

# Digest of A Performance Audit of the Department of Human Resource Management

Our review of the Department of Human Resource Management (DHRM) found that the department should comply with the Utah Code by reinstating expired delegation contracts with the operating agencies and performing quality assurance reviews as part of those contracts; promulgating rules for some commonly used practices that are currently without written guidelines; providing for increased system-wide consistency in some important components of the recruitment and selection function; improving the compensation function; and adjusting its approach to classification. In addition, we believe the Legislature needs to recognize that the state's merit pay system must be funded consistently at levels that encourage employees to perform efficiently and effectively and that fulfill the intent of the state's policy as stated in the Code (67-19-2(3)) to "encourage excellence and strengthen the system."

Although improvements can be made in the state's human resource management system, we believe that DHRM and operating agencies are generally doing a good job, meeting most of the Code mandates, following state human resource management rules, and helping agency managers recruit and keep a quality workforce. Our report is primarily aimed at refinements that should improve the overall operating efficiency of a large and complex service system.

The following briefly describe the findings of our audit.

**Compliance Issues Need To Be Addressed.** In reviewing the state's human resource management system for compliance or policy oriented issues, we found that some compliance issues need to be addressed. First, Utah Code required delegation agreements with operating agencies should be reinstated. Second, we found that two commonly used practices are used without any written rules to ensure a given level of consistency. DHRM should promulgate general rules to regulate the use of underfilling positions and giving special salary adjustments.

**Recruitment and Selection Need More Consistency.** Our review of recruitment and selection at DHRM and selected operating agencies found that the hiring of employees follows a fairly standard process across the system and most agencies comply with DHRM rules and policies in this area. However, some agencies conduct more steps as part of a recruitment than do others. Consistency in these areas is important to ensure a fair and equitable recruitment and selection process statewide and to assist state agencies in locating the best qualified applicants for state employment. In some cases, improvements in

recruitment and selection would also prevent possible liability by meeting the mandates of the recent Americans With Disabilities Act. In addition, increased documentation of some of the critical steps in the recruitment process is needed to provide evidence of a fair and open recruitment system and to aid in the Code-mandated oversight by DHRM. Finally, some changes such as a broadening of the hiring rule of five and the elimination of the requirement that DHRM certify registers can improve the service delivery of the recruitment and selection system.

**Compensation and Classification Can Be Improved.** The state's compensation system can be improved by focusing more on the market-driven basis of state compensation as required in legislative intent. This shift in focus for DHRM would require that better benefit data be collected, that more emphasis be put on setting salary ranges according to salary survey data instead of classification results, and that salary adjustments based on market data be clearly identified as such.

Within the current compensation framework, we found that state human resource managers are concerned about the adequate funding of the compensation system and what can happen when sufficient funding is not available. Specifically, agency managers and supervisors seek alternate ways to reward employees when merit increases are not funded adequately, resulting in pressure on the system to grant various types of salary adjustments which are often inconsistent across the system. This raises the possibility of disparate treatment of employees. By ensuring that salary adjustments are consistent and avoiding basing classification increases on non-classification factors, inequities can be reduced.

In addition, the classification system can be improved by loosening the current three-year statutory requirement for a comprehensive review of all classifications in the state, allowing state classification staff to focus more proactively on reviewing rapidly changing classifications as needed. Avoiding the use of agency-generated classification criteria and ensuring that only classification-based appeals are heard in the appeals process would also improve the system.

Further information and recommendations for improving the above areas can be found in the body of the report.