensuring that the statewide personnel system is administered in accordance with the principles of merit. While PEER notes that agencies given great latitude in administering their systems will generally want the most qualified and experienced staff available to perform work in state government, the ultimate protector of the system is the State Personnel Board. When failures occur at the agency level either because of negligence or a willful failure to manage the system in accordance with policy, the system as a whole suffers.

The potential for failure to administer selection activities properly is not a mere academic possibility. In its report *An Investigative Review of the Mississippi Department of Transportation's Equipment Shop* (Report #365; November 13, 1997), the PEER Committee pointed out an instance wherein an employee's education and experience record was inflated so as to make him qualified for a position. A check on qualifications would have caught this misrepresentation.

The areas cited above regarding the management of certificates of eligibles and the verification of experience and dedication represent failures in oversight of the recruitment and selection process which, if not addressed, could result in arbitrariness in the selection and

consideration of candidates for state employment. When merit selection is compromised, the state fails to meet the statutory duties set out in MISS. CODE ANN. Section 25-9-103 (1972) and could conceivably establish the potential for litigation.

In the case of contracted reorganization and reallocation authority, the lack of documentation of audits by the State Personnel Board means that it cannot establish that a core personnel function that could have considerable impact on the budgets of state agencies has been properly managed.

SPB Cannot Document Audits of Agencies that Have Been Delegated Independent Reorganization and Reallocation Authority

SPB Policies and Procedures 5.17.1 through 5.17.9 authorize the State Personnel Board to enter into agreements with agencies allowing them to implement reallocations and reorganizations without prior State Personnel Board approval. This authority has been extended to two agencies--the Department of Corrections and the Department of Transportation.

According to the agreements between the agencies and the SPB, the agency will be audited for compliance with board policy annually. While SPB personnel have told PEER that these audits occur, no documentation of the audits was available when requested.

Written reports are the only clear documentation that an agency has been audited and that corrective action if any, was recommended. Without such records, neither PEER nor any other auditor can be assured that the proper oversight of this component of the state's personnel laws has been carried out.

Conclusions: The Strategic Planning Process

While the State Personnel Board executive staff made a documented effort to review the needs of state agencies as well as its own organizational structure, the SPB's strategic planning process does not meet applicable best practices standards for strategic planning. The SPB's strategic plan:

- does not thoroughly define environmental factors and their effects;
- does not establish overall agency goals;
- does not thoroughly develop strategies with defined action plans; and,
- does not include effective performance measures suitable to the statutory mission of the agency.

Also, the SPB has not developed a comprehensive strategic plan for the management of the state's human capital resources.

SPB's Response to Focus Groups vs. Strategic Planning

During the 2009 focus group process (see page 12), several agencies cited the need for the State Personnel Board to become a strategic partner in planning for the personnel needs of the future. In particular, they noted that the SPB should be making recommendations regarding the long-term workforce needs of state government. These agencies also cited PEER's report *Enterprise Mississippi: A Vision for State Government* (Report #518; December 9, 2008) as making compelling arguments for improvements in the state's strategic planning and workforce development strategies.

Regarding strategic planning, the report made clear that a planning system can help identify horizon issues that will affect human resources needs of the state as a whole, as well as a state's ability to meet those needs.

The report further noted that at present, there is a lack of a formal workforce plan that specifies future workforce needs and plans to address those needs. The report also noted that the state and its agencies lack succession planning and that the aging managerial workforce, coupled with competition for new employees to replace these aging employees, will create new challenges for the state's personnel managers.

This report acknowledges that the State Personnel Board has taken several steps to respond to the concerns of state agencies to foster a more service-oriented personnel system. However, these changes, while presently beneficial to agencies and the process that brought them into being, are not products of a comprehensive strategic planning system, but are the outcomes of a process that

was implemented to ascertain weaknesses in the personnel system and to prepare immediate solutions to serious problems.

The following portion of this report reviews the State Personnel Board's strategic planning process to determine what its components are and whether it is capable of addressing the long-term concerns agencies have expressed about personnel management as well as its ability to determine what the future concerns will be regarding the management of our personnel resources to ensure that it will not be necessary for future administrations to take sweeping action in reshaping the State Personnel Board's programs and activities again.

This chapter contains a discussion of the strategic planning efforts of the State Personnel Board to determine whether the agency's present practices can address the critical needs that state government has for strategic workforce planning.

The State Personnel Board's Current Planning Efforts

While the State Personnel Board attempted to adhere to the minimum statutory guidelines in developing its most recent strategic plan, the SPB did not adhere to best practices, thus creating significant gaps in its strategic plan. Thus the SPB has not developed a comprehensive enterprise approach to the organizational design of the state workforce.

Criteria for Comparison

As criteria for comparison, PEER used elements of a comprehensive strategic planning model generally recognized as having both public and private sector utility.

The following discusses generally the criteria used for PEER's evaluation of the strategic planning efforts of the State Personnel Board.

Generally, strategic planning should define a set of priorities that allows for the plan to be adjusted according to changing needs and resources. The plan should be flexible and responsive enough to be adapted to unexpected crises, new opportunities, or changes in available resources. The plan should outline a clear process to reach the agency's goals, not just contain goals with no means proposed to achieve them. Goals included in the plan should be not only achievable, but measurable and time-sensitive. The plan should be reviewed and updated yearly, but should cover five years at a minimum, with ten years being desirable. Ideally, it would have short-term, mid-range, and long-term outlooks with corresponding goals for each.

An agency's planning process should be a key element in keeping management in touch with the agency's overall strengths, weaknesses, opportunities and threats, not only at the program level, but also with regard to its position regarding its overall responsibilities. Keeping these strategic elements in mind, agency officials would have the basis for developing a set of priorities across the universe of agency responsibility. By thinking and planning strategically, decision makers would be in a position to establish program goals that, while measurable and time sensitive, would be flexible enough to adapt to the unforeseen. The ultimate goal for an agency's strategic planning process would be a plan for the rational allocation of available resources and a clearly defined system for monitoring agency progress.

Many models of strategic planning have been proposed by academia and business executives alike. Nearly all-strategic plans include some form of the following elements:

- the mission and vision of the entity;
- the entity's values (i. e., the principles, standards, or beliefs that the entity considers important and that represent it);
- a formal method of analyzing and monitoring the entity's internal and external environment;
- description of core competencies (i. e., organizational skills, processes, or systems that are vital to achieving the entity's mission);
- strategic goals and objectives for the entity;
- strategies with defined action/task plans for achieving the stated goals and objectives; and,
- critical success factors and performance indicators with which to measure achievement toward goals and objectives.

The impetus for strategic planning is that needs of the public often exceed available resources and tend to change over time, whereas service structures tend to be more static. Regardless of the particular strategic planning model selected, a well-designed strategic plan provides an ongoing process that allows management to ensure efficient allocation of resources to a verifiably effective program structure that is optimally responsive to an ever-changing service environment.

In strategic planning, the process by which an agency conducts its efforts is as important as the substance of the planning. The following discusses the process of planning as well as the contents of the State Personnel Board's strategic plans.

SPB's Planning Participants and Process

The State Personnel Board developed its Five-Year Strategic Plan for FY 2012-2016 through executive management discussions, focus groups, and advice offered by the Personnel Advisory Council. However, SPB does not have any formal strategic planning-related documentation and has not developed a comprehensive strategic plan for managing the state's human capital.

Roles and Responsibilities Given in State Law for Planning for the State Personnel Board and the State Personnel System

The MISSISSIPPI CODE gives responsibility for planning for the state personnel system to the State Personnel Board and the State Personnel Director, with advice from the Mississippi Personnel Advisory Council.

MISS. CODE ANN. Section 25-9-101 (1972) established in the state of Mississippi a system of personnel administration based on sound methods of personnel administration governing the establishment of employment positions, classification of positions and the conduct, movement and separation of state employees; to build a career service in government that will attract, select and retain the best persons, with incentives in the form of equal opportunities for initial appointment and promotions in the state service; and to establish a system of personnel management that will ensure the effective and efficient use of employees in the state service.

MISS. CODE ANN. Section 25-9-103 (1972) further established certain principles to guide the State Personnel Board's administration of the state personnel system: (a) to recruit, select and advance employees on the basis of their relative ability, knowledge and skills, including open consideration of qualified applicants for initial appointment; (b) to provide equitable and adequate compensation; (c) to train employees, as needed, to assure high quality performance; (d) to retain employees on the basis of the adequacy of their performance, to correct inadequate performance, and to separate employees whose inadequate performance cannot be corrected; (e) to assure fair treatment of applicants and employees in all aspects of personnel administration without regard to political affiliation, race, national origin, sex, religious creed, age, or disability; (f) to assure that employees are free from coercion for partisan or political purposes and to prohibit employees from using their official authority for the purpose of interfering with or affecting the result of an election or a nomination for office; and (g) to provide authority for the establishment and abolishment of employment positions within the departments, agencies, and institutions covered under the provisions of this chapter.

MISS. CODE ANN. Section 25-9-117 (1972) established the Mississippi Personnel Advisory Council, which consists of the personnel directors of five major state agencies (as appointed by the governor). As stated in MISS. CODE ANN. Section 25-9-117 (2) (a) (1972), it is the duty of the Mississippi Personnel Advisory Council to “advise the state personnel board in the development of comprehensive policies and programs for the improvement of public employment in the state.” Although previously on hiatus, the Mississippi Personnel Advisory Council was re-started by the current State Personnel Director for the purpose of advising the State Personnel Board and the State Personnel Director and assisting with planning efforts.

No Documentation of Input from the Mississippi Personnel Advisory Council

The State Personnel Board staff re-established the Mississippi Personnel Advisory Council to assist in planning efforts and to advise State Personnel Board staff of the state’s human resource needs. However, there is no record of any formal recommendations or advice offered by the Mississippi Personnel Advisory Council, especially in terms of the council’s statutory purpose.

In 2009, State Personnel Board staff re-established the Mississippi Personnel Advisory Council, which had been dormant, for the purpose of advising the State Personnel Board and the State Personnel Director and assisting with planning efforts. The Mississippi Personnel Advisory Council consists of the personnel directors of five major state agencies, including the Department of Transportation, the Department of Mental Health, the Department of Health, the Division of Medicaid, and the Department of Rehabilitation Services.

As stated in MISS. CODE ANN. Section 25-9-117 (2) (a) (1972), it is the duty of the Mississippi Personnel Advisory Council to “advise the state personnel board in the development of comprehensive policies and programs for the improvement of public employment in the state.” However, there are no formal documents or minutes from the meetings of the Mississippi Personnel Advisory Council. There is also no record of any formal recommendations or advice offered by the Mississippi Personnel Advisory Council, especially in terms of planning for the management of the state’s human capital or in terms of assisting in developing comprehensive policies and programs for the improvement of public employment in the state.

Minimal Input from the Board to the Staff

The State Personnel Board plays no role in the State Personnel Board staff's strategic planning process beyond the administrative approval of the State Personnel Board's Five-Year Strategic Plan.

According to the Chairman of the State Personnel Board, the staff briefed the board as to what the strategic plan included and the board itself had no input as to what was in the last strategic plan. According to the Chairman, the board did not receive any documents concerning the strategic planning efforts of State Personnel Board staff beyond the actual document after its completion (*State Personnel Board's 5-Year Strategic Plan: FY 2012-2016*).

While the information required for strategic planning must come from throughout the state personnel system, including State Personnel Board staff, state agency directors, and the Personnel Advisory Council, the development of strategic goals and objectives should come from the State Personnel Board and the State Personnel Director.

No Planning or Analytical Documents to Support the Plan Document

PEER found no record of planning or analytical documents beyond what is explicitly included in the actual plan document.

PEER also found no record of planning documents beyond what is explicitly included in the actual plan document (*State Personnel Board's 5-Year Strategic Plan: FY 2012-2016*). As stated earlier, there were no planning documents submitted to the State Personnel Board nor were there any formal planning documents created by the Mississippi Personnel Advisory Council.

There is also no record of any strategic planning analysis document created as the result of the executive management discussions and the focus groups beyond a May 2009 stakeholder analysis report created by Courtside Consulting, LLC, entitled "SPB Stakeholder Focus Groups."

PEER did not find any evidence that the State Personnel Board staff conducted an environmental analysis that included a formal strategic analysis of the State Personnel Board's internal strengths and weakness or the potential external threats and opportunities. Instead, the only environmental analysis found was the list of three environmental factors in the most recent five-year strategic plan:

- (1) federal and state regulatory and statutory changes;*
- (2) fluctuation in volume of services needed by our customers due to changes in the local, state, and national economy; and,*

(3) material changes in funding which would force concentration on provision of mandated functions to the exclusion of other non-mandatory services.

PEER also did not find any formal analysis of how the State Personnel Board staff currently delivers its services or how the delivery of its services could be improved. As stated previously, the State Personnel Board decided to make a major strategic shift “to focus on customer service by moving to a new consultative service delivery model through greater use of modern technology and through partnerships with state agencies.”

As part of its improved customer service model, State Personnel Board staff wanted to incorporate one-stop shopping to improve efficiency and enhance customer service. The State Personnel Board staff also wanted to shift the organizational culture from a compliance-based focus to a customer service/consultative focus. However, the State Personnel Board staff did not conduct any formal analysis of how it currently delivers services, including the current service delivery’s strengths and weaknesses or what would actually need to be changed in order to shift to a new consultative service delivery model and a more customer service/consultative-focused organizational culture.

Even though the State Personnel Board reorganized recently (in 2009), the State Personnel Board staff was unable to provide any form of formal organizational structure or management analysis to answer the following questions:

- How well does the current organizational structure perform in meeting the State Personnel Board’s current strategic goals?
- What are the strengths and weaknesses of the State Personnel Board’s employees?
- In particular, how does current organizational staff and structure need to stay the same and how does it need to change in order for the State Personnel Board staff to be able to make the proposed strategic shift from a regulatory and compliance focused agency to a consultative focused agency that still must maintain legislatively mandated personnel oversight?
- How does the State Personnel Board re-assign staff in order to meet the demands of the new service delivery structure?
- What did the executive management discussions, the focus groups, and the Mississippi Personnel Advisory Council identify as critical success factors that must exist for the State Personnel Board to achieve its goals?

PEER also did not find documentation of any analysis as to whether the State Personnel Board's performance indicators were both measurable and effective in terms of measuring its performance in meeting its goals. PEER also did not find documentation of any analysis as to whether the SPB's current goals were in line with statutory requirements or whether its current performance measures were effective in providing analysis of performance and regulatory compliance.

Evaluation of the SPB's Current Strategic Plan: Missions, Goals, Evaluability, and Environmental Factors

While in form the State Personnel Board has met requirements of the state law dictating strategic planning, PEER found weaknesses in its efforts to plan. The SPB's action taken to comply with MISS. CODE ANN. Section 27-103-129 (1972) has not established a strategic plan that is adequate for any purpose other than minimal compliance with the law.

The following discusses what is found in the SPB strategic plan. This includes both an analysis of what state law requires of agencies for strategic planning purposes and an examination of what the substance of a good plan is in light of best practices.

Minimum Statutory Guidelines for Strategic Planning

MISS. CODE ANN. Section 27-103-129 (1972) requires that annual budget requests to the Legislature include a five-year strategic plan, including the five minimum items listed in the CODE section.

MISS. CODE ANN. Section 27-103-129 (1972) requires that annual budget requests to the Legislature include a five-year strategic plan with the following:

- 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 which 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.

The State Personnel Board's Compliance with Statutory Standards for Strategic Planning

In an attempt to comply with the minimum statutory guidelines for strategic planning, the State Personnel Board developed a five-year strategic plan that included a response to the five required items.

As required under MISS. CODE ANN. Section 27-103-129 (1972), the State Personnel Board staff prepared and submitted to the Legislative Budget Office a five-year strategic plan entitled *State Personnel Board's 5-Year Strategic Plan: FY 2012-2016* that was intended to comply with the items listed above.

The State Personnel Board's five-year strategic plan includes a brief description of the creation of the State Personnel Board as well as a description of the roles of the State Personnel Board. The State Personnel Board's five-year strategic plan notes that the board serves all state agencies, except the institutions of higher learning, the community and junior colleges, and teachers within the oversight of the Department of Education. A separate document entitled *An Overview of the State Workforce Under the Purview of the Mississippi State Personnel Board*, which was also submitted to the Joint Legislative Budget Committee, states that there are over 32,000 employees under the State Personnel Board's purview, meaning only 35% of the 92,837 in state government workforce are under the purview of the State Personnel Board.

The State Personnel Board's five-year strategic plan also includes its mission, vision, and three core values. According to the five-year strategic plan, its mission is to "Lead the Way in Human Resource Management" and its vision is to "Ensure a Quality Workforce."

The State Personnel Board's five-year strategic plan also included an overview of the plan as well as a basic description of the five offices within the State Personnel Board. Of particular note, the State Personnel Board highlighted its efforts and intended goal to enhance its online service capabilities in order to provide improved automated tools for recruitment/selection, classification/compensation, workforce planning, the Personal Service Contract Review Board, and the Employee Appeals Board.

For the Office of Human Capital/Core Processes, the Office of Workforce Development, the Personal Services Contract Review Board, and the Employee Appeals Board, the State Personnel Board provided a list of performance effectiveness objectives for each of the five years (FY 2012-FY 2016) covered by the plan. The State Personnel Board also listed the funding requirements for each year for each office.

The State Personnel Board also provided the following list of significant external factors that could affect performance:

- *federal and state regulatory and statutory changes;*
- *fluctuation in volume of services needed by our customers due to changes in the local, state, and national economy; and,*
- *material changes in funding which would force concentration on provision of mandated functions to the exclusion of other non-mandatory services.*

The State Personnel Board also provided the following description of the State Personnel Board's internal management system utilized to evaluate its performance achievements in relationship to the targeted performance levels:

- *compilation of Mississippi State Personnel Board Annual Report presented each December;*
- *compilation of Legislative Budget Report presented in September of each year;*
- *periodic internal reports to the Legislative Budget Office and the Department of Finance and Administration;*
- *ongoing strategic planning; and,*
- *adherence to the Mississippi State Personnel Board Policies and Procedures Manual.*

However, the State Personnel Board was unable to provide PEER with an evaluation of the its performance achievements in relationship to the targeted performance levels for the two preceding fiscal years for which accounting records have been finalized, as required under MISS. CODE ANN. Section 27-103-129 (1972).

It appears that in form, the State Personnel Board has met requirements of the state law dictating strategic planning. However, the following section includes a discussion of the weaknesses in its efforts to plan and shows that the actions taken to comply with law have not established a strategic plan that is adequate for any purpose other than minimal compliance with the state law cited above.

Weaknesses in the State Personnel Board's Strategic Plan

Because the State Personnel Board did not adhere to best practices in formulating its strategic plan, the SPB does not have a defined roadmap with clearly recognized objectives for success or a system with which to track success in attaining the state's personnel goals.

While the State Personnel Board attempted to include the items listed in the minimum statutory guidelines for strategic planning in its current five-year strategic plan, PEER found the responses provided in *State Personnel Board's 5-Year Strategic Plan: FY 2012-2016* do not meet applicable best practices standards for strategic planning.

Mission and Vision

While the State Personnel Board included both mission and vision phrases in its strategic plan, the SPB does not have mission and vision statements that define why SPB exists, what SPB intends to accomplish, and what the state personnel system and SPB will look like once SPB has achieved its mission.

Formally speaking, an organization's mission statement should define the organization's social justification for existence and define where the agency is going. Subsequently, an organization's vision statement should then provide a shared mental image describing what the organization should look like once it has successfully implemented its strategies and achieved its potential.

According to the State Personnel Board's five-year strategic plan, its mission is to "Lead the Way in Human Resource Management." However, such a statement does not define the State Personnel Board's social justification for existence, which is more aptly laid out in state law.

PEER would suggest that a mission statement would reflect the responsibilities of control and service and address the tension between these two categories of duty that the agency must keep in mind when developing programs for the improvement of personnel in state government.

Further, a well-crafted mission statement would define where the State Personnel Board intends to lead or direct the statewide personnel system. PEER suggests the following example of a well-defined mission statement for the State Personnel Board:

Our mission as the lead regulatory and service agency for managing human resources and developing human resource policy in Mississippi government is four-fold:

- *To promote and maintain a fair system of employment that provides employees a good future;*
- *To assist agencies in maintaining a stable supply of quality workers at all levels of the organizational chart;*
- *To provide legislative decision-makers quality information concerning the status of the state workforce as well as measures of financial control for personnel costs; and,*
- *To provide the citizens of Mississippi the most effective and efficient government needed to provide state services.*

According to the State Personnel Board's five-year strategic plan, its vision is to "Ensure a Quality Workforce." However, such a statement does not provide a shared mental image describing what the State Personnel Board should look like once it has successfully implemented its strategies and achieved its potential, nor is all-inclusive in meeting the State Personnel Board's statutory purpose. PEER suggests the following example of a well-defined vision statement for the State Personnel Board:

The State Personnel Board will provide for a human resource management system in Mississippi government that ensures a fair system of employment for employees while working with agencies to provide them the tools they need to maintain a quality workforce that is in compliance with legislative mandates, assists the agency in meeting its purpose, and is an efficient and effective use of taxpayer dollars.

Performance Effectiveness Objectives

The State Personnel Board did not develop overall goals and objectives for itself or for the management of human capital in state government as whole. Although the SPB included tasks to be achieved for each of the four main offices of the State Personnel Board, these tasks are not performance objectives.

The purpose of establishing strategic goals is to provide a clear, "well-marked" pathway for achieving the aim or purpose of the strategic plan. Well-developed goals should be specific, measurable, action-oriented, affordable, achievable, and time-bound (otherwise known as the *SMAART standard*). Typically, an agency should have six to ten strategic goals for the agency as a whole in order for managers to be able to focus on and prioritize these goals. Objectives should then define the best pathway for

achieving each goal and should also meet the SMAART standard.

As noted previously, for the Office of Human Capital/Core Processes, the Office of Workforce Development, the Personal Services Contract Review Board, and the Employee Appeals Board, the State Personnel Board provided a list of performance effectiveness objectives for each of the five years (FY 2012-FY 2016) covered by the plan. However, PEER found the State Personnel Board did not develop overall goals and objectives for itself or for the management of human capital in state government as whole. As a result, the State Personnel Board does not have stated agency-wide goals tied to a comprehensive strategic planning process that will provide for a well-marked pathway for achieving the plan's strategic purpose.

Instead, the State Personnel Board lists office-level (second tier) tasks that are to be accomplished each year for each office level. For example, for the Office of Human Capital/Core Processes for FY 2012, the State Personnel Board lists the following as its performance effectiveness objectives:

- *Develop process by which agencies can electronically submit transactions online and eliminate the need to submit paper documentation;*
- *Develop and implement a database to store job description information and evaluate applications electronically;*
- *Create and electronic management system for documents other than job applications in order to reduce paper flow;*
- *Enhance the recruitment segment of the website to better educate applicants and make the site more interactive and user friendly;*
- *Begin development of mechanism to allow applicants to electronically check the status of their applications;*
- *Enhance electronic application process to allow demographic information to flow directly from applicant into SPAHRS without manual intervention;*
- *Conduct onsite visits to all agencies to ensure compliance with State Personnel Board rules regarding maintenance of lists of eligibles, exemption from the selection process, and reclassification authority;*

- *Increase staff contact with agencies to gain a better understanding of the agencies' operations and needs;*
- *Develop comprehensive standard operating procedure for all phases of Office of Human Capital Core Processes operations; and,*
- *Review and modify the Mississippi State Personnel Board Policy and Procedures Manual and the State Employees Handbook as needed.*

While PEER does not debate the potentially worthwhile nature of these tasks in assisting the State Personnel Board in achieving its goals and objectives, these tasks are not performance effectiveness objectives. These items are clearly tasks the State Personnel Board would accomplish and thus be part of its strategy for the agency overall. However, as stated previously, there are no overall goals to which to tie these tasks.

The net effect of the lack of clear goal statements is vagueness in the organizational goals of the SPB. Such vagueness can lead to several problems in agency management:

- Success cannot be easily recognized, often making it difficult to identify and reward key contributors.
- Failure is not easily detected and corrected in a timely manner.
- Failure to have clear goals impedes the learning process among departmental leaders after elections and political appointments, thus possibly delaying their efforts at goal refinement or redirection.

Lack of Internal Management System with Measurable Components

The State Personnel did not fully develop and plan for an internal management system that is capable of tracking its performance achievements in relationship to targeted performance levels.

An outgrowth of well-developed goals and objectives is a system of measurable performance indicators. Performance indicators with defined targets are meant to serve as a guideline to measure the success of agency strategies. Thus one of the major stumbling blocks to measuring an organization's strengths and weaknesses is the lack of performance indicators and performance analysis capable of detecting and presenting problems both for the organization and its stakeholders. As noted in *Strategic Planning for Public and Nonprofit Organizations*, without performance criteria and information, it is difficult for an organization to evaluate the relative effectiveness of alternative strategies, resource

allocations, organizational designs, and distribution of power.

As part of its five-year strategic plan, the State Personnel Board provided a list of reports it uses as part of its internal management system to evaluate its performance achievements in relationship to targeted performance levels:

- *compilation of Mississippi State Personnel Board Annual Report presented each December;*
- *compilation of Legislative Budget Report presented in September of each year;*
- *periodic internal reports to the Legislative Budget Office and the Department of Finance and Administration;*
- *ongoing strategic planning; and,*
- *adherence to the Mississippi State Personnel Board Policies and Procedures Manual.*

However, as stated previously, MISS. CODE ANN. Section 27-103-129 (1972) requires that the State Personnel Board's five-year strategic plan include a description of the internal management system utilized to evaluate its performance achievements in relationship to the targeted performance levels. While the State Personnel Board lists reports used to evaluate its performance achievements in relationship to targeted performance levels, the SPB has not developed defined target levels or goals to which to tie these reports. As a result, the State Personnel Board has not developed performance indicators to gauge its progress toward achieving desired levels of performance for the agency in terms of strategic goals and objectives.

Without defined performance indicators paired with agency goals and performance objectives, the State Personnel Board is not able to determine accurately whether the agency is fully achieving its goals and objectives and maximizing its available resources.

Significant External Factors That May Affect Performance

While the State Personnel Board provided a list of significant external factors that might affect performance, its five-year strategic plan did not contain evidence that the SPB has conducted comprehensive, agency-wide internal analysis or thorough analysis of external factors to identify strengths, weaknesses, opportunities, and threats that are both within and beyond the agency's control.

As noted previously, as part of its five-year strategic plan, the State Personnel Board provided the following list of significant external factors that might affect performance:

- *federal and state regulatory and statutory changes;*
- *fluctuation in volume of services needed by our customers due to changes in the local, state, and national economy; and,*
- *material changes in funding which would force concentration on provision of mandated functions to the exclusion of other non-mandatory services.*

The act of listing external factors pertaining to the State Personnel Board and the management of the state government's human capital is not an external environmental analysis. For such an analysis to occur, the factors would need to be refined by analyzing potential short-term and long-term effects of the external environmental changes on the State Personnel Board and state government's human capital. The resulting analysis would then be incorporated into the strategic plan.

For example, an external environmental analysis would have provided a list of the actual changes in federal and state regulations and statutes as well as a list of all current applicable federal and state regulations and statutes that affect the State Personnel Board and its management of Mississippi government's human capital. More specifically, what are the short-term and long-term effects of the restrictive language added to the appropriations bills for fiscal years 2009, 2010, and 2011 for state agencies under the purview of the State Personnel Board? To what extent has the lack of funding for Mississippi's Variable Compensation Plan, which began in FY 1982, affected the short-term and long-term management of the State Personnel Board, human capital in Mississippi government, and the effective use of Mississippi's current job classification system? What Mississippi laws concerning state government personnel need to be changed and what new laws should be added concerning state government personnel? What are potential strategies for maximizing

these external opportunities while minimizing the impact of these external threats in order to most efficiently and effectively meet agency goals and legislative requirements?

Ultimately, environmental analysis can help an agency identify threats and opportunities that exist respecting its delivery of services. When environmental analysis is done well, an agency can then review its own internal capabilities to determine what strengths and weaknesses exist in current staff and programs to meet these environmental threats and opportunities.

Other Weaknesses in the State Personnel Board's Strategic Planning Process

The State Personnel Board's planning documents do not contain evidence that the State Personnel Board has identified the core competencies needed to maximize its effectiveness in carrying out its mission.

Core competencies are the organizational components that are vital to achieving an organization's mission. For example, the state employee benefits package, including state retirement and state health insurance, could be a core competency for the State Personnel System in recruiting and retaining a quality state workforce. Effective tools for training and career succession planning could also become core competencies in developing a knowledgeable workforce that is capable of retaining the valuable human capital knowledge that is typically lost to retirement.

Defining core competencies can provide the following benefits to an organization:

- a disciplined approach to identifying those activities that the organization must undertake to best provide services to its current and prospective clients;
- a process for evaluation and prioritization of the collective "know-how" of the organization; and,
- a process for identifying values and prioritizing the activities of the organization in a way that lends itself to making strategic decisions on the use of organization resources or the need for new or additional resources.

The State Personnel Board does not define its core competencies for the State Personnel Board or its management of human capital in Mississippi government. By determining its core competencies, the State Personnel Board would be able to define what skills, processes, and systems make the State Personnel Board and the state's human capital system successful.

Effects of the Lack of Strategic Planning on the Management and Regulatory Oversight of the State Personnel System

Mississippi has not developed a comprehensive enterprise approach to the organizational design of the state workforce, especially in recognition of the effects of economies of scale, internal recruitment competition between state agencies, or significant changes in the economic and competitive environment.

By not developing an effective and well-designed strategic plan that addresses both short-term and long-term needs, it becomes difficult from both an internal perspective (i. e., the State Personnel Board) and external perspective (e. g., the Legislature) to:

- track who the State Personnel Board is (i. e., what is its mission and intended purpose);
- determine where the State Personnel Board currently stands in meeting its purpose;
- determine what tools the State Personnel Board has to work with and what tools it needs to meet its goals;
- determine what the State Personnel Board is trying to accomplish and by when; and,
- determine how the State Personnel Board plans on reaching its goals and vision.

For the State Personnel Board and the state's planning for its human capital network, strategic planning can have a major impact on:

- the ability of the Legislature to make educated decisions concerning the funding and design of a statewide personnel system;
- the ability of the State Personnel Board to assess the human capital needs of state agencies adequately;
- the ability of the State Personnel Board to provide recommendations and resources to state agencies concerning compliance, workflow analysis, workforce development assessments, training, and succession planning; and,
- the ability of the State Personnel Board to structure its agency to meet its defined mission and defined goals within the environment it operates.

While PEER finds fault with the State Personnel Board's strategic plan, especially in terms of the best practices laid out in this chapter, PEER does recognize that the SPB made a documented effort to review the state government personnel environment and the SPB's role in such (see

focus group discussion on page 12 and the Mississippi Personnel Advisory Council discussion on page 34).

Conclusions: Internal Management Issues

Weaknesses in the State Personnel Board's internal management have resulted in decisions regarding reorganization and computer acquisition being made without the necessary information being directed to those that needed it to make rational decisions about their work and responsibilities.

This report concludes with a discussion of two internal management issues regarding the State Personnel Board:

- the process by which the agency effected its 2009 reorganization; and,
- its FY 2010 acquisition of new computer systems and hardware.

While the substantive outcome of these actions may ultimately be beneficial to the SPB and state government, the processes utilized raise some questions about both transparency and efficiency.

The State Personnel Board's June 2009 Reorganization

Throughout 2009, the State Personnel Board made changes in its organization structure, position class titles, and assignments of staff that were intended to address the service needs of state agencies. While it appears that much that was done was to address state agencies' concerns about service needs, many changes appear to have not been in conformity with SPB's policy and practice regarding agency reorganizations and assignments of duties to staff.

The SPB Staff's Provision of Minimal Information on Reorganization to the Board

The State Personnel Board's June 2009 reorganization was accomplished without providing detailed information to the board, thereby leaving the board without detailed information to perform its functions.

As noted at page 16, the State Personnel Board made major changes to its organizational structure on June 4, 2009. At this meeting the board took the following action:

. . . Mr. Brown moved to approve the state Personnel Board proposed organizational structure which includes class establishments, title changes, job description revision, realignment, reclassification, authority, and reallocation. Mr. Gibson seconded the motion which passed unanimously.

Based on interviews with the staff of the State Personnel Board and a former member, the only material presented to the board on that date was an eight-page presentation showing a new proposed office structure with duties of the offices set out in general terms, a proposed new job class for SPB consultants and an SPB Administrator class, and the educational requirements for these classes. It is not clear what realignments or reallocations were contemplated herein as they were not set out in the eight-page handout.

PEER notes that SPB policy and procedure provisions outline what is expected of agencies seeking re-organization authority. The **Mississippi State Personnel Board's Policy and Procedures Manual** Sections referring to agency reorganization 6.13.5 (pre 03-01-2010) and 6.3.7 (post 03-01-2010) outline in detail what agencies under the purview of the SPB must submit to the board members for their approval. This detailed justification for agency reorganizations requires that agencies submit proposed and current organization charts to the State Personnel Board for review. The policy and procedures manual also gives guidance for an organization chart. Such charts must show the positions affected, their organizational location, their position identification numbers (PINs), and their occupational codes. This information was not provided on the eight-page handout.

Additionally agencies should provide class specifications and salary surveys for new classes, job content information for reallocations, and necessary supporting information for realignments. In general, the information is to help the board understand why a reorganization is beneficial and to ensure that it will cause resources to be used efficiently, which the State Personnel Board expects of all state agencies under its jurisdiction.

In attempting to understand the reason for limited documentation supporting the SPB's own reorganization, the State Personnel Board's Deputy Director pointed out that the rules cited are in place so that agencies will have to submit information to the SPB staff to review prior to board action and that it would make little sense for the staff to submit information on the proposed changes for itself to then review prior to a State Personnel Board meeting.

As stated earlier, these reorganizational changes appear to actually be beneficial for more effective service delivery of the agency and such change is laudable, but the process left the board, the governing body of the agency, with little information upon which it could base a decision on reorganization. At least one board member found it troubling that the decision on agency reorganization was made hastily, without sufficient time to review documents and deliberate on the subject matter. Additionally, a

former senior staff person for the agency noted that it had been the practice for agency changes to be documented as carefully and in such detail as required of other state agencies.

The Migration of Certain SPB Staff to New SPB Consultant and Administrator Classes

Agency staff was moved to new position classes without being formally informed regarding new job duties, as required by agency policy.

As noted above, the agency created several new consultant and administrator classes to replace several classes that were used by individual agency divisions. The purpose was to create a professional environment that would encourage cross-training and eliminate administrative silos by having persons serving in a general professional class capable of meeting a broad range of agency needs. While this is a laudable goal, the agency's implementation of these changes creates doubt as to whether the agency and its staff were prepared to implement the ambitious changes envisioned by the reorganization.

As part of the June 2009 reorganization, the State Personnel Board created new job classes for SPB Consultants and SPB Administrators. These classes were intended to replace a multiplicity of classes that were used by the Classification and Compensation Division, the Selection Division, and the Training Division. Additionally, the board created an SPB Administrator position.

Beginning in December 2009, the agency began to change the classification of employees in the agency by assigning them to the new classes. This process began in December 2009. From December 2009 to June 2010, the agency moved thirty-two staff persons to the SPB Consultant class and two to the SPB Administrator class. Of the thirty-four employees whose positions were reclassified as SPB consultants or administrators, PEER determined that only one employee was officially apprised of job responsibilities in accordance with SPB policy.

According to SPB Policy Manual 8.6.1, job duties and performance standards are determined and communicated at the beginning of the appraisal period and the rating supervisor with assistance from the employee shall develop and document in writing the duties and performance standards for the position within the first fourteen days of the beginning of the appraisal period. Therefore, SPB did not comply with its own policy directives that agencies under SPB salary-setting authority are expected to comply with.

Of the other thirty-five employees with new job classifications, sixteen still had not been apprised of their

duties as required by the above-cited policy as of September 2010.

PEER notes that this failure can impact staff inside of an organization that is going through major changes. Uncertainty as to duties can impact productivity, as staffs wonder what is expected of them and how they will be evaluated. When taken together with major structural changes, such a failure can create an appearance of uncertainty as to the direction the organization and its staff will be taking in both the short and long run.

PEER suggests that this could be attributable to the new administration's decision to move quickly on a reorganization of the agency only two months after the new Executive Director assumed her duties, without first planning out what the new duties and responsibilities would be for the positions affected. Additionally, these changes occurred when the agency was beginning the implementation of its new performance appraisal process. Even if SPB personnel informed staff of their new duties upon the change in classification, the issue of the failure to document in accordance with policy must be raised.

SPB's FY 2010 Information Technology Expenditures

Some of SPB's FY 2010 computer acquisitions were made without adequate information and planning that could have determined whether the agency was making the most efficient use of funds.

SPB's Need for Information Technology Purchases During FY 2010

During FY 2010, SPB faced significant short-term and long-term information technology infrastructure problems in the areas of servers and network/infrastructure. At the same time, SPB also wanted to utilize electronic options to improve its services, including developing an online learning system to provide online access to SPB courses and trainings.

According to the *MSPB IT Upgrade Proposal* dated March 1, 2010, the State Personnel Board's information technology (IT) infrastructure was facing the following servers and network/infrastructure problems:

- Server Problems:
 - hardware failures due to aging servers (seven to nine years old);
 - insufficient disk space;
 - internal drives that were not capable of running hardware RAID (at the time, SPB's largest single internal drive was 1 TB);

- SPB had purchased several independent drives to back up data, but did not have backups for the operating system or applications;
- SPB was using workstations to run mission-critical applications;
- SPB suffered from frequent blackouts and brownouts due to lack of power conditioning and cooling;
- SPB did not have backups or archives available to recover fully;
- SPB was not capable of running the current version of the Windows Server operating system; and,
- SPB had no failover or upgrade capabilities.
- Network/Infrastructure Problems:
 - intermittent power and network outages were causing data loss while also corrupting the operating systems and damaging hardware;
 - SPB currently had only one single point of failure via one end-of-life switch;
 - SPB's Core Switch was only capable of 100 meg throughput; and,
 - SPB's Cisco ASA Firewall had minimal memory.

As a result, in FY 2010, the State Personnel Board planned to upgrade its aging server infrastructure with a procurement planned for March 2010. SPB also intended to update software licenses, as well as its aging computer inventory. SPB began obtaining quotes in February 2010.

Budget Concerns Created Gaps in SPB's IT Planning Process

Because of the potential of budget cuts mid-year, the financial cycle in which purchases must be made, and the late award of ARRA funds to SPB, the State Personnel Board quickly made IT-related purchases at the end of FY 2010 without adequate information and planning.

While SPB intended to pursue procurement for IT-related purchases in March 2010, the FY 2010 fiscal environment and sagging state revenues forced SPB to consider delaying purchases. At the time, SPB was concerned about the possibility that the Governor might have to cut agency budgets during the second half of FY 2010 due to lower than expected FY 2010 revenues, so SPB decided to delay the purchases until the end of FY 2010 to make sure funding was available. If SPB had chosen to proceed with the IT-related purchases as planned and then received the mid-year budget cuts, SPB would not have been able to absorb the potential mid-year budget cuts, at least not without cutting other areas (i. e., the potential furloughing of employees at the end of the year).

On June 28, 2010, the State Personnel Board received ARRA funds for reimbursement of stimulus-related activities and transparency-related items. The State Personnel Board also did not receive additional budget cuts from the Governor for FY 2010. As a result, the State Personnel Board was able to proceed with the planned purchases. However, the SPB had to submit the purchase orders for the purchases by June 30, 2010 (end of FY 2010) and then receive the items and pay for them before August 31, 2010 (end of FY 2010, including the lapse period).

At that point, the State Personnel Board initiated purchases for six IT related projects in FY 2010:

- *Project 1 = Server Upgrade Solution:* Due to monetary constraints, SPB planned to utilize servers donated from the Division of Medicaid (which were approximately three years old) as a temporary fix to replace SPB's seven-to-nine-year-old server infrastructure for at least a year or two or until funding became available for a long-term IT upgrade. According to SPB, a server upgrade was needed to provide stability and faster throughput, but still also conform to the one server, one application model. However, because SPB had no rack mount infrastructure for rack mounted servers or an environmental cooling solution, SPB concluded that it needed to purchase a server rack and an environmental cooling solution. SPB intended to utilize all items purchased for the Server Upgrade Solution project later as part of the long-term Server Upgrade Solution.
- *Project 2 = Software and Remote Access Solution:* Once the Server Upgrade Solution Project was completed, SPB intended to migrate from Novell to Microsoft and upgrade several software solutions to enhance the services and security of SPB's data. Also, due to the security risk of RDP, SPB intended to implement an Enterprise Remote Access Solution. SPB also intended to implement Web Content filtering software to prevent personal surfing liabilities and productivity loss. SPB also intended to purchase the full version of SysAid to push ticket-tracking solutions for end users throughout the state.
- *Project 3 = Virtual Server Solution:* Due to issues SPB was having with Scalix, the e-mail application offered by the Department of Information Technology Service (ITS), SPB decided to implement the MS Exchange Server to handle all e-mail traffic in order to improve the reliability and security of SPB's e-mail services. Because SPB would be operating its own e-mail system, instead of through ITS, SPB needed additional servers that would also provide a path to migrate all physical

servers to a virtual environment. Under such a Virtual Server Solution, SPB intended to save money in server management, reduce its energy consumption, accelerate throughput, and increase flexibility and growth potential to expand services beyond SPB's current infrastructure limitations.

- *Project 4 = Business Continuity Plan (Disaster Recovery)*
Solution: SPB's Business Continuity Plan was intended to be put in place to meet the demands of total loss of equipment at SPB (due to some type of disaster) and ensure quick recovery. Due to the lack of offsite storage of data and recovery options, SPB believed it was very vulnerable in the event of a total disaster, especially in protecting the retention of and transparency of personal services contracts under the Personal Service Contract Review Board. As a result, SPB planned to buy the necessary equipment to handle the current workload in an offsite virtual server environment.
- *Project 5 = Document Imaging Solution:* According to SPB, it needed a document imaging solution to address the challenges of maintaining a high volume of personal services contracts. With the enhancements developed under previous projects, including the Virtual Server Solution project, SPB intended to take advantage of the increased storage capacity and new server throughput by implementing a document imaging solution to scan and electronically access and store all personal services contracts.

Utilizing funds received via the American Recovery and Reinvestment Act (ARRA) as well as other SPB funds, the State Personnel Board bought imaging software (Isynergy Base Server, Iretention, and Xtractor) from RJ Young Company for use by the Personal Service Contract Review Board for contract management and imaging. The State Personnel Board spent \$17,500 to purchase the Isynergy Base Server, Iretention, and Xtractor document imaging software. The State Personnel Board also paid \$3,500 for maintenance for the Isynergy Base Server, Iretention, and Xtractor document imaging software as well as \$6,750 for forty-five units of forty hours of professional service.

- *Project 6 = Online Learning Solution (Moodle):* The State Personnel Board also bought the Moodle Appliance Server Unit as part of a pilot program named Moodle to provide electronic training to both larger agencies and smaller agencies. Moodle is a web-interfaced server capable of providing online learning access to up to 10,000 simultaneous users (with options for increasing the number of users).

The State Personnel Board spent \$11,995 on the Moodle Appliance Server Unit. However, the State Personnel Board also spent funds to set up and support Moodle, including one-time charges for set-up and customized training and implementation totaling \$4,050. The SPB also had to pay per-year charges for Mahara ePortfolio-Level III (\$2,200 per year); Kaltura client hosting (\$1,600 per year); additional bandwidth (\$3,600 per 1200 GB per year); and, the Ellis-Full Edition (\$8,995 per year). The State Personnel Board also spent \$295 for the Foundations of Moodle Course Development and \$395 for the Online Moodle Administrator Course.

In planning to make IT-related purchases in each of the project categories above, SPB looked at the potential cost options for going through the Department of Information Technology Services or housing the projects in-house or through a private IT provider. To obtain prices, SPB obtained quotes from private sources. SPB also shopped within state government for equipment, including receiving donated servers from Medicaid.

SPB also contacted the Department of Information Technology Services (ITS) to obtain a cost figure on how much it would cost to have ITS provide the necessary hosting options for the IT services. *However, in obtaining costs from ITS, the SPB staff did not actually discuss the specifics of any IT-related projects or what it was intending to accomplish.* Instead, SPB only asked questions such as how much a server would cost, how much a TB of storage space would cost, and how much does a Helpdesk Analyst cost. Because ITS was unaware of what SPB was intending to do, it was difficult for ITS to give advice for services actually needed. Utilizing only per-item costs obtained from ITS, SPB concluded it would cost \$1,146,300 for ITS to host SPB's IT needs for five years while SPB determined it could meet its IT needs in-house for \$610,000 based on quotes it had obtained.

In meeting with SPB at the end of the fiscal year, ITS questioned the cost estimate and had asked to meet with SPB to discuss further such cost estimates, as well as what SPB was trying to accomplish with the IT-related purchases. However, because of the fiscal year deadlines to submit purchase orders for the IT purchases before June 30, 2010, SPB decided to continue to pursue its course of action to prevent the lapse of funds, instead of further discussing its IT projects with ITS. SPB made IT purchases for the six IT projects discussed above at the end of FY 2010, including \$145,527 in software acquisition and installation purchases, \$131,987 in information systems equipment purchases, \$29,502 in professional fees, \$13,040 in internet or application service provider costs, and \$8,060 in software maintenance.

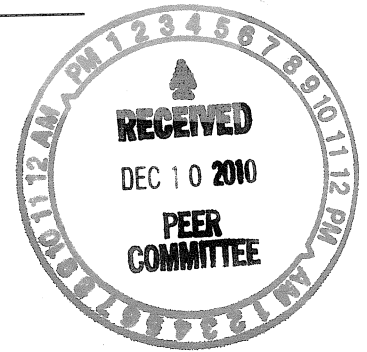
By not pursuing more accurate cost data from ITS based on SPB's actual IT needs and ITS's capabilities, SPB did not take advantage of the opportunity to obtain more comparable cost information, thus potentially resulting in increased costs for SPB's IT-related purchases for FY 2010.

Recommendations

1. In the future, the State Personnel Board should proactively seek guidance on the scope and purpose of legislative restrictions on pay increases to ensure that it does not take steps that will exacerbate fiscal problems by allowing unanticipated pay increases.
2. The State Personnel Board should establish an ongoing audit program that will annually audit any agency whose personnel functions are managed by agreement or whose management of certificates of eligibles is maintained outside the State Personnel Board. All such audits should be prepared in written form and presented to the agency for examination and comment.
3. Additionally, the State Personnel Board should establish a random sampling program of new hires and either conduct or require that agencies conduct an education and experience verification program for these hires. The board should then examine the results of the program and decide whether there is need to make such a program a permanent fixture in the management of personnel.
4. The Legislature should amend MISS. CODE ANN. Section 25-9-117 (1972) to require a strategic planning system for the State Personnel Board. Such system should require the creation of a strategic planning council comprised of two members of the board and two agency personnel directors appointed by the Executive Director of the Department of Finance and Administration. This council should annually review and make recommendations on the agency mission and vision statements, agency goals and objectives, and agency performance measures and indicators. The council should ensure that all such revisions be conducted after it has caused to be performed a thorough environmental analysis of external economic, political, and social factors affecting agencies' ability to recruit, compensate, and retain competent workers. Such analysis should assist the council in identifying current threats and opportunities regarding personnel administration, as well as strengths and weaknesses of the current system. The council should present its findings and recommendations to the State Personnel Board in time for inclusion in the board's statutorily required strategic plan. The Legislature should further authorize the board to create and empower such

other advisory bodies as may be necessary from time to time to assist the agency in planning activities.

5. In accordance with SPB Policy 6.3.7, the State Personnel Board staff should provide board members with all information that it would expect other agencies to submit to the State Personnel Board prior to initiating any agency reorganizations, reclassifications, reallocations, realignments, or other personnel actions.
6. In accordance with SPB Policy 8.6.1, the State Personnel Board should ensure that whenever it moves new employees to a new job classification, it provides them with a formal notice of job duties to be performed within fourteen days.
7. In the future, the PEER Committee recommends that the State Personnel Board work closely with the Department of Information Technology Services to determine the most cost-effective solutions to problems associated with efficient data processing. Such solutions could result in reduced expenditure of funds, thus allowing such funds to be directed to other productive functions or activities.



MISSISSIPPI STATE PERSONNEL BOARD

LYNN FITCH
EXECUTIVE DIRECTOR

December 10, 2010

Dr. Max K. Arinder
Joint Committee on Performance, Evaluation
And Expenditure Review
501 North West Street, Suite 301-A
Jackson, MS 39201

Dear Dr. Arinder:

On behalf of the Mississippi State Personnel Board, I would like to thank you for the opportunity to review the draft of *A Management and Operational Review of the State Personnel Board*. We appreciated the opportunity to share with you and your staff the changes which have been implemented at MSPB during the past 21 months. It has been an exciting time as we have taken a new direction to partner with agencies, focus on customer service, and maximize the use of technology.

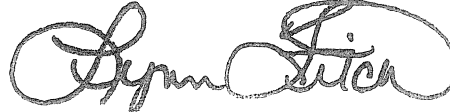
As your report indicates, the appropriate interpretation of the restrictive language included in recent appropriations bills has been the subject of debate. A hiring freeze was not imposed in FY 2010, and agencies were allowed to fill vacancies as authorized by their respective bills. However, the Legislature limited the authorized salary for filling vacancies from within state service to the lesser of the departing employee's salary or the promotional formula. In order to ensure our compliance with the restrictive language, we proactively sought Legislative guidance and reviewed implementation by previous MSPB administrations. Significantly, the instructions we received from the Legislature were identical to the implementation by previous MSPB administrations. As a result, we promulgated policies to ensure the appropriation bills were followed and that the Legislature's goals were met. Only authorized salary increases were allowed, and salary increases for FY 2010 to FY 2009 decreased by 49 percent. Accordingly, as noted in your report, salary costs from FY 2010 to FY 2009 were reduced by \$42.8 million.

Thank you for confirming that our strategic plan complied with the applicable statutory requirements. We recognize the significance of strategic planning, and we will take your suggested areas for improvement into consideration.

Dr. Max Arinder
December 10, 2010
Page Two

Again, thank you for the opportunity to review your draft. We look forward to updating you on additional accomplishments as we strive to provide a quality workforce for Mississippi.

Sincerely,

A handwritten signature in cursive script that reads "Lynn Fitch". The signature is written in black ink and is positioned above the printed name and title.

Lynn Fitch
Executive Director

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