
Audit of the Process of Staffing State Programs

A Report to the
Governor
and the
Legislature of
the State of
Hawaii

Report No. 94-23
December 1994



THE AUDITOR
STATE OF HAWAII

The Office of the Auditor

The missions of the Office of the Auditor are assigned by the Hawaii State Constitution (Article VII, Section 10). The primary mission is to conduct post audits of the transactions, accounts, programs, and performance of public agencies. A supplemental mission is to conduct such other investigations and prepare such additional reports as may be directed by the Legislature.

Under its assigned missions, the office conducts the following types of examinations:

1. *Financial audits* attest to the fairness of the financial statements of agencies. They examine the adequacy of the financial records and accounting and internal controls, and they determine the legality and propriety of expenditures.
2. *Management audits*, which are also referred to as *performance audits*, examine the effectiveness of programs or the efficiency of agencies or both. These audits are also called *program audits*, when they focus on whether programs are attaining the objectives and results expected of them, and *operations audits*, when they examine how well agencies are organized and managed and how efficiently they acquire and utilize resources.
3. *Sunset evaluations* evaluate new professional and occupational licensing programs to determine whether the programs should be terminated, continued, or modified. These evaluations are conducted in accordance with criteria established by statute.
4. *Sunrise analyses* are similar to sunset evaluations, but they apply to proposed rather than existing regulatory programs. Before a new professional and occupational licensing program can be enacted, the statutes require that the measure be analyzed by the Office of the Auditor as to its probable effects.
5. *Health insurance analyses* examine bills that propose to mandate certain health insurance benefits. Such bills cannot be enacted unless they are referred to the Office of the Auditor for an assessment of the social and financial impact of the proposed measure.
6. *Analyses of proposed special funds* and existing *trust and revolving funds* determine if proposals to establish these funds and existing funds meet legislative criteria.
7. *Procurement compliance audits* and other *procurement-related monitoring* assist the Legislature in overseeing government procurement practices.
8. *Fiscal accountability reports* analyze expenditures by the state Department of Education in various areas.
9. *Special studies* respond to requests from both houses of the Legislature. The studies usually address specific problems for which the Legislature is seeking solutions.

Hawaii's laws provide the Auditor with broad powers to examine all books, records, files, papers, and documents and all financial affairs of every agency. The Auditor also has the authority to summon persons to produce records and to question persons under oath. However, the Office of the Auditor exercises no control function, and its authority is limited to reviewing, evaluating, and reporting on its findings and recommendations to the Legislature and the Governor.



THE AUDITOR STATE OF HAWAII

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Submitted by

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STATE OF HAWAII

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OVERVIEW

THE AUDITOR
STATE OF HAWAII

Audit of the Process of Staffing State Programs

Summary

The State Auditor initiated this audit to answer the often-puzzling question of how state agencies acquire staff for their programs and why the process takes so long. We focused on describing the process and recommending changes to it.

Hawaii state government is the largest single employer in Hawaii with over 60,000 employees. Approximately one-half of those employees are hired through a staffing process administered by the Department of Human Resources Development (DHRD). The remaining half are professional staff of the Department of Education and the University of Hawaii, two agencies with the authority to recruit independently of DHRD. Most (85 percent) of the employees hired through the personnel system administered by DHRD are civil service employees. The remaining 15 percent are classified as exempt employees, not subject to civil service requirements.

DHRD is the lead agency in the staffing process, having responsibility for establishing new classes in the state classification plan, assisting agencies to recruit and screen applicants, and determining when positions can be exempt from civil service. The Department of Budget and Finance also has a role to play in the staffing process. It decides on proposed reorganizations of agencies that in turn affect staffing actions. B&F also decides whether a proposed position variance, or reclassification of a vacant position, complies with state policies.

We note that DHRD needs to provide long-term commitment and leadership to reform Hawaii's civil service system. The department has initiated some changes to the staffing process. However, two fundamental problems continue to plague the civil service system: (1) difficulties in filling positions, and (2) delays in classifying positions. Solutions to these problems can be gleaned from civil service reforms in other jurisdictions.

A primary focus of civil service reform in Hawaii should be to simplify the system of classifying positions. The department has established approximately 1,800 job classes and more classes are being created. DHRD can improve the job classification system by reducing the number of job classes, or "broad-banding" classes.

DHRD should also establish clearer rules for establishing exempt positions to prevent abuse of the exempt process.

Finally, the Department of Budget and Finance should clarify and expedite the reorganization process. The department should clarify the purpose for reviewing reorganizations, define the elements of a reorganization more clearly, and explain how and when an agency should institute a reorganization.

Recommendations and Response

We recommend that the Legislature support efforts to reform the civil service system by amending Chapter 76 to: (1) liberalize provisions on position classification; and (2) clarify the rationale for and categorization of exempt positions.

In addition, we recommend that the Department of Human Resources Development continue to play a leadership role in reforming the civil service system. As part of this effort, DHRD should: (1) work in partnership with other line agencies and help agencies to simplify and expedite their internal personnel processes; (2) move toward a "broad-banding" classification system; and (3) issue guidelines on the use and applicability of the exempt process and establish oversight of the process.

Finally, we recommend that the Department of Budget and Finance develop a clear set of guidelines and principles for agencies to follow in instituting reorganizations.

The Department of Human Resources Development expressed appreciation for the audit of the staffing process. The department provided information on the delegation of classification actions which was incorporated into the report. It also agreed with the findings on the exempt process.

The Department of Budget and Finance agreed with the recommendation to develop a clear set of guidelines and principles for agencies undertaking reorganization. The department noted that it has already begun to revise its procedures for the elements under its control.

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Foreword

This audit was initiated to answer the often-puzzling question of how state agencies acquire staff for their programs and why the process takes so long. We focused on describing the process and recommending changes to it.

We wish to acknowledge the cooperation and assistance extended to us by the officials and staff of the Department of Human Resources Development, the Department of Budget and Finance and other departments contacted during the course of our study.

Marion M. Higa
State Auditor

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Chapter 1

Introduction and Background

The State Auditor initiated this audit to help answer the question often posed by legislators and executive branch employees alike: “Why does it take so long to fill state positions?” This audit sought to describe clearly and recommend changes to the process by which state agencies acquire staff for their programs. The audit was performed pursuant to Section 23-4, Hawaii Revised Statutes, which requires the Auditor to conduct postaudits of the transactions, accounts, programs, and performance of all state agencies.

The recommendations in this report, if adopted, will result in a more responsive, efficient, and meaningful system for staffing state programs. Program performance is affected by a program’s ability to recruit and retain qualified staff. When line agencies are forced to wait an inordinately long period of time to fill positions, staff morale can be affected, resources can be wasted, and clients can be left unserved.

State Personnel System

The issues facing Hawaii’s personnel system are not unique. All levels of government must create mechanisms that respond to pressing needs, are sufficiently flexible, and can efficiently use scarce personnel and financial resources. The charge is primarily to “create a government that works better and costs less.”¹

Hawaii state government, given its size and centralized operations, has the capacity to live up to these expectations. It is the largest single employer in Hawaii with over 60,000 full-time employees, approximately 10 percent of Hawaii’s total work force. Annual state wages are in excess of \$1.5 billion per year.²

Approximately half of the total number of state employees are hired through a staffing process administered by the Department of Human Resources Development (DHRD), formerly known as the Department of Personnel Services.³ The remaining half are professional staff of the Department of Education or the University of Hawaii. These two agencies are recognized as having unique employment requirements and have been granted authority to recruit independently.

Of the employees hired through the state personnel system, approximately 85 percent, or over 24,000, were hired through the civil service process.⁴ The remaining 8,000 plus employees are classified as exempt employees, not subject to civil service requirements.⁵

In addition to the issues confronting all state personnel systems, the State faces a new challenge. Over 28 percent of the state government workforce will be eligible to retire in the next five to ten years.⁶ In addition, another 3,000 employees may opt for early retirement under Act 212, SLH 1994 which offers a bonus to those who retire after 25 years of service.⁷ DHRD may soon be faced with a large number of requests to reclassify or recruit for many of these soon-to-be vacant positions.

The chapters to follow first briefly describe, then recommend changes to, the current process of staffing state programs. Chapter 2 describes the process of staffing civil service and exempt positions. Chapter 3 summarizes current efforts to reform the process and recommends additional improvements which should be incorporated into the reform efforts. The Appendix contains a glossary of personnel terms used in this audit.

Objectives of the Audit

This audit sought to:

1. Determine the respective roles, functions, and responsibilities of DHRD, the Department of Budget and Finance (B&F), and other executive agencies for effectively staffing state programs.
2. Assess the actual practices and procedures of executive agencies in carrying out their respective roles, functions, and responsibilities.
3. Recommend improvements in the staffing process for state programs.

Scope and Methodology

The State's ability to effectively staff state programs is influenced by the Legislature, executive branch policies, employment demands in the private sector, and the available labor pool. This audit, however, did not review the impact of employment demands and the labor pool on the staffing process. It was limited to an examination of the procedures and policies in state executive agencies only. The Judiciary and the Legislature and the offices, boards, and commissions of the executive branch were not part of the review. The audit was not of any individual agency; however, DHRD, by virtue of its role as lead agency, received most of the attention.

For the purposes of this audit, we define the staffing process as the operations DHRD and line agencies undertake to hire qualified personnel. We reviewed the staffing process from its beginning, when a

line agency determines that a position is needed, through the establishment of a position description and the classification of that position, to the end when a position is filled. Our examination focused primarily on events that occur after a position has been authorized by the Legislature.

Factors we considered include legislative intent, policies, and purposes relevant to the process of staffing state agencies. We also reviewed the process of organizational change in state government as it pertains to the staffing process.

We reviewed the staffing process in five agencies: Department of Budget and Finance; Department of Commerce and Consumer Affairs; Department of Human Services; Department of Taxation; and Department of Transportation. We selected these agencies because of their variation in size, the type of staff they recruit, and the authority they have to classify positions.

Fieldwork included interviews with directors, division administrators, branch chiefs, and other staff as appropriate at DHRD, B&F, and line agencies. We reviewed and analyzed statutes, administrative rules, administrative directives, functional statements, general literature on the subject, and other documents as applicable.

To identify suitable criteria for evaluating inefficiencies and areas for improvement, we contacted other states, the National Conference of State Legislatures, and other appropriate sources of information or literature. An assessment of management controls and legal compliance at the line agency level was outside the scope of this particular audit.

Our work was performed from December 1993 through October 1994 in accordance with generally accepted government auditing standards.

Chapter 2

Description of the Staffing Process

In this chapter we describe the staffing process and delineate the roles of the line agencies, the Department of Human Resources Development (DHRD), and the Department of Budget and Finance (B&F). We also outline the two basic processes for establishing and filling positions—the civil service process and the exempt process and the variations that occur.

Roles and Responsibilities

Role of the line agencies

The line agency initiates the staffing process. An agency's size and functions influence how many and which agency staff are involved in the process. Usually, the primary agency participants are the program (or line) manager, the departmental personnel officer (DPO), and the administrative services officer (ASO).

The line agency and the Legislature decide on the need for positions. What agencies do in this stage affects what steps they must subsequently take.

After an agency identifies the number and types of positions it needs, the agency requests an authorization of positions and fiscal resources. The governor, with B&F's assistance, reviews the request, and either denies it or forwards it to the Legislature for position authorization and appropriation.

Most agencies appear to wait until the Legislature has authorized a position before committing serious work to developing the position description. After authorization, they develop the position description more fully and complete any required documentation. In some agencies, a budget officer or personnel management specialist may review position descriptions before the documents are forwarded to DHRD for processing.

Role of the Department of Human Resources Development

DHRD is the lead support agency in the staffing process. Exhibit 2.1 is the organization chart for the agency. Three of its six divisions play an important role in the staffing process. They are the Classification and Compensation Review Division (CCR), the Recruitment and Examination Division (R&E), and the Administrative and Audit Division (AAD). CCR is further divided into the Classification Branch and the Compensation Branch, each with its own chief. Review and

classification work in CCR varies from routine reviews to detailed research for establishing new classes. R&E plays a significant role in assisting line agencies to recruit and screen applicants. AAD is involved in processing exempt positions and auditing personnel transactions of the line agencies.

Role of the Department of Budget and Finance

B&F also has a role in the staffing process. The agency's Budget, Program Planning, & Management Division determines whether staffing actions involving an agency reorganization or a position variance are in compliance with state policies.

The Civil Service Process

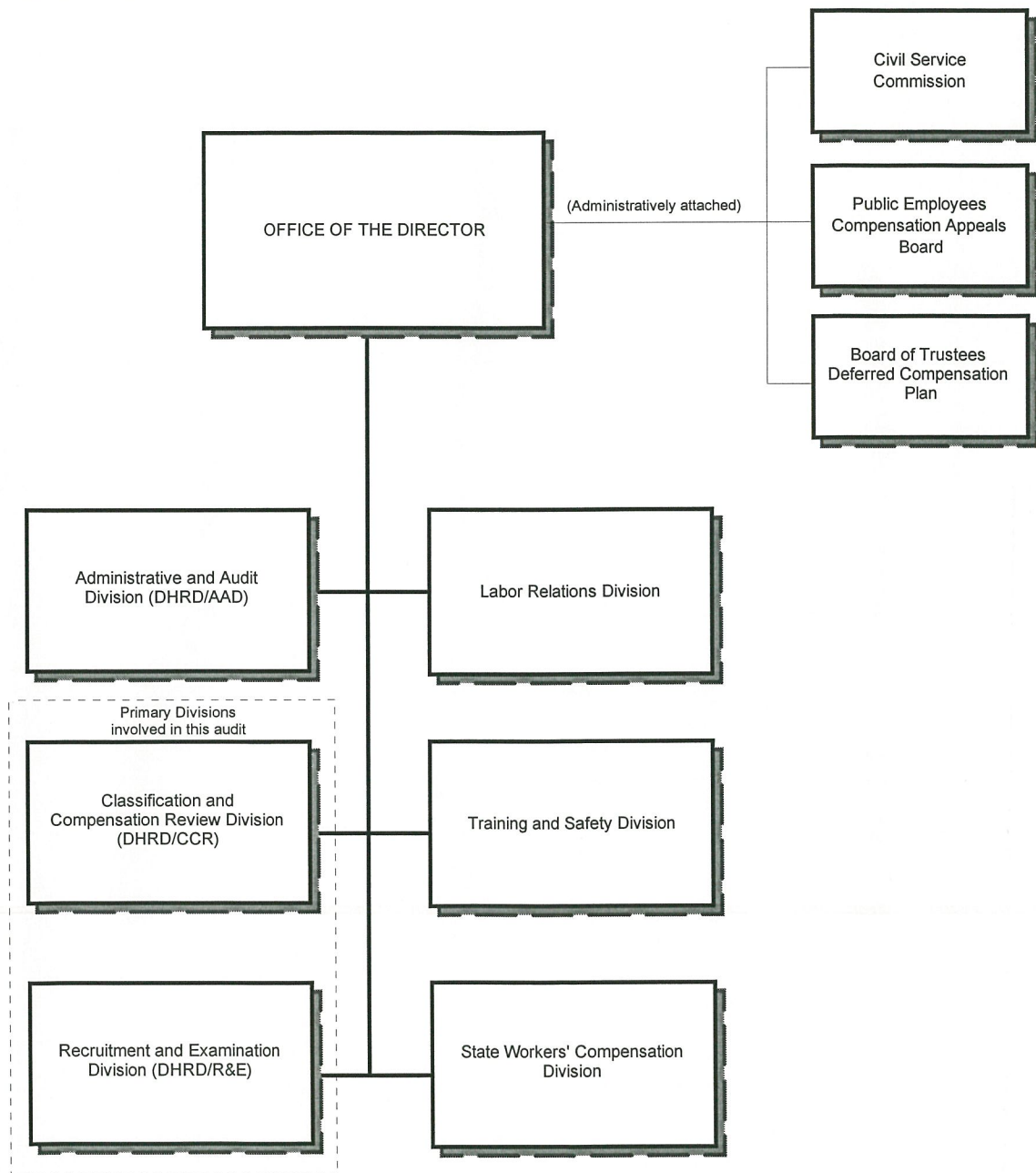
The state civil service system is defined and authorized in Chapter 76, Hawaii Revised Statutes. The law requires the system to be based on merit principles of equity and fairness and scientific methods governing the classification of positions. Chapter 76 requirements include:

- A systematic classification of all positions through adequate job evaluation;
- The development and maintenance of a position classification plan;
- The creation (and adjustment) of position classes and class specifications that include the minimum qualifications for each position;
- The allocation and/or reallocation of a position to an appropriate class;
- Competitive examinations to test the relative fitness of applicants for civil service positions; and
- Specific guidelines for filling vacancies.

These requirements are incorporated into the steps line agencies take to fill civil service positions.

Exhibit 2.2 presents an overview of the civil service process. Once a position has been authorized, agencies prepare position descriptions.

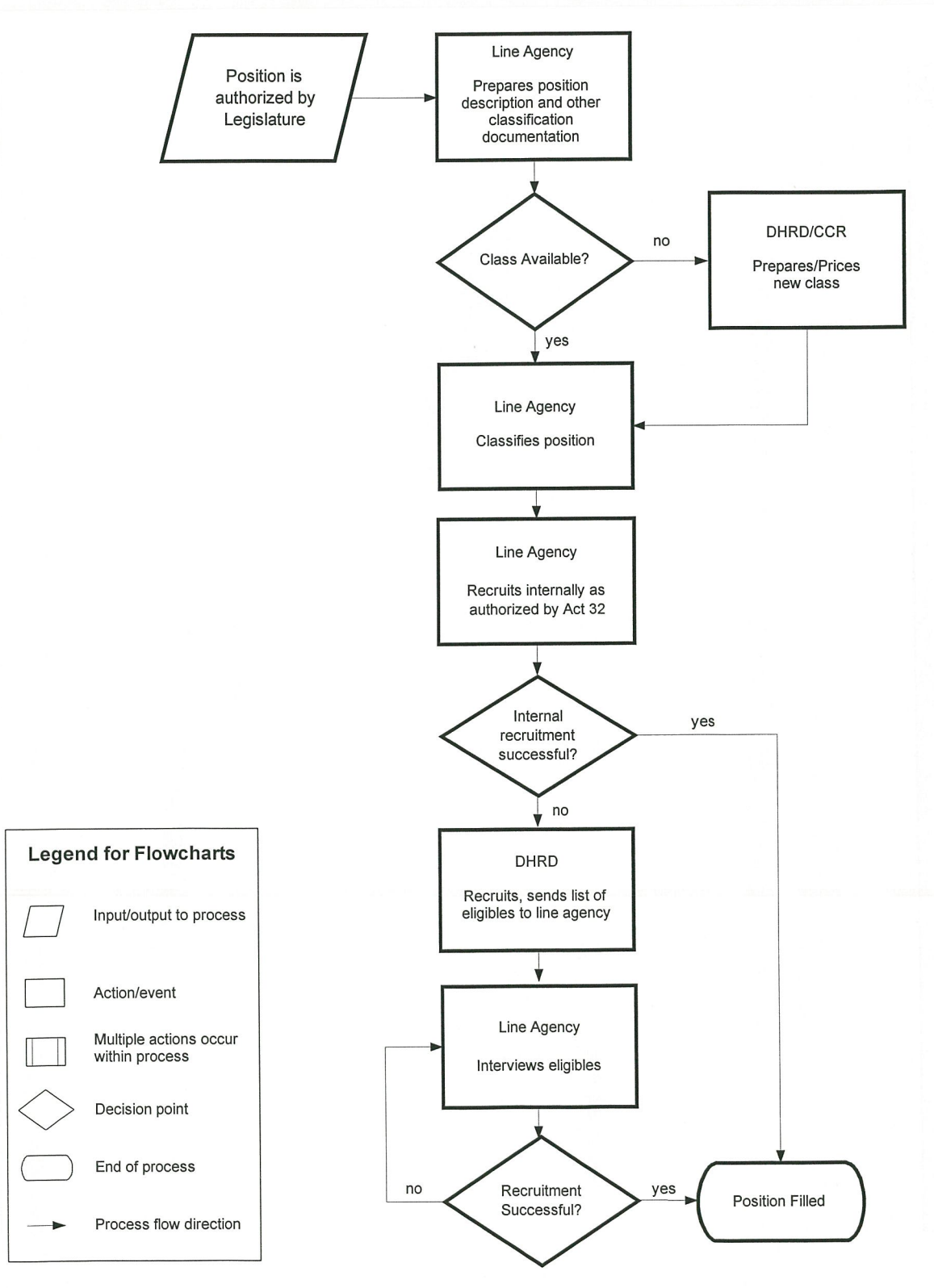
Exhibit 2.1
Department of Human Resources Development*
Organizational Chart
(As of June 30, 1993)



Source: DPS Organizational Charts
 Lt. Governor's Office

*Effective 7-1-94, Department of Personnel Services changed to Department of Human Resources Development.

Exhibit 2.2
Overview of the Civil Service Process



If the position does not fit into an available class, DHRD must develop a new class. If the position does fit into an available class, the agency classifies the position then recruits for the position internally. If internal recruitment is unsuccessful, DHRD helps agencies to recruit and evaluate interested applicants. Outside applicants for civil service positions must apply through DHRD. DHRD ranks applicants according to their examination scores and places the top five on a “Certificate of Eligibles.” These candidates are referred to the line agency to be interviewed.

If the agency does not select any of the applicants on the Certificate of Eligibles, it requests another list from DHRD. New lists are compiled and applicants are interviewed until an applicant is selected.

The following sections discuss the civil service process in greater detail, particularly the process of establishing a position, modifications due to reorganizations and position variances, classifying a position, and recruiting for the position.

Establishing the position

The most critical element of the staffing process is establishing the position. Line agencies cannot recruit for a position until it is established. Authorization by the Legislature is only the first step. Establishing a new position requires preparation of a position description with accompanying documentation and a determination of that position’s classification and salary range.

The time it takes to establish a position appears to vary with the agency and the complexity of the classification process. Generally, line agencies that do not have to rely on DHRD to classify positions may fill a position within nine months. Agencies that rely on DHRD to classify a position may take from 18 to 24 months to fill the position.

Once the position has been authorized, the line manager may again review the position to ensure that it continues to be needed. The manager is responsible for clearly describing and justifying the position and its salary level so that the right person may be found for the job.

The position description is the official written record of the major duties and responsibilities of the position. It is supposed to include:

- The function and purpose of the organizational unit and individual position;
- The major duties and responsibilities of the position and percentage of work time for each activity;

- The supervision to be provided for the position, including nature and type of supervision to be provided;
- Any required licenses, certificates, or other professional requirements;
- Recommended qualifications based upon position analysis; and
- Any other relevant factors such as working conditions, physical requirements or tools/machinery associated with the position.

Completed position descriptions are signed by the line agency director or authorized representative. Other documents completed as part of this process include:

- DHRD Form 206, Position Classification Form, a routing and approval form with basic information on the position; and
- SF 1, Standard Form 1, Request for Position Action, another communication form for position actions.¹

Line agencies generally follow established procedures for reviewing all documentation prior to forwarding to DHRD for classification purposes. If all documents are complete, the agency director approves and transmits them to DHRD. Agencies may take anywhere from one week to six months to complete this review. If a position is tied to an agency reorganization or is a position variance, the review can take even longer.

Additional steps are taken to establish a position when (1) the position is associated with or triggers an agency reorganization; or (2) the agency wishes to change the class of the position (request a position variance). These steps require B&F's and the governor's review, as appropriate, of the reorganization or position variance.

Departmental reorganizations

A reorganization is defined in the governor's Administrative Directive 90-01 as a change to an organization, for example, when an agency creates a new organizational segment or establishes or abolishes a position. Reorganizations are of two types: non-delegated and delegated. Non-delegated reorganizations must be submitted to B&F and the governor for review. Delegated reorganizations can be implemented by the agency itself.

Depending upon the agency and the complexity of the reorganization, non-delegated reorganizations can take from a day to almost one year to

complete. The average is about five months. Delegated reorganizations take from a few days to several months. The average is about one month.

Non-delegated reorganizations

Non-delegated reorganizations involve a change at the branch level or above, such as the creation of a new branch to meet a new federal mandate.

B&F reviews non-delegated reorganizations for compliance with state guidelines. Upon notification by the agency of a proposed non-delegated reorganization, B&F conducts a “pre-submission” conference, at which time the agency’s proposal is informally reviewed. DHRD may also participate in the pre-submission conference. At the conference, B&F identifies issues or concerns that the line agency should address in its formal reorganization proposal. The agency uses this feedback in preparing a draft reorganization proposal. The proposal undergoes internal review in the agency and must be approved by the agency director before its submission to B&F.

B&F reviews the draft proposal to ensure that the supervisory structure and organizational functions are clear and the change is consistent with the organizational unit’s mission. B&F may request revisions to the proposal. The line agency then revises the draft proposal. The agency also solicits union comments as appropriate before submitting its final proposal to B&F. Upon completing its review, B&F transmits the proposal to the governor with a recommendation to approve or disapprove. Non-delegated reorganizations cannot be implemented without the governor’s approval.

Delegated reorganizations

Delegated reorganizations are reorganizations below the branch level. An example would be the creation of a new section with existing personnel without changing supervisory arrangements.

Delegated reorganizations are processed more quickly than non-delegated reorganizations. The director of the line agency approves the concept and designates appropriate line staff to develop the proposal. When the proposal is developed, it is reviewed within the agency then approved by the agency director. Delegated reorganizations require only the approval of the agency director and are not submitted to B&F.

Position variances

B&F may also be involved when line agencies request a position variance. A position variance is a request to reclassify a vacant position. For example, an agency that needs a secretary may ask that a vacant

clerical position be reclassified as a secretarial position rather than wait for legislative authorization for a new secretarial position.

Position variance actions are governed by Administrative Directive 90-13. As in the case of reorganizations, B&F is only responsible for reviewing position variance requests at branch level or higher. Before any personnel action can be taken on a position variance, it must be approved by the governor.

After the Office of the Governor receives the variance request, it is routed to B&F for review. B&F reviews the request to determine:

- The effectiveness and efficiency of the proposed variance;
- If the variance is likely to achieve its stated purpose; and
- Whether other more feasible alternative actions are available.

B&F forwards the variance request together with its recommendation to the governor to approve or disapprove.

Classifying positions

Classification is the process of grouping positions into classes based on similarities in the kind and level of work performed and the qualifications required for performing the work. For example, a group of positions is classed as “clerical and allied.” Within the class, positions are further classified as clerks, clerk typists, clerk stenographers, secretaries, and so on. These classifications may be further broken down and grouped into a series according to skills, supervisory responsibilities, or duties. For example, the secretarial series is further classified according to varying responsibilities and skill requirements into Secretary I, II, III, and IV.

Every state position is subject to this type of classification. Line agencies cannot establish and fill any position until it has been placed into an existing class or a new class. Currently, the state civil service system has approximately 1,800 classes.

Since September 1994, line agencies are responsible for classifying positions in existing classes. DHRD still has responsibility for establishing new classes.

Establishing a new class

The most time-consuming aspect of the classification process occurs when CCR has to establish a new class. Only one percent of all new positions require a new class.

Many steps are involved in establishing a new class. The extended nature of this process is shown in Exhibit 2.3. A classification specialist from CCR first reviews a request and determines if an existing class may be used. If so, the classification specialist notifies the line agency and certifies the selection of a class for the position. If a new class is necessary, a classification specialist may meet with the R&E staff to define the minimum qualifications for the position. R&E personnel help to identify measurable qualifications and methods to test applicants for the minimum qualifications.

The classification specialist must conduct research on relevant occupations; conceptualize further the knowledge, skills, and abilities required; and compare the new class with existing classes. The specialist compiles the results of this research into a report on the new position. Draft specifications or minimum requirements are prepared for the proposed new job classification and sent to the agency for review and comment. To comply with interjurisdictional requirements, the proposed class specification is also sent to the four counties for review and comment. When the comments are received, DHRD must review them and revise the class specifications as needed. The information collected is also used to establish the salary range for the proposed classification.

Once these steps are concluded, the specialist recommends approval of the position description and classification and designates whether the position is to be included in collective bargaining. The classification branch chief reviews and approves the final decision on a new class. As part of DHRD's reform efforts, some classification actions have been delegated to line agencies.

Classification actions delegated to agencies

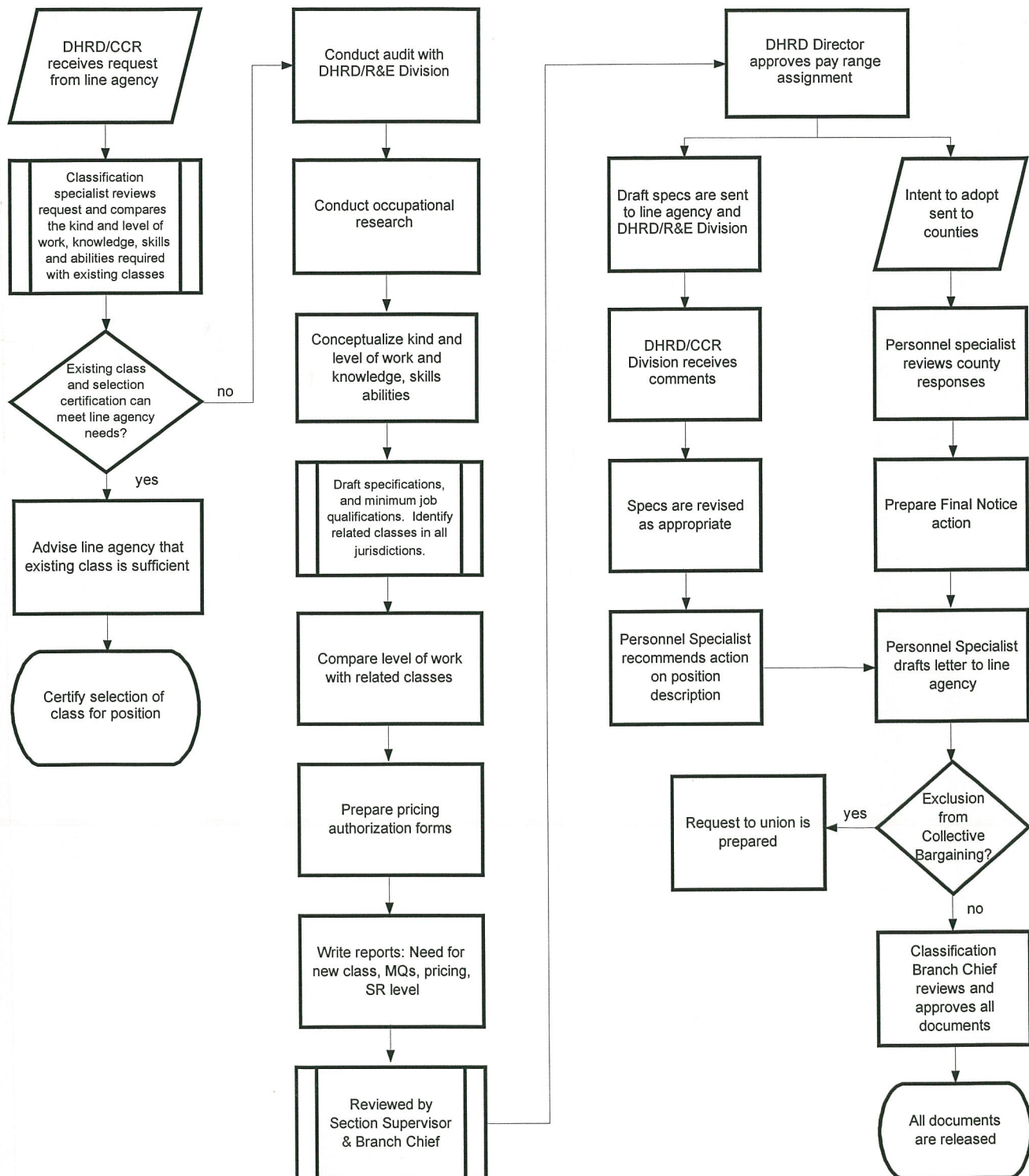
Beginning in December 1992, DHRD offered the line agencies authority over classification actions. Since September 1994, DHRD has delegated classification actions for existing classes to all line agencies. DHRD retains the responsibility for any new classification that might be needed and for classification of executive level personnel.

DHRD has a memorandum of agreement with each line agency that has been delegated full authority for classification. The memorandum and a DHRD post-audit serve as a guide and check to ensure that delegated classification actions are properly executed.

Recruitment

The recruitment process is much less complicated and time consuming than the classification process. The recruitment process has been further streamlined by Act 32, SLH 1992.

Exhibit 2.3
Process of Establishing a New Civil Service Class



Act 32

Act 32, SLH 1992 was an attempt by DHRD to expedite the recruitment process. The act exempts the State from complying with the detailed requirements for filling vacancies under HRS 76-23, such as using the list of eligibles. The new policies have enabled some line agencies to fill positions in two to four months. Two policies stem from the Act—the Direct Hire Policy and the First Consideration Policy. Both policies have drawn mixed reviews.

Direct hire and first consideration policies

The Direct Hire Policy is currently a pilot program that applies only to the positions of clerk typist and clerk stenographer. Applicants who have successfully passed the examinations for these positions are issued an eligibility certificate. Applicants may then apply directly to agencies recruiting for these positions without having to be referred on a list of eligibles. This policy gives agencies more flexibility since they are no longer limited to the top five names on an eligibility list. The policy may also reduce processing time because it eliminates the eligibility listing step in the hiring process. However, agencies may have a heavier work load because they may have to screen a larger number of applicants.

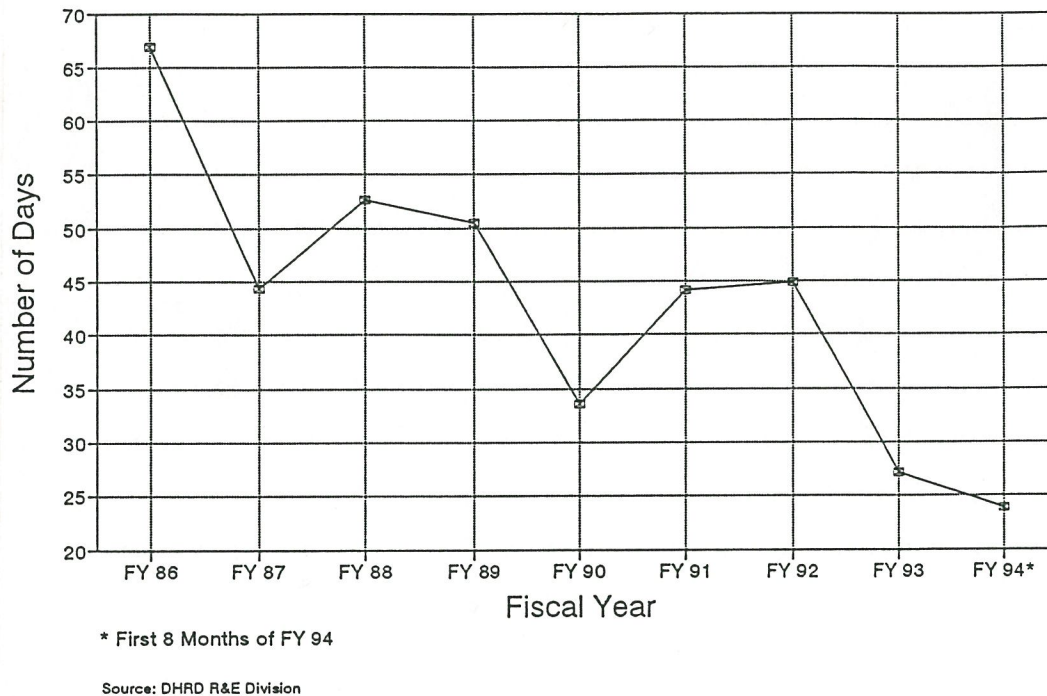
The First Consideration Policy gives state employees the first opportunity to apply for vacant positions. This policy is part of DHRD's commitment to create career opportunities within state government. Under this policy, each agency must first recruit from among its own staff by publishing an "Internal Vacancy Announcement." If no qualified internal applicants are found, the agency can obtain a list of outside eligible applicants from DHRD. The agency may also consider transfers or demotions from other agencies. Since the policy imposes an additional step in the recruiting process, the actual time to fill a vacancy may increase.

Recruitment and Examination Division

The R&E Division at DHRD is responsible for sending a certified list of eligibles to hiring agencies. R&E develops an appropriate examination, tests and screens applicants, ranks them, and generates a certified list of eligible applicants.

R&E had almost 4,000 requests from agencies to fill civil service vacancies in 1993. Almost 40 percent of the vacancies were filled from names on certified lists. As shown in Exhibit 2.4, R&E has reduced from 67 days to 24 days its turnaround time for providing agencies with a list of eligibles.

Exhibit 2.4
Average Time For Agencies to Receive List of Eligibles



R&E may also advertise and recruit to fill vacant positions. The line agency is responsible for interviewing applicants on the list and making a selection. This may take from two to six weeks. Once a selection has been made, R&E reviews the selection to ensure that the appointment follows civil service guidelines. When an agency receives a list of eligibles from DHRD it may take anywhere from two to six weeks to interview and evaluate the candidates on the list.

The Exempt Process

In creating the civil service system, the State excluded some specific positions from civil service. It recognized that not every position in state government is suited to a merit system classification. Over time, the Legislature has also exempted selected categories of positions. Section 76-16 identifies 26 categories of positions that are exempt from civil service.

The exemptions include personnel of the Hawaii National Guard, positions filled by contract, temporary positions, legislative positions, department heads, deputies, first assistants, deputy attorneys general, certificated personnel of the Department of Education, employees in the Office of the Governor, and others.

DHRD has adopted administrative rules providing general provisions and conditions on exempt service. The provisions exclude exempt positions from state civil service and compensation laws, from selection based on merit competition, and from classification and compensation requirements. In addition, agencies do not have to use internal vacancy announcements (first consideration) or certified lists in recruiting. However, exempt positions are not excluded from collective bargaining.

Except for positions authorized as exempt by the Legislature, the director of DHRD has authority to determine when a position is exempt from civil service. Line agencies may request that a new position be exempt by submitting to DHRD a Form 150, "Position Review for Civil Service Exemption" along with a completed position description and Standard Form 1 (SF 1, "Request of Position Action") to DHRD when classifying a position. Form 150 includes the agency's narrative justification for the request for exemption. The line agency may not change a civil service position to an exempt position. However, the agency may use funds from a vacant civil service position for an exempt position.

Establishing an exempt position

The Legislature may exempt a position at the time it is authorized. Line managers may also establish the need for an exempt position by showing that the program's needs are best met by an employee in an exempt position. Typical justifications include:

- Pilot or demonstration project and needs for special expertise;
- Work that is of a temporary nature; or
- Higher compensation to attract qualified candidates.

Following authorization of the position by the Legislature, agencies review the position to determine if a need still exists and funding is available. Line managers decide on the desired class and series rating, develop a position description, justify the need, and prepare other required documents. The agency personnel officer then reviews the documents. The personnel officer is also generally responsible for determining whether a reorganization will be involved and whether the agency has been delegated the authority to complete the proposed

exempt personnel action. If the agency has been delegated authority, it completes processing and forwards the completed documentation to DHRD for record purposes.

If the agency has not been delegated authority for the action, it sends the completed position description and other forms to DHRD for review and processing. DHRD may deny line agency requests for exempting a position if the work can be accomplished by a civil service position or is not specifically exempted under Section 76-16, HRS.

As with civil service positions, establishment of exempt positions also may be associated with a reorganization. In those cases, a reorganization proposal must be submitted to B&F for review.

Delegation of exempt authority

To reduce delays in approving exempt position actions, in 1992 the director of DHRD delegated to all agency directors the authority to establish exempt positions for 23 of the 26 categories of exemptions in Section 76-16.

Excluded from delegation are subsections (2), (3), and (15) of Section 76-16. These subsections cover: (1) positions filled by persons employed by contract for special and unique services that do not exceed one year; (2) positions of a temporary nature where recruitment through normal civil service recruitment procedures is not practicable; and (3) part-time positions filled by persons employed on a fee, contract, or piecework basis where it is impracticable to ascertain or anticipate the portion of time to be devoted to the service of the State. Examples of this last category are emergency medical service physicians, crash fire rescue crew members, and air traffic controllers.

With delegation, line agencies have greater authority, control, and responsibility to manage the exempt process. DHRD's role is limited to reviewing the actions for compliance with applicable state law and notifying the proper bargaining unit of the action.

The DHRD Administrative and Audit Division (AAD) becomes involved with requests for exemptions for positions on a fee, contract, or piecework basis. Line managers follow standard procedures for preparing and submitting the required documentation to their departmental personnel officer. The departmental personnel officer forwards the documents to AAD. The division verifies that the request is permitted by the appropriate subsection of Section 76-16, HRS. If the paperwork is in order, AAD completes its processing and forwards the request to CCR if there is a need to establish a new class. CCR reviews the request with the appropriate bargaining unit and then returns the materials to the line agency. Upon receipt of the completed paperwork, the line agency may proceed to recruit for the position.

If a new classification is required, CCR goes through the same process as it does for civil service positions. Once the position is classified, CCR returns the completed paperwork to the line agency and the position may be filled.

Each agency follows its own recruitment and hiring procedures for exempt positions. Exempt recruitment is considerably faster than civil service recruitment. In some instances the agency has already selected the person. Line agencies indicate that this process takes between two weeks and two months.

Chapter 3

Recommendations

The Department of Human Resources Development (DHRD) has begun to change its approach to staffing state agencies. This change embraces many current trends in civil service reform. However, the initiatives are not sufficiently comprehensive to fully reform Hawaii's staffing process. DHRD, the Department of Budget and Finance (B&F), and the line agencies must be prepared to make a long-term commitment to civil service reform. The classification process needs to change. Parameters need to be placed on the exempt process. Finally, B&F should take the initiative to clarify and simplify agency reorganizations.

Summary of Recommendations

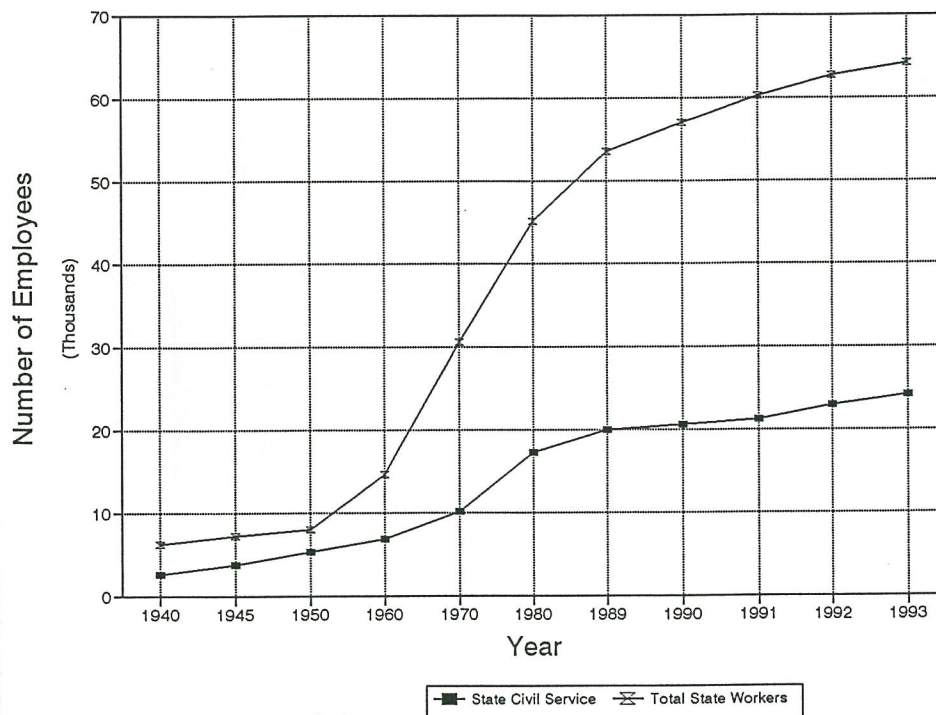
1. The Department of Human Resources Development should provide long-term commitment and leadership to the reform effort.
2. A primary focus of the reform effort should be to simplify the system of classifying positions.
3. DHRD should establish clearer rules to govern the process for exempt positions.
4. The Department of Budget and Finance should clarify and expedite the reorganization process.

Long-term Commitment and Leadership is Required

Short-term remedies to Hawaii's state personnel crisis are inadequate. Effecting change in the staffing process will require DHRD, as the lead agency in that process, to continue a fundamental commitment to reform. DHRD will also need to exert leadership in reforming the system by identifying what no longer works, replacing ineffective methods with processes that do work, and helping line agencies assume new responsibilities.

Hawaii's civil service system is antiquated. It was established in 1939 and in the past 50 years has grown seventeenfold to cover over 24,000 employees (see Exhibit 3.1). Current methods of classification and auditing may have been suited to a system with less than 1,400 employees. However, these processes are too labor intensive and cumbersome to match the needs of Hawaii's largest employer.

Exhibit 3.1
Growth of State Employees
Civil Service and Total Employees



The high turnover rate among young professionals and the projected number of retirements will only exacerbate personnel issues facing the state.¹ Short-term solutions and intermittent attention to the civil service crisis will not address the multitude of problems facing Hawaii's personnel system. Fortunately, DHRD has begun to adopt some reforms to accommodate changes in the nature of work, the size and diversity of the State workforce, and competition from the private sector for skilled employees.

Current reform efforts can be largely traced to a series of consultations between DHRD and line agencies in 1991 and to a subsequent Civil Service Reform Conference sponsored by DHRD to assess the entire state civil service system. DHRD later initiated some significant reform efforts focusing on a "quality customer service" orientation and more partnerships with line agencies. However, two of the most fundamental problems identified in 1991 continue to plague the civil system: (1) difficulties in filling positions, and (2) classification delays. Solutions to these problems may be forthcoming from other state and federal civil service reforms.

Civil service reform is a nationwide trend

Reform of civil service systems is on the agenda of both federal and state governments. Civil service is intended to ensure hiring based on merit rather than patronage. Applicants are supposed to be selected based on objective measures of competence. However, civil service is the target of increased criticism that it is inefficient, unnecessarily complex, and unresponsive to government's needs.

Civil service reform in other jurisdictions includes:

- Decentralizing personnel actions to line agencies;
- Transforming the role of the central personnel agency from controlling to facilitating personnel actions; and
- Simplifying the method of civil service job classifications.

The move toward greater decentralization stems from a recognition that effective staffing results from a shared partnership between line agencies and the central personnel agency. Personnel actions that can be handled most effectively by the line agencies should be delegated to them.

Transforming the role of the central personnel agency involves redefining its role and relationship to other state agencies. The central personnel agency identifies line agencies as its customers and pursues partnerships with them. Its actions are directed toward facilitating rather than controlling the personnel needs of line agencies.

Job classification systems that rely on individual narratives for each position are inefficient, do not meet the purposes of a merit-based personnel system, and are unresponsive to agency personnel requirements. Reform measures in federal agencies and in other states such as Washington and Minnesota reduce the number of classifications into "bands" by type of work rather than by position. This "broad-banding" replaces traditional time-consuming position classification methods by creating a few categories of work based upon common skills or characteristics.

DHRD has initiated some reforms

Recognizing the need to improve the state's personnel system, DHRD has initiated a series of reforms. These are a good start. However, the initiatives will require continuing adjustment and rethinking.

DHRD has focused its reform initiatives on developing a state career service, improving DHRD response to line agency needs, improving DHRD services provided to line agencies, and improving the DHRD work environment. These initiatives have included:

- Passage of Act 32, SLH 1992, and implementation of the Direct Hire Policy and the First Consideration Policy;
- Offering total delegation of classification actions to line agencies; and
- Elimination of unnecessary work and duplication of effort in the Recruitment and Examination Division (R&E).

These initiatives can be strengthened and expanded by ensuring that all DHRD personnel are committed to the reform effort and by adopting a method of broad-banding classes of work as is now being initiated in other states and the federal government.

***Commitment to reform
should permeate DHRD***

The DHRD mission is to provide timely and responsive service to line agencies to enable them to staff their programs efficiently. DHRD also has the duty to provide leadership and guidance to the agencies. Despite DHRD's best efforts, some line agencies are not convinced that reform intentions, as reflected in more timely and constructive assistance, have permeated DHRD. The director, the division heads, and the branch chiefs should ensure that the entire agency continues to develop ways to streamline the civil service system.

DHRD has improved in responding to agency needs, but more needs to be accomplished. R&E has reduced turnaround time in providing a list of eligibles from 67 to 24 days. The turnaround time for processing existing classes of work has also reportedly improved. However, line agencies note that it still takes DHRD 18 to 24 months to classify positions for new classes of work. The Classification and Compensation Review Division could duplicate R&E's improvements if it critically reviewed the division's workflow and procedures to eliminate methods and procedures that delay the classification process.

Developing partnerships with line agencies does not relieve DHRD of the responsibility to help agencies be more efficient. Some line agencies have excessive personnel procedures. One agency we examined in the audit required personnel documents to undergo five layers of review before they were transmitted to DHRD. The agency reported that these multiple layers of review were designed to insulate the agency against DHRD criticism and to reduce the chance that DHRD will question the proposed action. DHRD should work with such agencies to streamline their review.

***Classification system
is a major problem***

In 1992 DHRD offered to delegate classification authority to line agencies. Six agencies responded. DHRD has since given to all line agencies the authority to classify positions that fit into existing

classifications. The result has been to transfer burdensome classification procedures from DHRD to the line agencies.

Although agencies can now classify positions and interview candidates without any direct DHRD involvement, they still must follow the same DHRD classification procedures. The delegation of authority was designed to speed up personnel decisions, improve DHRD responsiveness to line agencies, and initiate partnerships with them. But it is unlikely that the transfer of burdensome classification procedures will meet these objectives.

In addition, the classification system is labor intensive and technical. It will require line agencies to have a sufficient number of agency staff to handle personnel actions and a systematic training program for those staff. Few agencies have trained classifiers to do the classifications. Without training and a sufficient number of classifiers—personnel specialists—the delegation of authority is a burden rather than an assistance to the departments.

The Classification Process Needs To Be Changed

DHRD needs to change the way that state positions are classified. A recent statement by the National Commission on the State and Local Public Service applies to Hawaii:

Sadly, many state and local governments have created such rule-bound and complicated systems that merit is often the last value served....Over the years, the basic purpose of the civil service system has been forgotten: To recruit the most talented among our citizens into government, not to employ legions of classification experts and personnel administrators who spend their days tracing bumping routes and rewriting job descriptions....²

The classification system has its basis in civil service law that requires DHRD to systematically classify all positions “through adequate job evaluation.” However, the law does not specify how “adequate job evaluation” shall be conducted.

The DHRD requirement to classify every position and the large number of job classes are two reasons why it takes 18 to 24 months to classify new positions. DHRD has established approximately 1,800 job classes in Hawaii’s civil service system, and the number of job classes continues to increase. Over 100 new job classifications have been added in the last two years and the classification branch’s work is backlogged. A job description and the development of numerous job classes is unnecessary and wastes state resources.

Broad-banding offers a solution

We believe that DHRD can improve the job classification system by reducing the number of job classes. Currently, the number of state civil service classifications among the states varies from 500 to 7,300—Hawaii has approximately 1,800. Iowa, as part of a phased civil service reform effort, recently reduced its classifications from 1,800 to 950. The federal government has 459.

Broad-banding is one way of effectively reducing the number of job classifications so that the classification process can be more manageable. The National Academy of Public Administration (NAPA) developed a model job classification for the federal government.³ This model is applicable to state government and has been adopted by other states. Essentially, the model classifies work rather than positions. It also groups current job classifications into 10 to 20 occupational families distinguished by similarities in career progression, skill requirements, training needs, and performance management. Each family has three classification levels: (1) entry/developmental, (2) full performance, and (3) senior/expert.

Broad-banding makes classification simpler and also ties salary more closely to performance. It has the following key features:

- Few grade levels and titles;
- Wide salary ranges based upon market pricing and pay equity;
- Career tracks for managerial and technical employees; and
- Skill- and knowledge-based pay for nonmanagerial employees.

Broad-banding gives line managers the flexibility to make salary adjustments within bands without having to reclassify positions. The system permits career advancement within a given field that is not possible under the existing classification system. It also reduces the number of management layers in state government.

Narrative job descriptions can be simplified

In conjunction with broad-banding, DHRD should also reconsider its use of narrative job descriptions. A 1990 study conducted for DHRD recommended that an automated classification system be adopted to replace the narrative job description. Automation should reduce the time required to write position descriptions.

The U.S. Navy instituted an automated system using a microcomputer-based position description generator in 1986. Line agencies using this program can generate generic position descriptions in “a matter of minutes” by answering the computer-generated questions. The position description is used with a “Factor Evaluation Format” that establishes an

appropriate grade for the position description based upon nine factors. Navy units can complete the majority of classification actions in three to four working days.

Hawaii state government can also benefit from lessons learned in the private sector. Locally, a large corporation with over 5,000 employees simplified its job classifications from over 2,000 to 300. The 300 classifications were then banded into job groups. This reform was accomplished in 18 months and the corporation reports marked improvement in meeting staffing needs.

Broad-banding and simplifying job classifications is the responsibility of DHRD but requires the support of the entire executive and legislative branches of state government. Chapter 76 may need to be modified and fiscal resources may need to be committed to this effort.

Guidance is Needed For Exempt Process

Chapter 76, Hawaii Revised Statutes, and DHRD administrative rules do not sufficiently guide the exempt process. The statute does not state the purpose of exempting certain positions. In addition, the administrative rules do not contain clear guidelines that would prevent abuse.

Statute should provide definitions

The authorizing statute, Section 76-16, HRS, does not establish a purpose or rationale for exempt positions. The law merely identifies certain specific positions or categories of positions that are exempt from civil service and grants to the director of DHRD the authority to determine the applicability of the section. Further, the statute fails to provide clear definitions for agencies to follow in establishing exempt positions.

For example, individuals employed on contract can be placed in exempt positions under two simultaneous conditions: (1) when their services are “special,” “unique,” or “essential to the public interest”; and (2) when the State cannot fill the position through normal civil service procedures. The statute does not define “special,” “unique,” or “essential to the public interest.” Without clear definitions, agencies have a wide discretion in deciding what is special or unique.

Exempt positions should be distinguished

In some cases work performed by individuals in exempt positions is indistinguishable from work performed by people in civil service positions. Employees in special, research, or demonstration projects approved by the governor can be exempted from civil service. Such projects include the Office of Space Industry under the Department of Business, Economic Development, and Tourism; the Hawaii

Seropositivity and Medical Management Project under the Department of Health; and the governor's Interdepartmental Task Force on International Aviation under the Department of Transportation. Many of the positions in these projects do work like that of civil service positions.

Without clear rules and definitions, agencies have a very difficult time deciding when positions can be made exempt. As a consequence, decisionmaking may appear arbitrary.

Hiring practices are open to abuse

Once an agency has created an exempt position, it is free to fill the position as it sees fit. DHRD administrative rules do not specify how the line agencies should ensure that each person hired for the exempt position meets the criteria justifying that position. DHRD has no procedures to ensure that the person hired by the agency matches criteria as stated in the statute. No administrative oversight has been established to prevent abuse.

Exempt positions and civil service positions sometimes work side-by-side and do the same type of work; however, personnel in exempt positions may receive higher pay or other benefits not received by the civil service employee.

The Department of Budget and Finance Should Clarify Reorganization Process

B&F can play a significant role in simplifying the staffing process. Delays in agency reorganizations hinder agencies in filling positions. If a position is connected to a reorganization, the position cannot be filled until the reorganization has been approved. The reorganization process, therefore, should be clarified and simplified so that agencies can fill positions as quickly as possible.

During our audit, agencies expressed concern that the reorganization process is cumbersome and arbitrary. Reorganizations at branch level or above, known as non-delegated reorganizations, must undergo an extensive review by B&F. This process is officially guided by Administrative Directive 90-01 which outlines the policies and procedures for implementing organizational changes in state government. B&F is currently revising the directive to clarify policies and procedures.

Line agencies complain that B&F does not provide consistent and clear guidance about how to effect an organizational change. They point out that feedback is inconsistent, that the entire review and approval process takes too long, and that decisions are arbitrary.

B&F has not made clear the purpose of its review or defined what a reorganization encompasses. Other than the governor's administrative directive, no document describes the purpose of the process and the guidelines used in the review. Consequently, line agencies have no clear guide for what "triggers" a reorganization. One line agency reported that providing a staff person with a clerk/typist unnecessarily triggered a reorganization.

B&F sometimes takes a long time to complete its review. The average timeframe for non-delegated reorganizations is approximately five months, but the process can take much longer. Our review of the reorganization files at B&F found some non-delegated reorganizations had been reviewed and approved within a week while others took up to 300 days to complete.

Administrative Directive 90-01 refers to reorganizations as "changes in organization." The directive should be revised to give a clear explanation of how and when to institute a reorganization. B&F should give line agencies clear guidelines on the management and organizational principles it uses in reviewing requests for reorganization.

Conclusion

Hawaii's state government has become increasingly complex over time as it adjusts to meet new needs. The state's civil service system during the past 50 years has become less effective in achieving its goal of providing qualified personnel for the state agencies. DHRD appears to recognize the inefficiencies in the current system and is instituting reform measures. In our review and description of the state staffing process, we identified ways in which the civil service system reforms can be expanded. In essence, we believe the process should be much simpler to understand and less complicated to administer.

Although many state governments are actively contemplating reforms of their respective civil service systems, Hawaii can, by implementing our recommendations, be one of the national leaders in this effort. Now is an opportune time to refocus DHRD's reform efforts. DHRD recognizes the need, line agencies are supportive, and circumstances dictate it. Although DHRD must play a leadership role in civil service reform, the Legislature and the governor's office can provide much-needed administrative and fiscal support to this endeavor.

Recommendations

1. The Legislature should support efforts to reform the civil service system by amending Chapter 76 to:
 - a. Liberalize provisions on position classification; and
 - b. Clarify the rationale for and categorization of exempt positions.
2. The Department of Human Resources Development should continue to play a leadership role in reforming the civil service system. As part of this effort, the agency should:
 - a. Work in partnership with other line agencies and help agencies to simplify and expedite their internal personnel processes;
 - b. Move towards a “broad-banding” classification system; and
 - c. Issue guidelines on the use and applicability of the exempt process and establish oversight of the process.
3. The Department of Budget and Finance should develop a clear set of guidelines and principles for agencies to follow in instituting reorganizations.

Notes

Chapter 1

1. Gore, Al, *From Red Tape to Results: Creating a Government that Works Better & Costs Less, a Report of the National Performance Review*, Washington, D.C., U.S. Government Printing Office, 1993, p. i.
2. Hawaii, The Department of Business, Economic Development and Tourism, *The State of Hawaii Data Book 1993-94 A Statistical Abstract*, Honolulu, June 1994, pp. 252, 277, 299.
3. Hawaii, Department of Personnel Services, *Total Recap Summary of Employee Roster as of December 31, 1993*, Honolulu, Jan. 11, 1994.
4. Hawaii, *Data Book 1994*, p. 252.
5. Hawaii, *Total Recap Summary*.
6. Hawaii, University of Hawaii, Manoa Social Science Research Institute, *State of Hawaii, Civil Service Demographics Analysis*, Honolulu, August 1992, p. 3-23.
7. "Retirement Plan May Draw 2,100," *Honolulu Star-Bulletin*, August 9, 1994.

Chapter 2

1. Standard Form 1 (SF 1) was developed by B&F over 20 years ago as a budget control form. According to B&F, SF 1 is no longer used for this purpose. The form is now used by DHRD and the line agencies as a communication form for position actions.

Chapter 3

1. Hawaii, University of Hawaii, Manoa Social Science Research Institute, *State of Hawaii, Civil Service Demographics Analysis*, Honolulu, August 1992, pp. 3-2 and 3-23.
2. National Commission on the State and Local Public Service, *Hard Truths/Tough Choices, An Agenda for State and Local Reform*, The Nelson A. Rockefeller Institute of Government, State University of New York, 1993, pp. 24-25.

3. National Academy of Public Administration, *Modernizing Federal Classification: An Opportunity for Excellence*, Washington, D.C.: July 1991.

Responses of the Affected Agencies

Comments on Agency Responses

We transmitted a draft of this report to the Department of Human Resources Development and the Department of Budget and Finance on December 2, 1994. A copy of the transmittal letter to the Department of Human Resources Development is included as Attachment 1. A similar letter was sent to the Department of Budget and Finance. The responses from the Department of Human Resources Development and the Department of Budget and Finance are included as Attachments 2 and 3 respectively.

The Department of Human Resources Development expressed appreciation for the audit of the staffing process. The department provided information on the delegation of classification actions which was incorporated into the report. It also agreed with the findings on the exempt process.

The Department of Budget and Finance agreed with the recommendation to develop a clear set of guidelines and principles for agencies to follow in instituting reorganizations. The department noted that it has already begun to revise its procedures for the elements under its control.

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



MARION M. HIGA
State Auditor

(808) 587-0800
FAX: (808) 587-0830

December 2, 1994

COPY

The Honorable Sharon Y. Miyashiro, Director
Department of Human Resources Development
Keelikolani Building, Room 420
830 Punchbowl Street
Honolulu, Hawaii 96813

Dear Dr. Miyashiro:

Enclosed for your information are three copies, numbered 6 to 8 of our draft report, *Audit of the Process of Staffing State Programs*. We ask that you telephone us by Tuesday, December 6, 1994, on whether or not you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Monday, December 12, 1994.

The Department of Budget and Finance, Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Marion M. Higa
State Auditor

Enclosures

BENJAMIN J. CAYETANO

GOVERNOR OF HAWAII



STATE OF HAWAII

830 PUNCHBOWL STREET

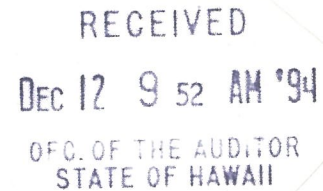
HONOLULU, HAWAII 96813-5081

DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT

December 9, 1994

SHARON Y. MIYASHIRO
DIRECTORLAWRENCE ISHIMI
DEPUTY DIRECTOR

Marion M. Higa
State Auditor
State of Hawaii
465 S. King Street, Room 500
Honolulu, Hawaii 96813-2917



Dear Ms. Higa:

Thank you for the opportunity to comment on the draft *Audit of the Process of Staffing State Programs*.

I commend you and your staff for attempting to unravel and describe such a difficult and complex process. My hope is that your report will help generate the legislative support necessary to maintain the momentum for civil service reform that the Department of Human Resource Development ("HRD") staff has begun. Certainly the report represents a positive contribution in the difficult task of unwrapping the fifty years of red tape that has been choking the state's personnel system.

Our comments are as follows:

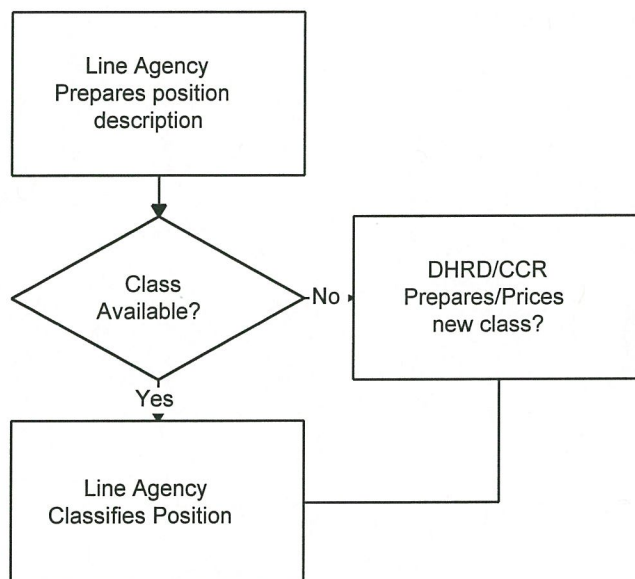
1. Delegation of Classification Actions. As of September 1, 1994, HRD has delegated classification actions for existing classes to all eighteen state departments. The delegation was preceded by extensive training of pertinent line agency personnel staff: all Departmental Personnel Officers and over 50 other specialists were provided extensive training during the period May through September 1994.

This delegation makes some of the report findings obsolete. For example, HRD Form 219 is no longer used. (page 10) HRD's Classification and Compensation Division (CCR) is now able to give priority to the development of new classes (page 13).

Thus, to reflect the current classification process, you may wish to amend Exhibit 2.2 as shown on the following page.

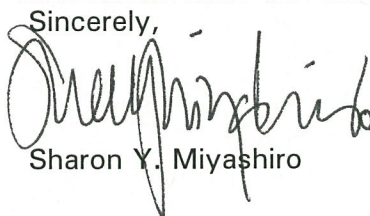
For the record, we should also note that during your review period at CCR, the average time to classify a vacant or new position was 11 days and 32 days respectively (page 9).

Exhibit 2.2



2. Exemptions. We agree with your findings regarding the exempt process. One possible approach would be to give the Governor a specified number of temporary exempt positions limited to his or her term of office. These positions could then be assigned to the departments according to need. This approach would be similar to the existing exempt service in the Federal government, and would enable better accountability than currently exists with the various legislatively enacted exemption categories within Section 76-16, HRS.

I hope these comments are useful. Again, I thank you for your support of our efforts and of the need to continue reform of the civil service.

Sincerely,

Sharon Y. Miyashiro



EUGENE S. IMAI
DIRECTOR

DEPUTY DIRECTOR

CELIA L. JACOBY
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII INC
HAWAII PUBLIC EMPLOYEES HEALTH FUND
HOUSING FINANCE AND DEVELOPMENT
CORPORATION
OFFICE OF THE PUBLIC DEFENDER
PUBLIC UTILITIES COMMISSION
RENTAL HOUSING TRUST FUND COMMISSION

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE

P.O. BOX 150
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ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
INFORMATION AND COMMUNICATION
SERVICES DIVISION

December 12, 1994

Ms. Marion M. Higa, State Auditor
Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813-2917

RECEIVED
DEC 12 3 39 PM '94
OFFICE OF THE AUDITOR
STATE OF HAWAII

Dear Ms. Higa:

Subject: Audit of the Process of Staffing State Programs

Thank you for allowing us to respond to your draft report
"Audit of the Process of Staffing State Programs."

The audit report included a review of the process of organizational change as it pertains to the staffing process. In that context, the procedures developed by the Department of Budget and Finance (B&F) were reviewed and a recommendation was made that the B&F should develop a clear set of guidelines and principles for agencies to follow.

Your recommendation is well taken. In fact, as noted to your staff, we have been drafting revisions to our existing procedures. I would, however, like to comment on some of the issues raised in the report.

The B&F has the responsibility to ensure that the reorganization proposals are consistent with legislation, sound management practices and principles, State policies and the operation of the department. This review process also ensures that the reorganization changes are within the authorized State budget provisions.

We are aware of agencies' concerns regarding consistent and clear guidance about how to effect organizational changes. Consequently, we have continuously encouraged agencies to contact our Management Services Branch (MSB) personnel to seek advice and guidance prior to proceeding with a reorganization proposal. Many agencies do contact the MSB before and during

the review of request, and these exchanges have been very successful in reducing the processing time. Agencies have been advised to contact the MSB personnel for both delegated and non-delegated reorganization proposals.

The B&F's review of organizational proposals is intended to ensure that the proposal addresses the problems, inefficiencies and ineffectiveness of the current organization structure and provide data, if available, to justify changes in the structure. The agency is asked to provide information on how the proposed structure will improve efficiency and effectiveness in the delivery of services and program effectiveness.

Regarding the issue of timely review, our experience of processing reorganizational proposal indicates approximately 20 calendar days between the time the proposal is received by the MSB and the pre-submission conference, and 10 calendar days between the pre-submission conference and the B&F's memorandum on the pre-submission conference issue and concerns. Draft revisions of the proposals from the agencies may or may not be required based on the quality of the first draft. If a revision of the draft by the agency is required, our experience indicates that agencies approximately take 2-3 months to submit the draft revisions to B&F. The number of days between when the final proposal is received and the B&F's review and recommendation to the Governor is approximately 20 calendar days. Therefore, the timeliness of our review is often dependent upon the actions of the agencies. The audit report does not distinguish the factors that may delay processing of reorganization requests.

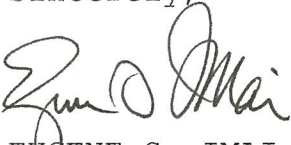
As noted earlier, the B&F is in the process of revising A.D. No. 90-01 to make it more user friendly with samples of the contents of a good reorganization proposal. Proposed inclusions are:

1. Definition of what is a reorganization proposal.
2. Definitions and preferred terminologies for the narrative of the reorganization proposal.
3. Sample formats for:
 - a) Narrative
 - b) Organization and Position Organization Charts (present and proposed)
 - c) Functional Statements (present and proposed).
4. Emphasis on consultation with the B&F.

These revisions should enable the State agencies and this office to facilitate the staffing process.

Thank you for this opportunity to respond.

Sincerely,

A handwritten signature in dark ink, appearing to read "Eugene S. Imai". The signature is fluid and cursive, with the first name "Eugene" and last name "Imai" being more prominent than the middle initial "S".

EUGENE S. IMAI
Director of Finance

Appendix

Glossary of Personnel Terms Used

Broad-banding

A personnel classification system which replaces traditional, narrowly defined positions with broader categories, or bands, of related jobs.

Certificate of Eligibles

The official document through which eligibles are referred for employment consideration for a specific vacancy or vacancies. These names are drawn from the list of eligibles.

Certification

The process whereby the names of qualified persons on the eligible lists are referred to the appointing authority (line department).

Civil Service Law

Chapter 76 of the Hawaii Revised Statutes, as amended.

Civil Service System

The merit system. See merit system.

Class or Class of Work

All positions which are sufficiently similar with respect to their duties, responsibilities, authority and level of difficulty. The same descriptive title is used to describe each position allocated to the class. Basic requirements as to education, experience, knowledge, skills, abilities, and other qualifications apply to each position. The same pay range is assigned to these positions.

Classification

The process of grouping positions into classes on the basis of their similarity with respect to the kinds and levels of work and qualifications required for employee performance.

Class Specification

The official document providing a formalized summary depicting the duties, responsibilities, level of difficulty and authority, and minimum qualifications of a class.

Delegation

The granting of authority from DHRD to the line agencies to conduct, or to assume responsibility for certain actions. Regarding reorganizations, see Reorganization.

Direct Hire Policy

This policy allows applicants meeting certain conditions to apply directly to state agencies for employment. State managers are granted wider discretion in determining the best qualified individuals for temporary and permanent civil service positions. DHRD is currently implementing this policy on a class by class basis. At this time, direct hire only applies to clerk typists and clerk stenographer classes.

Exempt Employee

A person who is appointed to and who occupies a position exempted pursuant to Section 76-16, HRS.

Internal Vacancy Announcement

A recruitment notice announcing the acceptance of applications for a class or position. Such recruitments are restricted to regular employees of a designated department in the Executive Branch.

Line Agency

Any of the 18 recognized departments in the Executive Branch except for the Department of Human Resources Development.

List of Eligibles

The broad pool of applicants who have passed the examination process. See related term, Certificate of Eligibles.

Merit System

The system based on merit principles within the meaning of Section 76-1, HRS, as amended, and Article XIV, Section 1 of the Hawaii State Constitution (Code of Ethics).

Minimum Qualification

The minimum experience, education, licensing, and other special requirements essential for performance in a class of work or a position.

Position

A specific job, whether occupied or vacant, consisting of all the duties and responsibilities assigned or delegated by competent authority, requiring the full or part-time employment of one person.

Position Description

An official written statement of the major duties and responsibilities, organizational relationships, and knowledge, skills and abilities required of a position.

Reorganization

The establishment, modification or elimination of an organizational unit, an office, or a position in state government. It may also include transferring employees from one position to another as well as changing job titles, duties, and responsibilities. Two fundamental types of reorganizations exist:

delegated reorganizations — those which occur below branch level. These do not require the governor's approval. The approval of the department director is needed.

non-delegated reorganizations — those which occur at branch level or above. These require the approval of the governor.

Vicing

Establishing a new temporary position to perform the duties of an existing position when the incumbent of the existing position is unavailable due to an extended sick leave, authorized temporary absence, or other reason.