

**DEPARTMENT OF
GENERAL SERVICES
HUMAN RESOURCES
ORGANIZATIONAL ASSESSMENT
PHASE ONE
FINAL REPORT**

PRESENTED TO:

**DGS GOVERNANCE COUNCIL
STATE OF CALIFORNIA
DEPARTMENT OF GENERAL SERVICES
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June 9, 2008

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June 9, 2008

Mr. Doug Button, Chair
DGS Governance Council
Department of General Services
707 Third Street
West Sacramento, California 95605

Dear Mr. Button:

Enclosed is our Phase I final report of findings on the Department of General Services (DGS) Human Resources Organizational Assessment. This report documents our observations and findings pertaining to our assessment of the current structure and operations of human resources functions. The report also includes high-level proposed recommendations for consideration during Phase II of the study.

Please distribute this report to the members of the DGS Governance Council for their review. We will meet with the Governance Council on June 12 to discuss the report's findings and recommendations. In the meantime, please feel free to contact me at 916-443-3411 or lli@mgtamer.com if you have any questions or would like to discuss the report in more detail.

Sincerely,

Linus Li

Linus Li
Principal

Enclosure

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EXECUTIVE SUMMARY

BACKGROUND, SCOPE, AND OBJECTIVES OF THE STUDY

The California Department of General Services (DGS) contracted with MGT of America, Inc. (MGT) and Advent Consulting Associates, Inc. to conduct a human resources (HR) organizational assessment. The primary focus of the study is on the Office of Human Resources (OHR), the DGS office responsible for the majority of HR functions. This report assesses current OHR operations and identifies potential opportunities for operational improvement.

This report represents the first phase of a two-phase engagement. The Phase I report is designed to provide a high-level review of OHR based on our research and interviews with DGS employees. The DGS Governance Council (GC) will use the findings and recommendations presented in this report to determine which issue areas will undergo a more targeted and in-depth analysis in Phase II.

The Phase I analysis and findings are organized into the following sections.

- ◆ Processes Working Well
- ◆ Processes Not Working Well
- ◆ Processes that are Not Addressed
- ◆ Interagency HR Comparison
- ◆ Return-to-Work

Following our findings, we present recommendations that address both framework, short-term, and long-term opportunities for DGS to improve HR operations and services. These recommendations are presented collectively in recognition that many of the findings reflect the same general issue areas, including leadership continuity, performance measurement, communication, role clarification, and process efficiency.

Our approach for conducting this HR study was in accordance with the specifications outlined in the DGS Request for Offer (RFO). Specifically, we performed the following core activities:

- ◆ Interview DGS Executive Management, Governance Council, DGS Management Team (Office Chiefs, Assistant Office Chiefs, and major program heads), and representatives of the Office of Human Resources (OHR), and personnel liaisons and attendance clerks to gather information about issues and concerns.
- ◆ Review existing organization charts and policy, procedure, and process documents to understand duties and spans of control, high-level process maps, reporting relationships, tools and technologies that support the selected process, process inputs and outputs, and reporting and regulatory requirements.
- ◆ Interview other stakeholders (State Personnel Board [SPB], Department of Personnel Administration [DPA]), and HR staff from other state departments of similar size and complexity to obtain input about their HR structure, operations, and service level.

The Phase I analysis is based primarily on interviews, focus groups, opinion questionnaires, and the review of OHR documents. Unfortunately, OHR, DGS, and the personnel offices of the other state agencies (Franchise Tax Board, Department of Social Services, and Caltrans) were able to provide us with very little quantitative data regarding their HR operations. Further limiting the analysis, the study team was not permitted to observe or evaluate OHR computer operations due to data security concerns.

DEPARTMENT BACKGROUND

The DGS was created in 1963 when a number of divergent state services were combined into one administrative organization. This move was driven in part by a desire to derive economies of scale by consolidating administrative support functions, such as procurement, real estate, and telecommunications.

Despite sharing support services, the different lines of business that comprise DGS have little in common with one another. Each program has its own appointed deputy director and specific business purpose. As a result, the OHR is effectively required to provide services to several different organizations—each with a distinct set of job classifications and HR needs.

Given the nature of DGS and frequent turnover among the department's executive positions, there has been little stability and continuity in leadership and direction. As a result, the program deputy directors have tended to focus more on maintaining the status quo within their respective program areas rather than address DGS-wide initiatives, such as human resources.

The DGS established the GC as a means to increase the focus on DGS-wide initiatives and provide stability between executive appointments. One of the GC's first actions was to authorize the organizational study of OHR because of the significant impact HR services have on the entire department. All areas of DGS routinely work with and depend on OHR for services, including the hiring of employees, paying of salaries, and administering of benefits. Furthermore, many of the DGS program areas viewed HR as an obstacle to improving operations. The GC contracted with MGT to ensure an unbiased and complete analysis and diagnosis of opportunities for improvement.

SUMMARY OF FINDINGS

Overarching Themes

Throughout our discussion of the topics specific to the study, we highlight two overarching themes pertaining to DGS' efforts to stabilize governance and perceptions about OHR. From a department-wide perspective, these crosscutting issues are critical factors that affect long-term success and warrant attention at an organizational level. These overarching themes are summarized as follows:

- ◆ **Leadership Continuity Is Lacking.** The consensus among department managers is that the lack of leadership continuity, primarily due to turnover among executive positions, has been an obstacle preventing DGS from addressing difficult and organization-wide problems, such as those found in OHR.
- ◆ **Differences in Perception Between Program Areas and OHR.** Our analysis identified strong and pervasive differences in perception of the adequacy of HR services between personnel working in the program areas and those in OHR. In general, program areas

found several HR practices to be underperforming, while many OHR staff did not believe there were deficiencies. This perception gap reflects differences in expectations and a lack of communication, which contributes to the increased tension surrounding OHR practices.

Processes Working Well

Relatively few OHR services were universally cited as working well. However, those OHR functions that were highlighted positively were outside of OHR's two largest operational areas, the Personnel Transactions Unit and the Classification and Pay Unit. To capture the often differing perspectives of DGS program area and OHR employees, the following processes that are working well are grouped into three categories: shared perspective, program personnel perspective, and OHR staff perspective. The processes working well include the following:

Shared Perspective

- ◆ **Labor Relations and Training.** The majority of DGS employees interviewed were satisfied with the services they received from the Labor Relations Unit and the Training and Performance Enhancement Section (TPES). According to interviewees, these units were particularly knowledgeable and customer focused.
- ◆ **Examinations.** Several program area managers noted that the Selections Unit had made a number of improvements over the past year in the scheduling and administration of examinations. In part, this improvement is due to multiple program areas dedicating staff resources to assist the Selections Unit, which had not been meeting examination demand in prior years. The OHR may want to consider adopting a similar model to fund its other operations.

Program Personnel Perspective

- ◆ **Personnel Liaisons.** The program managers agreed that the Personnel Liaison (PL) role was very beneficial in the program's administration of personnel transactions. From their perspective, the PL position successfully serves as a conduit between the program and OHR.

The OHR Staff Perspective

- ◆ **Relations Between OHR and Programs.** The OHR personnel interviewed showed high morale and cited that they enjoyed generally good relations with their coworkers and clientele. Although this sentiment may be accurate, it also may reflect that program area discontent with OHR services has not been communicated effectively to OHR staff.

Processes Not Working Well

The managers and employees cited a number of OHR processes that are not meeting their expectations. Again, these processes were grouped into three categories—shared perspective, program personnel perspective, and OHR staff perspective—to reflect the areas in which the groups' perspectives were aligned and divergent. In addition to staff identifying processes that are not working well, our analysis found a significant discrepancy between program area and OHR perspectives. The processes not working well include the following:

Shared Perspective

- ◆ **Automated Systems.** In general, program and OHR employees cited problems with the automated systems used to handle personnel matters. A common complaint was that the automated Request for Personnel Action (RPA) system was excessively time-consuming due to flawed program design. As a result, the automated RPA process is viewed as an obstacle rather than a time-saving tool. In addition, a number of managers and employees reported that the Activity Based Management System (ABMS), which tracks employee data, was error prone and more complex than systems implemented in other state agencies. However, as mentioned earlier, our ability to analyze these systems was limited due to restricted access.

Program Personnel Perspective

- ◆ **Customer Service.** Program area employees found OHR customer service to be unsatisfactory and a hindrance to getting work done. The following were among the complaints registered by interviewees.
- ◆ **Poor Communication.** The program areas felt that OHR was often nonresponsive to their requests. Specifically, program areas mentioned instances in which the requests they submitted were not acknowledged, executed, or required several follow-up attempts. The lack of communication has hurt program confidence in OHR and led to an increase in program oversight and review of OHR work.
- ◆ **Inconsistency.** Program interviewees frequently cited instances in which the responses they received from OHR were inconsistent with past responses or responses received by other program areas on similar matters. These discrepancies have frustrated program staff, damaged OHR's credibility, and increase program pushback against OHR recommendations.
- ◆ **Obstruction.** The program areas felt that OHR was more control oriented than service oriented. As a result, program managers and personnel found OHR to be an obstacle to achieving important business goals.
- ◆ **Inefficiency.** In line with complaints regarding inconsistency and obstruction, program area personnel believed that some OHR processes were inefficient and unnecessarily burdensome. For example, program staff complained about the requirement to complete Essential Functions Duty Statements (EFDS), which are not required under the state civil service system, but are used by other departments with complex job classifications.
- ◆ **Leadership Continuity.** As mentioned earlier, many program interviewees cited the lack of effective leadership has prevented DGS from developing and sustaining lasting improvements in OHR effectiveness. Without consistent and uniting leadership, shared support services such as HR have been neglected.

The OHR Staff Perspective

- ◆ **Program Expectations.** Many OHR staff felt that the prevalence of senior program managers lacking experience with civil service contributes to the conflict between the programs and OHR because of misunderstandings and unrealistic expectations.
- ◆ **The OHR Staff Resources.** The OHR interviewees regularly mentioned that OHR was chronically deficient in authorized and budgeted positions, especially in the transactions

unit. According to staff, this has led to an increase in mistakes made by the overworked employees who remain.

- ◆ **The OHR Staff Turnover.** According to OHR personnel, high turnover among Transactions Specialists and Personnel Analysts has resulted in an under trained and inexperienced workforce.
- ◆ **Program Request Errors.** The OHR employees contend that the program area PLs frequently submit documentation with errors and omissions. These mistakes slow down OHR work and result in time consuming corrections.

Processes That Are Not Addressed

Our analysis identified several areas not currently being performed that DGS should address to improve its administration and delivery of HR services. These areas are as follows:

- ◆ **Interdepartmental Communication.** The OHR functions should be more closely linked with DGS business priorities to provide a department-wide perspective on HR issues. When viewed in the context of its responsibilities to the entire department rather than the individual program areas, OHR and the program areas' expectations of OHR may be better understood and improved upon.
- ◆ **Quality Control.** The department should adopt more effective quality control procedures in nearly all of its operations. Currently, the department does not set goals for many of its operations and does not track employee and operational performance.
- ◆ **Succession Planning.** With the impending retirement of many senior level staff in the coming years, the department should make efforts to acquire and develop the talent to replace them. Although the department has begun a succession planning effort, it is too early to conclude whether these efforts will be sufficient.
- ◆ **Organizational Development.** The department should consider developing an organizational development function to strengthen leadership practices and facilitate the more effective use of teams and teamwork between programs and HR functions.
- ◆ **Governance Council Assistance.** In order for the newly-formed Governance Council to develop the capacity to confront organizational problems effectively, the department should consider providing the Governance Council with executive and team development assistance.

Interagency HR Comparison

To compare OHR to HR operations of its peers, we interviewed HR managers of other state agencies as well as representatives from the two state civil service control agencies. The results of this comparison include the following.

- ◆ **Common Organizational Structure.** The Department of Social Services, Franchise Tax Board, and Department of Transportation each share a similar organizational structure to DGS and OHR. These departments' HR operations are situated similarly within each department and organize their units according to comparable functional areas.
- ◆ **Absence of Operational Data.** None of the organizations interviewed maintained a significant amount of data on HR operational performance. Based on staffing levels,

DGS appeared to have a similar ratio of OHR staff to department employees as the comparison agencies.

- ♦ **The DGS Has Significantly More Job Classifications.** A notable difference between DGS and the comparison agencies was the number of job classifications managed. Our analysis shows that OHR has a substantially higher number of job classifications and smaller ratio of employees per job classification.

Return-to-Work

Our analysis also included a review of the return-to-work (RTW) functions of workers' compensation and reasonable accommodation (RA). These functions currently report to the Office of Risk Management (ORIM), but had operated under OHR prior to 2004. In particular, we focused on determining the appropriate organizational placement of these functions.

Our analysis of the RTW unit indicates that RTW benefits from the automated systems specific to ORIM and has been effective in lowering costs since moving from OHR. As a result, we conclude that the RTW function appears appropriately placed within ORIM.

Recommendations

As part of the Phase I analysis, we present eight comprehensive recommendations focused on improving HR processes and procedures. We have characterized these recommendations as areas of focus, each of which will entail further exploration and discussion. During the initiation of Phase II, we will develop a detailed work plan addressing our approach for conducting a thorough analysis of the tasks, resources, access, and project support required to develop detailed recommendations for process improvement.

We have structured the recommendations under the assumption that DGS managers and employees will be responsible for conducting the majority of work pertaining to their implementation. Our role, as the external consultant, will be to work primarily with the respective project managers to develop detailed project plans for the development and implementation of recommended changes. Depending on the timing of implementation efforts, we may also provide direction, guidance, and oversight to the designated project manager and the project team. Our overall involvement with the implementation efforts will be gauged by the labor resources allocated in our Phase II budget. Accordingly, the GC will need to identify those recommendations that it considers to be high priority.

The following recommendations have been organized into three groups—framework, short-term, and long-term—that take into account their purpose, priority, and timeframe for implementation.

Framework Recommendation

1. **Adopt a Set Of Guiding Principles for Improving HR Performance.** To provide the GC with direction in making decisions concerning HR functions, we recommend that it adopt a set of high-level guiding principles. These principles will provide the GC with criteria against which progress towards goals are monitored and evaluated. Exhibit ES.1 provides a proposed set of guiding principles that DGS can consider for its use. It is essential that all DGS stakeholders, including program personnel and OHR management reach consensus

on the principles and agree to uphold them when developing and deploying the recommendations.

EXHIBIT ES.1
HUMAN RESOURCES ORGANIZATIONAL ASSESSMENT
GUIDING PRINCIPLES—DRAFT: JUNE 9, 2008

The purpose of these Guiding Principles is to provide direction for implementing recommendations for operational improvement of HR functions. These principles are intended to provide high-level guidance when determining the appropriate courses of action and provide the criteria against which progress towards goals are monitored and evaluated.

FOUNDATION PRINCIPLES

- ◆ The HR function is a critical element of the department’s administration that helps to facilitate the maximization of human capital, the most important asset in the organization.
- ◆ The Office of Human Resources (OHR) is tasked with providing HR services to programs throughout the department in an efficient and effective manner.
- ◆ Leadership throughout the organization, including OHR and the programs, are committed to implementing the recommendations and promoting continuous improvement.
- ◆ Implementation of the recommendations is a top priority throughout the department.
- ◆ The department will maintain simplicity and consistency, where possible, in its human resources processes and practices.
- ◆ The OHR and the programs will strive to achieve an optimal balance between customer satisfaction, productivity, and compliance with personnel-related laws and regulations.

OFFICE OF HUMAN RESOURCES

- ◆ The OHR will establish and maintain a high level of customer satisfaction throughout the department.
- ◆ The OHR will focus on increasing productivity of its functions and activities to support the goals of the programs.
- ◆ The OHR will serve as the department’s guardian to ensure that the department is maintaining compliance with personnel-related laws and regulations.
- ◆ The OHR staff will maintain ongoing communication with the programs on the status of work performed.
- ◆ The OHR will be consistent and strive for simplicity in the methodologies and approaches used to perform functions and activities, to the extent possible.
- ◆ The OHR’s interactions with programs will be solutions oriented, by being proactive in seeking out solutions to programs’ needs.

PROGRAMS

- ◆ Programs will provide thorough, relevant, and timely information to OHR to assist in performing human resources activities.
- ◆ Programs will be responsive to OHR’s requests and will alert OHR of any changes in their needs.

MEASURABILITY AND ACCOUNTABILITY

- ◆ The OHR and the programs will develop quantifiable performance measures to assess progress towards meeting the goals of the recommendations.
- ◆ The OHR and the programs will continuously monitor progress towards meeting these goals.

Shorter-Term Priority Recommendations

2. **Conduct a Detailed, Comprehensive Workload Analysis of OHR to Determine Whether Additional Staffing Resources are Warranted.** Employees from DGS programs and OHR cited inadequate staffing resources as a main factor in inadequate HR services, despite DGS appearing to have staffing levels comparable to other state agencies. A workload analysis would allow the department to determine if a staffing shortage exists and whether any deficiencies can be attributed to workload, productivity, or scheduling.
3. **Expand Communication Efforts Between OHR and Programs to Enhance Mutual Understanding About Issues and Potential Solutions.** The differences in perception surrounding OHR performance and the inability of DGS to address HR concerns internally reflect a breakdown in communication between the program areas and OHR. By increasing lines of communication at both a transactional and policy-making level, department expectations may be realigned and problems resolved in a more timely and cooperative manner.

Longer-Term Enhanced Recommendations

4. **Develop Quantitative Measures of Customer Service in OHR for Periodic Reporting To Internal Customers so that Perceptions can be Clarified About Performance and Accountability.** To help evaluate OHR performance and increase accountability, we recommend working with OHR management to develop procedures to quantifiably measure customer service and serve as a baseline for service quality. These measures will provide OHR with a means of periodically and objectively reporting its performance to internal customers and DGS management.
5. **Expand the use of partnership agreements like those introduced in the Selections Unit to other areas of OHR.** The few voluntary partnership agreements that exist between individual program areas and OHR have proven successful and warrant exploration by other OHR functions. By having program areas dedicate staff to assist in OHR functions, the department may improve customer service through clearer job roles, increased accountability, and improved communication.
6. **Analyze OHR's Automated Systems to Assess Their Costs and Benefits for OHR Operations and Identify Options for Improvement.** Although personnel in the program areas and OHR criticized the automated systems used to track requests for personnel actions and employee information, we were unable to ascertain the nature and extent of the problems because DGS limited our access to reviewing the systems. Given their central role in HR operations and OHR performance, the automated systems should undergo a detailed analysis, in which their costs and benefits are evaluated and compared to alternative systems used by comparable agencies.
7. **Analyze PL and Training Coordinator Roles to Ensure Performance Standards Are Consistent and Enforced, and to Identify Potential Opportunities for Consolidation of Work Functions.** Our review found that the roles of the PLs and training coordinators varied among program areas. As a result, neither the program areas nor OHR had a clear understanding of the responsibilities of these positions, despite relying on the PLs and training coordinators to execute HR requests. By standardizing these positions, the department will be better able to track performance and hold them accountable.

8. **Examine the Costs and Benefits Derived From EFDS Job Descriptions on a Program Level and Department Level Basis to Determine Whether to Change from the Exclusive Use of this Format.** The time and resource intensive EFDS process is often criticized by program area staff as being excessive and unnecessary. However, the OHR, not unlike several other state agency HR units, has chosen to continue using the EFDS to add detail to its job descriptions. A cost-benefit analysis of the EFDS process will allow the department to determine whether it is a process worth maintaining, and if so, the extent to which it should be required.

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1.0 INTRODUCTION

The California Department of General Services (DGS) contracted with MGT of America, Inc. (MGT) and Advent Consulting Associates, Inc. to conduct an organizational study of the Office of Human Resources (OHR). This report assesses current OHR operations and identifies potential opportunities for operational improvement. This is the first phase of a two-phase engagement, which is organized as follows.

Phase I. Identify departmental issues and concerns related to the services and performance of the human resources (HR) structure, processes, and procedures as they currently exist at DGS; assess the organizational structure of OHR; and identify industry best practices for HR service delivery for DGS, utilizing other private and public agencies as potential examples.

Phase II. Based on findings and recommendations identified in Phase I, conduct an in-depth review of the OHR structure and operations as they currently exist; develop recommendations for achieving the most efficient and effective method for delivery of services; report findings, and recommendations, including an implementation plan with time line, legal impacts, and cost.

The Phase I report is designed to provide a high-level review of OHR based on our research and interviews with DGS employees. The DGS Governance Council (GC) will use the findings and recommendations presented in this report to determine which issue areas will undergo a more targeted and in-depth analysis in Phase II.

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2.0 BACKGROUND

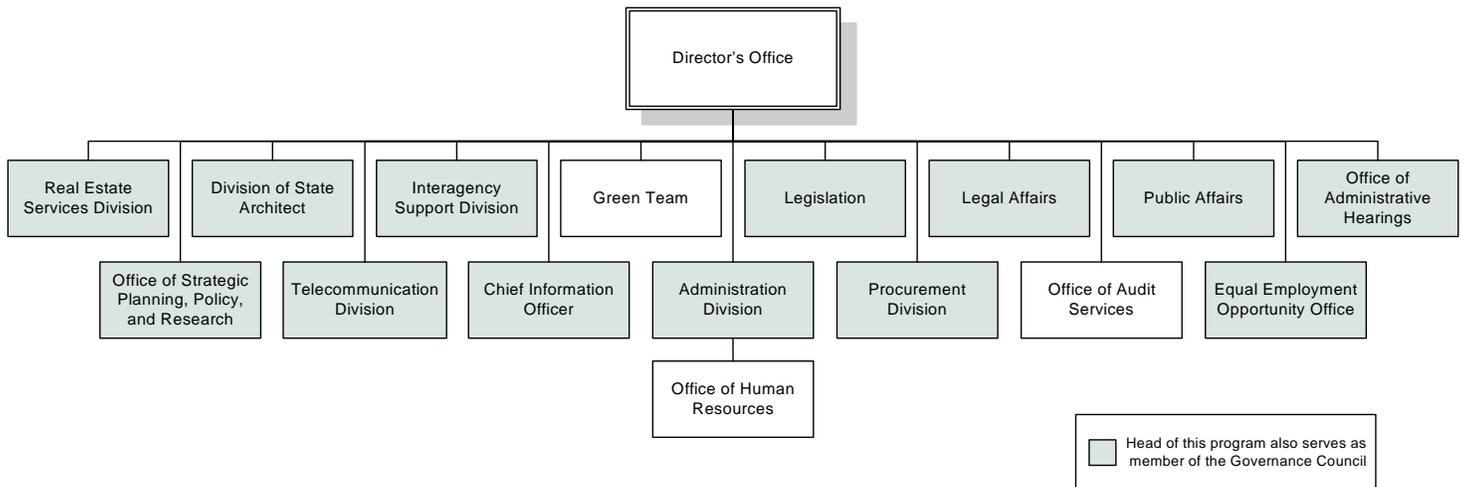
GOVERNANCE COUNCIL

The OHR organizational study was initiated by the DGS GC. The GC, which was established by the executive director in early 2007, consists primarily of program area deputy directors. The GC has been assigned a number of executive management responsibilities, including providing DGS a source of vision, leadership, policy, planning, and enterprise-level decision-making capacity.

An important function of GC is to provide continuity to DGS executive leadership during transitions among executive directors and chief deputy directors. The DGS has recently experienced considerable turnover in its executive positions. In the past six years, DGS has had six different executive directors. The GC is expected to provide a stable alternative source of leadership and direction during future transitions.

Exhibit 2.1 depicts the DGS organizational structure. The program areas that are shaded are led by deputy directors who also serve as GC members.

EXHIBIT 2.1
DEPARTMENT OF GENERAL SERVICES ORGANIZATION STRUCTURE

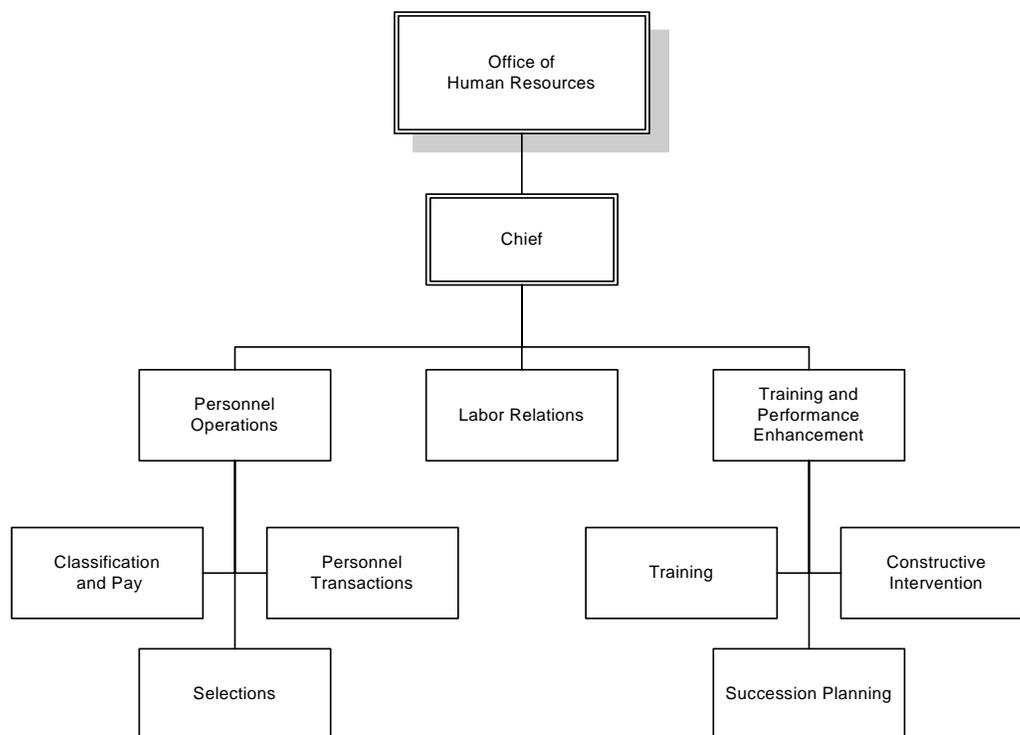


Upon its inception, GC considered a number of potential initiatives aimed at improving DGS services, reducing costs, and increasing efficiency. The initiative that was given the highest priority was the organizational study of OHR. According to GC members, OHR was selected because of the significant impact its services have on the entire department. All areas of DGS routinely work with and depend on OHR for services, such as hiring employees, paying salaries, and administering employee benefits. Furthermore, GC views the study as an opportunity to address a growing sense of conflict between DGS program areas and OHR. The GC chose to contract with MGT to ensure it receives an unbiased and complete analysis and diagnosis of opportunities for improvement.

2.1 THE DGS HR ENVIRONMENT

Exhibit 2.2 illustrates the organization chart of OHR, which is responsible for administering the majority of HR functions throughout DGS. Similar to other state agencies, DGS operates in a standard civil service business environment. The rules and procedures governing civil service HR transactions are established in law and by regulatory agencies, such as the State Personnel Board (SPB) and the Department of Personnel Administration (DPA). These civil service regulations are highly complex and filled with subtleties and situational exceptions that make them difficult to work with.

EXHIBIT 2.2
OFFICE OF HUMAN RESOURCES ORGANIZATION STRUCTURE



In general, state government HR regulations are designed to ensure “due process” by adhering to proper and authorized procedures in employment-related decisions. The civil service rationale is rooted in the concept of government employment being a public benefit. Because government employees are paid with public funds, the ability to share in or benefit from those funds is made equally available to all members of the public. The civil service process attempts to ensure equal opportunity through the impartial and consistent treatment for all potential beneficiaries (including employees and job applicants) of government employment.

As a result, the standards for designing and implementing civil service procedures are fundamentally different from those adopted in private-sector organizations because they fulfill a different purpose. The HR decisions in the private sector tend to be results-oriented

for the sake of efficient cost and time management, while civil service is process-oriented for the sake of ensuring fairness.

Civil service procedures can be very time and labor intensive, and result in HR operations that are quite slow and cumbersome—especially in comparison to their counterparts in the private sector. As a result, it often takes time for managers in the public sector to accept the balance between the limitations and benefits of a civil service system. This transition is particularly difficult for managers who enter public service from the private sector and are not accustomed to the costs, time, and inefficiency that mark the civil service process.

2.2 THE DGS BUSINESS ENVIRONMENT

The DGS was created in the 1960s when a number of divergent state services were combined into one administrative organization. This move was driven in part by a desire to derive economies of scale by consolidating administrative support functions, such as HR administration, finance, and information technology services.

Despite sharing the department name, the different lines of business that comprise DGS have little in common with one another. Each program has a deputy director who—in many cases—is appointed by the Governor and has its own charter, or business purpose, that is established in law. Most of DGS' program divisions operate independently from one another, aside from a core group of administrative support units (for example, Finance, Technology, and Human Resources).

The division between DGS programs has been further exacerbated by the high rate of executive turnover. As previously mentioned, the frequent turnover among DGS' executive positions has led to instability and discontinuity in leadership and direction. During these transition periods, program deputy directors have tended to focus more on maintaining the status quo within their respective program rather than take on DGS-wide initiatives. Until the creation of GC, this business environment prevented DGS from identifying and addressing long-range challenges and DGS-wide obstacles.

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3.0 METHODOLOGY

Our overall approach to data collection was based on requirements described by DGS in a Request for Offer (RFO) as described in Exhibit 3.1. As discussed below, we modified the fourth task based on agreement from DGS on our collective interest in completing Phase I in a timely manner.

EXHIBIT 3.1

ANALYSIS OF EXISTING HUMAN RESOURCES STRUCTURE AND OPERATIONS

1. Interview DGS executive management, GC, DGS management team (office chiefs, assistant office chiefs, and major program heads), and representatives of the Office of Human Resources (OHR), and personnel liaisons and attendance clerks to gather information about issues and concerns.
2. Review existing organization charts, and policy; procedure; and process documents to understand duties and spans of control; high-level process maps; reporting relationships; tools and technologies that support the selected process; process inputs and outputs; and reporting and regulatory requirements.
3. Interview other stakeholders (State Personnel Board [SPB], Department of Personnel Administration [DPA]), and human resources (HR) staff from other state departments of similar size and complexity to obtain input about their HR structure, operations, and service level.
4. Review similar types of data from local governments and private businesses to compile industry best practices.

Analysis of Return-to-Work Function. Our procedures for addressing the return-to-work (RTW) function were slightly different from other aspects of the study. Our data collection and analysis were designed specifically to assess whether the RTW unit was situated appropriately within the organizational structure of DGS. This analysis allowed us to focus more closely on specific aspects of the RTW process in assessing their effectiveness. To help ensure clarity in the description of our methodology and findings, we present this analysis separately in Section 9.0 of this report.

Business and Local Government Best Practices. Our original scope of work included an analysis of HR best practices in the private sector and local governments. Based on subsequent discussions with DGS project sponsors, we determined that data from other state agencies were likely to be of more relevance and value for DGS. Therefore, we agreed to modify Task 4.0 by contacting additional state agencies of comparable size and complexity to learn more about their HR operations. We also expanded our sample of OHR customers to include two independent state commissions that paid for OHR services on an annual contract basis.

3.1 PROCEDURES

We met with managers from the programs and OHR to review and clarify our goals for the study, to identify specific steps and time frames in a project plan, to define our respective roles, and to agree upon our communication of progress. We estimated that a large portion of the data collection time would be involved in the first task—conducting individual and group interviews with internal DGS stakeholders (managers and employees).

Program and OHR Interviews. To address the first task, we performed the following steps:

- ◆ Held individual meetings with the executive director, the chief deputy, and each GC member to learn their respective views of HR operations and how those operations impact their business goals and programs. We also invited the GC members to include any additional managers and staff members in those meetings.
- ◆ Conducted a number of small group meetings with branch chiefs, managers, and supervisors from a variety of program areas to obtain data from a cross section of the organizational hierarchy.
- ◆ Met with personnel liaisons (PLs) from a variety of programs to obtain data on the operational aspects of HR transactions from the program side. We attempted to interview PLs collectively from within each program in order to identify data that might be unique to the individual programs. The size of our PL interviews varied according to the size and number of PLs in the program.
- ◆ Held interviews with managers, supervisors, analysts, and technicians from each of the major units in OHR. We attempted to interview a representative sample from each unit. For instance, we interviewed more staff members from the Classification and Pay (C&P) Unit and the Personnel Transaction Unit because they accounted for the largest portion of OHR activity.

We relied heavily on interviews for information related to the history of issues within DGS that affected HR. During the interviews, we explained the nature and purpose of the study and informed individuals that they would not be identified by name in the report. Personnel from the program areas understood that they were the internal “customers” of OHR services and that their opinions were sought as a basis of discovering and understanding possible improvements in DGS operations. Likewise, OHR employees provided perspectives about operational activities that allowed us to identify areas for improvement.

To help ensure consistency and thoroughness during our interviews, we developed interview guides that were tailored to address the business units and roles of the interviewees. These guides, as identified in Appendix A, contained questions that we presented to all employees, but they allowed for variation between groups to allow us to pursue other areas of interest. Appendix B summarizes the individuals interviewed.

Document Review. To address the second task, we identified and requested various documents that related to HR functions and operations. Our first request included organizational charts, the location of Internet resources for applicable regulations and procedures, and OHR job descriptions. We relied on these materials for many of our broader discussions with managers about the respective roles and processes designated for OHR and program managers in HR transactions.

We requested a second set of documents after becoming acquainted with specific issues and concerns expressed during the interviews. This request was for more specific information, including the HR strategic plan, quality assurance procedures and metrics, and manuals developed for specific purposes. For instance, we used several of the process flowcharts to help guide our detailed discussions with OHR and Office of Risk and Insurance Management (ORIM) employees about the procedures they followed in their respective functions. However, many of the quantitative records we requested were not available because OHR did not maintain them on a regular basis. For example, OHR could not provide us with records on monthly volumes of personnel transactions, numbers of errors or related problems in transactions, or the average

time required to complete specific transactions. Appendix C contains a list of the requested documents.

External Stakeholders. The OHR agreed to serve as our liaison for completing the third task—interviewing outside stakeholders. The OHR management arranged for us to interview a senior level manager of SPB, a control agency with oversight responsibilities for HR practices in DGS. However, we were unable to interview a representative at DPA due to the lack of contact and experience OHR had with the new personnel at the department. The OHR felt that these new personnel had little or no experience with DGS and would not be able to provide us with useful information. However, we were able to rely upon the perspectives of another external stakeholder at the California Department of Transportation (Caltrans), who recently transferred from DPA. In her previous DPA capacity she had C&P oversight responsibilities that included coverage of DGS.

Comparative Data. To address the fourth task, we attempted to gather HR-related data from other state agencies that were of comparable size and complexity. We relied on DGS for contacts with those agencies that would be of interest and we held interviews with the HR managers of the California Department of Social Services, the Franchise Tax Board, and Caltrans. In advance of our meetings with the outside agencies, we developed a data solicitation form, as shown in Appendix D that described some of the specific types of data we were seeking.

Opinion Data. One objective for this study was to collect and analyze both quantitative and qualitative data on the effectiveness of HR transactions and services. Part way through our data collection, however, we concluded that OHR had not established quality control measures for its operations and we could not find any quantitative measures that were maintained on a formal or informal basis. For example, supervisors did not maintain records on the number of transactions processed or the error rates of individual employees. We also discovered that the programs did not maintain quantitative data on their portions of HR operations, such as the number of Request for Personnel Actions (RPAs) returned for rework or further substantiation.

To assist in providing some frame of reference for our analysis, we introduced two versions of opinion questionnaires. Although the content of our questionnaires were somewhat limited, we found them useful in gauging the success of the HR functions. We developed the questionnaires using models from previous employee surveys and used a common form of response scale to simplify the tabulation of results.

One questionnaire focused on assessing perceptions of OHR services both on the program side and on the OHR side. The questionnaire consisted of nine items that focused on respondents' experience with OHR and on their satisfaction with different aspects of OHR services. We administered it to 24 employees—16 in the program areas and 8 in OHR.

After determining that we had a sufficient response rate from OHR staff to compare with the responses from the program staff, we created a second questionnaire for the remainder of our interviews with OHR personnel. The second questionnaire consisted of 18 items and was intended to measure morale and perceptions of the internal working environment, such as supervisory support. We administered it to 13 employees in OHR.

We asked interviewees to complete the questionnaires at the end of our interviews and assured participants that their responses would be reported in aggregate. Appendix E contains templates of the two questionnaires.

SELECTION OF INTERVIEWEES

The method of selecting individuals from DGS programs and OHR to participate in interviews was handled by DGS management at its request. We informed designated coordinators from the programs and OHR units about the areas that we wanted to cover, and these coordinators selected the managers and staff to participate. These participants included members of the GC and any managers and staff members from their respective divisions that the GC members wanted to have included. We also requested interviews with officers of two independent commissions that contracted for OHR services: the California Commission on Gambling Control, and the California Commission on State Mandates.

Interviewees from OHR units included the OHR chief, personnel officer, staff members, and supervisors from each of the major units within OHR. Managers and personnel from ORIM were interviewed as part of an analysis of structural efficiencies for RTW and reasonable accommodation.

It should be noted that many of the members of the GC and other senior level managers in DGS were appointed by the Governor, meaning that these positions were identified as “exempt” from civil service. These positions were typically established by the California State Legislature and their specific areas of responsibility were codified in laws. Many of those managers came to DGS from outside of state service without any prior experience working in a civil service environment. As a result, their comments about personnel transactions often were compared to their work experience in the private sector instead of other governmental agencies. At the time of this study, DGS had a total of 17 management positions that were Governor-appointed.

LIMITATIONS

It is important to note that our findings are primarily based on interviews, observations, and review of documents, rather than empirical data. Interview participants relied extensively on their recollection, with occasional references to notes. Because of the lack of quantitative data, we were not able to clarify or confirm statements about transaction volume, time requirements, and similar process characteristics. Interviewees confirmed that they did not collect or maintain such records.

Interviews and Recollections. Our reliance upon interviews and recollections as primary sources of information has a number of limitations.

- ♦ There is a general tendency to recall a recent event more easily than something that happened long ago. That is particularly true with respect to the details surrounding a specific event. However, the impact of a significant event that occurred years ago may result in a recollection seeming very detailed even though people are known to “fill in” missing information to make the details fit together better. During our interviews, we found it very hard to determine when or whether details were “filled in” by the person describing the event.
- ♦ When interviewees provided stories and anecdotes, it was not always clear when these events took place. When we inquired about the time frames, interviewees were often vague, and tended to reference their stories to other events in their memory (for example, the event being described occurring about the same time as another event). Consequently, we were not able to pinpoint the era in which some incidents took place.

- ◆ We felt very limited in the extent to which we could probe or challenge some of the statements provided. For example, when we tried to confirm an assertion about someone “knowing” the impact of a decision or action, or “intending” a certain type of consequence, we felt that we had to accept the statement at face value. However, there were times when we questioned the accuracy of some inferences made during interviews about the intentions of other people. In our findings, we were judicious in relying more on comments that described factual recollections over those that implied motives or intentions.
- ◆ One aspect that will be apparent across many of our findings is the differences in perspective between interviewees in the program areas and interviewees in OHR. We noticed those differences in nearly all areas of this study and, in the absence of quantitative data, they were often difficult to reconcile. Although both sides recognized that there are areas in need of improvement, the customers of HR services were generally much more displeased with the status quo than were OHR managers and employees.

Technology. In addition to having to rely almost exclusively on interviewees’ perspectives, we learned from OHR that the California State Controller’s Office (SCO) prohibited MGT from viewing any personnel records on DGS computer systems that interacted with SCO. Consequently, we were unable to view any data generated from the systems or obtain any detail about the work processes and technology that supported the HR side of the Activity Based Management System (ABMS), the timesheet system Project Accounting and Leave (PAL), and other aspects of payroll and benefits processing.

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4.0 FINDINGS

This section presents the results from our analysis and any applicable findings and recommendations. At the end of the report, we provide a consolidated summary of recommendations, containing options and priorities that we propose for detailed analysis in Phase II.

As shown in Exhibit 4.1, we based our overall approach to the evaluation of current services on the requirements that DGS described in its scope of work. We were particularly specific in inquiring about items 1 and 2 (procedures that were and were not working well, respectively) in all interviews and focus groups. Inquiries about procedures that are not currently provided (item 3) often evoked hesitation from interviewees. Our findings about services that are not currently provided are based on our own observation and analysis in addition to responses from interviewees.

EXHIBIT 4.1

EVALUATION OF EXISTING OHR STRUCTURE AND OPERATIONS

1. Identify DGS-OHR processes and procedures that currently work well for program operations (input should be specific and quantifiable, where possible).
2. Identify issues, processes, and procedures that may impede program operations (input should be specific and quantifiable, where possible).
3. Identify DGS issues, processes, and procedures currently not addressed or provided that would improve program operations (input should be specific and quantifiable, where possible).
4. Determine industry best practices that are compatible with state civil service laws and regulation.

Our findings about industry best practices were obtained primarily from state agencies outside of DGS and from our experience with large organizations in the private sector. We found that very few of the DGS managers we interviewed had significant work experience with other large state agencies.

4.1 OVERARCHING THEMES

In our discussion of the topics specific to the study, we highlight two overarching themes pertaining to DGS' efforts to stabilize governance and perceptions about OHR. In general, we found that crosscutting issues like these are critical factors that affect long-term success.

LEADERSHIP CONTINUITY

The overriding issue at DGS that affects HR administration is the efforts of DGS to establish (or restore) a continuity of leadership. Executive managers cited this issue in numerous interviews, primarily noting its absence and the effect of that absence on DGS' current issues. Many other senior managers and employees referred to numerous periods of minimal executive direction during prolonged vacancies and changes in directors. Managers' opinions showed a consensus that DGS' frequent and prolonged experiences with the lack of consistent executive leadership led to difficult problems being unaddressed and uncorrected. Therefore, they continued to grow into larger and more complicated problems.

The absence of leadership was evident from complaints by program managers about OHR's chronic and excessive control. Like many other state agencies, DGS has long experienced an inherent conflict between programs' objectives and the civil service regulations enforced by its HR function.

DIFFERENCES IN PERCEPTION

We identified a second crosscutting issue pertaining to relatively consistent differences between program personnel and HR personnel in their perceptions of OHR services. We observed a clear contrast in opinions between staff in the programs and OHR. In our initial interviews with DGS managers, we often heard two versions of the same stories. Each side portrayed the challenges that were constantly being presented by the other side, and how the other side refused or ignored previous efforts to improve processes. Although we were not surprised by these differences, we were concerned about the prevalence to which they seemed to occur.

The responses to one of our questionnaires illustrate this difference in perception. Exhibit 4.2 presents a summary of responses to the questionnaire, which quantifies the disparity. Higher mean scores signify stronger disagreement with the statement in the questionnaire, thereby indicating greater criticism of OHR services.

EXHIBIT 4.2
COMPARISONS BETWEEN PROGRAM AND OHR OPINIONS

No.	STATEMENT	SOURCE	MEAN	N	DIFF P - O
1	The goals and priorities of OHR are clear to me.	Program	3.7	16	1.3
		OHR	2.4	8	
2	OHR keeps us well informed about issues that are important in our work.	Program	3.6	13	1.1
		OHR	2.5	8	
3	Attending HROAG (Human Resources Operations Advisory Group) meetings is a good use of my time.	Program	3.7	9	0.1
		OHR	3.6	7	
4	I know who to contact at OHR with questions and problems.	Program	1.2	13	-0.8
		OHR	2.0	7	
5	OHR understands the difficulties in my job that cause problems for me.	Program	3.5	13	1.5
		OHR	2.0	8	
6	The people in OHR and in the program areas cooperate to get the job done.	Program	2.9	16	0.4
		OHR	2.5	8	
7	When I need help to get an important matter fixed, I can rely on the people I know in OHR.	Program	2.8	13	1.1
		OHR	1.6	8	
8	I believe that OHR management is heading in the right direction.	Program	3.8	13	1.5
		OHR	2.4	8	
9	Overall, I think OHR is doing a fine job.	Program	3.6	16	1.3
		OHR	2.3	8	

Although there were a small number of questionnaire participants, their responses indicated common patterns. For most of the statements, program personnel were more critical of OHR services than OHR staff. On six of the nine questions, program personnel responded an average of a full point higher (more critical) than OHR personnel. For the nine statements, the

average rating by OHR employees was 2.4, as opposed to an average of 3.2 for program employees.

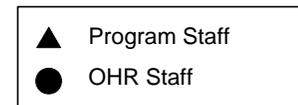
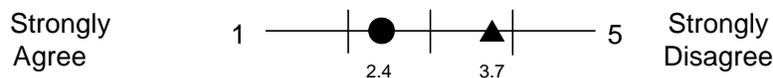
Exhibit 4.3 identifies a few questions in which the respondents differed significantly in their perceptions. For instance, the final item in the questionnaire (statement 9) was intended to be an overall assessment of OHR. Employees who work in OHR generally agreed with the statement that OHR is doing a fine job, while employees in the program areas disagreed. This general pattern was similarly reflected in employee responses to several other statements about OHR's roles and responsibilities.

To the extent that the statements included in this questionnaire are representative of issues prominent in DGS, we believe that the findings described in the following sections illustrate a pattern of dysfunction. People are observing and interpreting the same events in different ways and drawing different conclusions. It appears that any communication between the two sides is not effective in creating or sustaining a common frame of reference.

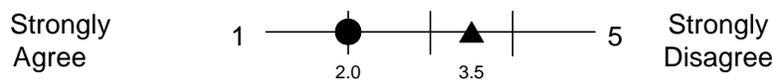
We strongly believe that persistent and sizeable differences in perception contribute to conflict between program and OHR personnel. At this point, it is not readily apparent whether individuals disagree on the actual facts or in their interpretation and evaluation of those facts. However, the questionnaire results seem to indicate that OHR personnel and program personnel are using different information as the basis for their opinions.

EXHIBIT 4.3 EXAMPLES OF DISPARITY IN PERSPECTIVES

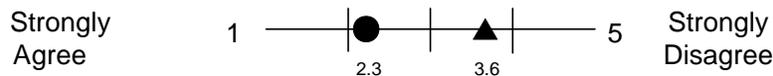
1. The goals and priorities of OHR are clear to me.



5. OHR understands the difficulties in my job that cause problems for me.



9. Overall, I think OHR is doing a fine job.



Recommendation. To avoid persistent differences in perceptions and opinions, OHR should begin a process to regularly measure their service quality and customer satisfaction. This process might begin with the identification of measurable criteria for their services. Depending on the measures available, an approach with high employee involvement might be needed for accurate and sustained data collection. In addition, management from OHR and the programs should mutually agree on the adequacy and thoroughness of the quality measures, perhaps as part of a broader effort to specify the details of OHR and program responsibilities.

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5.0 PROCESSES WORKING WELL

We found no clear consensus among individuals about the types of HR processes that were working well across all the areas of service that OHR provides. Almost every service was the focus of complaint at one time or another among the internal customers. In many cases, program staff were quite vocal about processes that caused problems for them. When asked about successful processes, some interviewees stated that they could not think of anything that worked well.

Despite the absence of strong consensus, we found general agreement among some staff on a few processes that they believed were working well. Exhibit 5.1 summarizes these processes, which are comprised mainly of the services outside of the two largest operational areas at OHR, the Personnel Transactions Unit (PTU) and the C&P Unit.

As mentioned earlier, we have generally been unable to substantiate the assertions and perspectives addressed during the interviews due to a lack of quantitative data. In addition, it was not possible for us to gauge the depth and extent of the perceived success, because we were only able to rely on interviewee comments.

EXHIBIT 5.1 SUMMARY OF PROCESSES WORKING WELL

- ◆ Activities performed by the Labor Relations Unit.
- ◆ Activities performed by the Training and Performance Enhancement Services (TPES) Unit.
- ◆ Improvements in the Selections Unit's scheduling and administration of examinations.

LABOR RELATIONS

Managers and PLs who work with unionized employees told us they were pleased with the services of the Labor Relations Unit of OHR. Several interviewees stated that Labor Relations provides quick responses to union grievances. Labor Relations specialists were also described as knowledgeable, responsive, conscientious, and generally pleasant to work with.

TRAINING AND PERFORMANCE ENHANCEMENT SERVICES

Interviewees spoke favorably about both the training and the constructive intervention functions within the Training and Performance Enhancement Services (TPES) Unit of OHR. Many program managers described the services of constructive intervention as personalized, attentive, and informed consultation—personnel would visit their offices for one-on-one discussions, problem solving, and action planning. Program managers referred to those qualities as examples of the types of service they wanted from all units in OHR.

The most common criticism of constructive intervention was that the analysts:

- ◆ Were too lenient in accepting employees' statements and excuses for poor performance.
- ◆ Required too much documentation on the part of program managers before agreeing to initiate disciplinary action.

We did not find any consistent trends across programs or organizational levels pertaining to these criticisms, and they were less frequent than the managers' compliments of constructive intervention. Further, given the adversarial nature and the visibility of risk often involved in constructive intervention in the civil service system, people in the unit told us that they have little flexibility in procedures and documentation.

Program managers referred to training services as generally being favorable but they offered fewer details on their opinions. Mostly, managers told us that they appreciated the pleasant and positive interactions they had with training staff. A few managers said that they were skeptical about the value they received from training services. They suggested that they might get more value for training costs if they had more control over those expenses.

IMPROVEMENT IN SCHEDULING AND ADMINISTERING EXAMINATIONS

Both program areas and OHR cited examination services provided by the Selections Unit as having recently improved. Managers in the Real Estate Services Division (RESA), in particular, referred to the Selections Unit in favorable terms and described improvement not only in the number of examinations administered, but also in the scheduling of examinations and the quality of consultation services by the personnel analysts in the unit. For example, some program managers said they were pleased with the process of scheduling examinations a year in advance because the process gave them more information for advanced planning.

Most managers attributed the improvement to program funding of positions in the Selections Unit that were dedicated solely to the examinations of specific programs. Even managers in programs that did not directly fund dedicated positions reported to us that they saw improvement in service over the last year. They referred to an increase in the number of examinations completed for the classifications in their programs that established eligibility rosters for hiring and promotion.

It is important to note that the improvement in services of the Selections Unit was an area of general, but not complete agreement. Some program representatives were adamant that they continued to be unhappy with examinations. Managers of these programs complained about the following:

- ◆ Inflexibility in the process of scheduling exams on a yearly basis (for example, difficult to accommodate unexpected needs).
- ◆ Emphasis on internal promotion exams in preference to recruitment from the outside.
- ◆ The burden of serving as subject matter experts throughout the examination process, which was time consuming and difficult to schedule.
- ◆ Empty lists of eligible candidates and the poor quality of candidates on eligibility lists.

The complaints about poor quality candidates came up frequently in our interviews. The DGS has a relatively large number of senior-level positions that require specialized experience, knowledge, credentials, and other qualifications that are not commonly found among employees from other state agencies. If internal candidates from DGS are not adequately developed to assume senior responsibilities, the applicant pool for promotional opportunities might become too small to provide the depth of talent sought by hiring managers. In addition, senior-level managers serve as subject matter experts in the development of examination standards, and

those standards can easily become too lenient or severe if these managers do not sufficiently devote the appropriate amount of time and effort.

On the whole, it appeared to us that program managers were pleased more frequently than displeased with the improvement they saw in the Selections Unit. The recent changes in examinations were especially noted in contrast to examination services that managers experienced in previous years.

Along with OHR and program managers, we believe the model of programs voluntarily choosing to fund dedicated positions in the Selections Unit is largely accountable for the improvement that program personnel recognize. Roughly six positions in the Selections Unit were dedicated to specific programs, and we understand that OHR plans to add more dedicated positions in the future. So far, this partnership approach has appeared to work effectively in the Selections Unit.

Recommendation. DGS should consider implementing a similar funding partnership between the programs and other OHR units. We believe that this type of arrangement offers a great deal of promise toward improving the performance in other units of OHR, such as PTU and C&P. Dedicating one or more specific positions in each of those units to a program may help to achieve the following:

- ◆ Clarify the respective roles of OHR employees and program PLs.
- ◆ Improve accountability of individuals on each side of personnel transactions.
- ◆ Provide more reliable and familiar contact personnel for OHR customers.
- ◆ Improve relations, communication, and understanding of roles and responsibilities between program managers and the analysts in the respective OHR unit.
- ◆ Increase managers' knowledge and certainty about the schedules and time frames of transactions processes.

Beyond these immediate outcomes, we believe that the partnership model holds the potential for even more important benefits for DGS as a whole. This model requires programs and OHR to cooperate for their mutual benefit with the realization that they have a shared stake in the program's success. This contrasts with the model of OHR exercising control and oversight of the programs, an issue addressed in later sections of this report.

5.1 PROCESSES WORKING WELL ACCORDING TO PROGRAM PERSONNEL

In addition to the few areas of agreement between program areas and OHR, program managers consistently cited the PL role as an effective resource. Each program had one or more individuals assigned to process personnel transactions and to serve as the program's source of knowledge about OHR procedures. In many cases, PLs are employees who had previously worked in OHR.

Program managers described the PL role as essential. One of the formal benefits of the job is to improve the efficiency of programs to complete personnel transactions under OHR guidelines. These individuals also provide the programs with more program-specific knowledge than might be available from an OHR staff member. Thus, they serve as a knowledge "bridge" between program operations and complex civil service procedures. In addition, the role is intended to

serve as an intermediary to reduce the need for communications between OHR and employees about routine issues like benefits coverage.

In addition to these benefits, program managers value the PL role because of the difficulties and frustrations that they regularly encounter in their efforts to complete personnel work. In addition to serving as a knowledgeable resource, PLs provide a buffer between OHR and those program managers who lacked the time that is necessary during interactions with the staff members of OHR. Thus, the PL role appears to stem from the inherent difficulties that program managers encounter in trying to do routine business with OHR.

The job titles of people filling the PL role varied considerably. Some PLs were attendance clerks or office technicians, while others were staff services managers (SSM-1 and SSM-2). Although the PLs perform a variety of duties related to HR transactions, these duties appeared to differ considerably from one program to another.

During interviews with OHR supervisors, we learned there was little consistency in the criteria upon which the effectiveness of PL job performance was based. At least from the OHR perspective, the PL role differed among programs. For example, some PLs simply filled out and submitted forms for OHR to process, relying on OHR to contact them if there were any questions. In contrast, other PLs were proactive in taking the initiative to research specific information required for a given transaction, submitting paperwork that was accurate and complete, and reaching out to OHR and program managers to coordinate efforts.

The OHR supervisors stated their input was not solicited by the programs for assessments of PL job performance regardless of the tasks or quality of work that PLs performed. The OHR staff were not aware of any process that DGS used to distinguish between PLs who were more effective or less effective than average. However, OHR supervisors reported they saw considerable differences in the job performance of PLs.

5.2 PROCESSES WORKING WELL ACCORDING TO OHR STAFF

Processes that OHR employees cited as working well included smooth and generally pleasant interactions with their coworkers and supervisors, and a generally appreciative clientele. The latter point appeared to contradict the complaints of OHR by program managers and PLs. Despite the many complaints made during our interviews, the personal relations between OHR employees and most program PLs and managers appeared to be respectful and generally favorable. Differences between program and OHR managers did not appear to be highly visible at the level of technicians and analysts. Although there may be several reasons for this disparity, a few potential factors include the following:

- ◆ Personnel on both the program and OHR side might recognize systemic problems that cause them frustration but effectively distinguish those influences from the personal characteristics of the people with whom they interact on a daily basis.
- ◆ Significant problems between program units and OHR might be communicated at higher levels and then filtered out during downward communications within the divisions of each side.
- ◆ A strong organizational culture is in place that emphasizes getting along with one another on an interpersonal level and reserving the expression of frustrations to designated forums, such as manager meetings.

The results from our second questionnaire were consistent with the high morale we observed among OHR employees. We administered this questionnaire to 13 employees in OHR as part of our data collection interviews. Exhibit 5.2 summarizes these responses and shows the majority of respondents agreed or strongly agreed with most of the statements. The only statement that produced slightly unfavorable results pertained to the training of new employees (item 12). The mean score for that statement was slightly higher than the scale midpoint.

EXHIBIT 5.2
RESULTS FROM OHR EMPLOYEE OPINION QUESTIONNAIRES

No.	STATEMENT	1	2	3	4	5	N	MEAN
		STRONGLY AGREE	AGREE	NEITHER AGREE NOR DISAGREE	DISAGREE	STRONGLY DISAGREE		
1	The goals and priorities of OHR are clear to me.	1	8	3	1	0	13	2.308
2	I have a clear understanding of who my customers are.	12	1	0	0	0	13	1.077
3	If something goes wrong, we find out what is to blame not who is to blame.	6	3	1	3	0	13	2.077
4	I have enough information to do my job well.	3	10	0	0	0	13	1.769
5	People around here cooperate to get the job done.	4	4	2	2	1	13	2.385
6	We are kept well informed about important issues in our work.	0	10	1	2	0	13	2.385
7	I feel free to bring problems and questions to my supervisor.	10	2	1	0	0	13	1.308
8	The training I received made me well prepared for the work I do.	5	7	0	1	0	13	1.786
9	I know when I can make decisions on my own and when I need to get higher approval.	5	8	0	0	0	13	1.615
10	My good work is made known to the people above me.	4	5	3	0	0	12	1.917
11	Managers and supervisors emphasize to us the importance of customer service and satisfaction.	3	8	0	2	0	13	2.077
12	New people hired here have the training and skills to do their job well.	0	2	8	2	1	13	3.154
13	I take pride in the work I do here.	12	1	0	0	0	13	1.077
14	I can count on my coworkers to do the quality of work that needs to be done.	5	7	0	1	0	13	1.769
15	I feel comfortable speaking my mind even when I disagree with the opinion of my supervisor.	5	6	2	0	0	13	1.769

Continued

No.	STATEMENT	1	2	3	4	5	N	MEAN
		STRONGLY AGREE	AGREE	NEITHER AGREE NOR DISAGREE	DISAGREE	STRONGLY DISAGREE		
16	If things were done differently here, I could be a lot more productive.	1	4	6	2	0	13	2.692
17	The goals of my job are clear to me.	8	5	0	0	0	13	1.385
18	Overall, I am satisfied with my job.	6	6	1	0	0	13	1.615

Overall, we interpret these findings to show that employees in OHR are generally satisfied with their jobs and with most aspects of their work. We also find these results to be consistent with OHR responses to our other questionnaire shown in Exhibit 4.2. In those results, OHR employees viewed the services they provide more favorably than did their customers in the program areas.

6.0 PROCESSES NOT WORKING WELL

Managers and employees in both the program areas and OHR described numerous processes that were problematic. However, the two groups often differed on the specific processes they believed were not working well. The following sections describe shared viewpoints as well as contrasting perspectives.

6.1 AREAS OF CONCERN SHARED BY PROGRAMS AND OHR

One of the few problematic areas that both sides agreed upon was the inefficiency of technology—specifically the technology that supported the automated Request for Personnel Action (RPA) system. To a lesser extent, individuals also voiced concerns about the capabilities of the automated timesheet system.

The RPA System. At first glance, the RPA system generally appears to be designed effectively to serve its needs. The system can initiate, track, and maintain records on all types of HR transactions, and generates less paper than a nonautomated system. However, the system has a few major flaws that outweigh its practical use. Instead of being a labor- and time-saving tool, the RPA system has proven time consuming and resource intensive. The DGS' widespread dissatisfaction with the RPA system is often attributed to OHR.

Employees within OHR and the programs cited frustrations with the slowness and inconsistency of the RPA system. Analysts in OHR estimated spending over one-half their time interacting on the RPA system and that a significant amount of that time is spent waiting for the system to process data input. For example, an OHR manager described how it took 45 minutes to process a transaction that included three attachments because of the system's slow response time. According to staff, it often takes the RPA system two to five minutes to respond each time that information is submitted. As a result, it often takes 15 minutes or more to complete a single request. Furthermore, the RPA system has been known to become inoperable for periods of time during which no one is able to process transactions. Program personnel told us that RPA is their biggest obstacle in completing transactions that should ordinarily require minimal effort, such as publishing job opportunities when vacancies arise.

Analysts and PLs described spending hours trying to process relatively simple transactions because of a major design flaw in the system—the lack of an efficient process to purge the system's database of outdated records. When the system was first created, its designers did not develop a solution for deleting or archiving data that no longer needed to be accessed. Consequently, these records can only be archived through a time-consuming process, which varies depending on the type of data collected. The OHR believes that the task of identifying and archiving old records belongs to program PLs. However, the programs have been unable to find time to undertake that task and it appears unlikely that it will happen in the near future. As a result, it appears that the slow response time will continue to worsen as additional records are added to the RPA system.

Compounding this problem, the system was written in a code that is not supported by the Office of Technology Resources (OTR), resulting in DGS having to rely on outside consultants to troubleshoot and repair the system. Because the RPA system is central to the work of both OHR and the program PLs, the system's problems are manifested in increased average

hours required per RPA transaction and increased staff resources needed to perform RPA work in all DGS units, leading to an enormous amount of wasted time and lost productivity.

We believe that RPA has become a negative reflection of OHR for the program staff in DGS and for PL personnel in particular. It reminds users of a very inefficient work process that causes predictable but needless frustration. The fact that PLs interact with the RPA system several times a day compounds this frustration.

Another disadvantage to the RPA system is that it is unique to DGS. As a result, all new employees must learn how to use this system, even if they bring experience from other government agencies. The obscure nature of the RPA system offsets any potential efficiency that DGS might otherwise gain from hiring individuals from other state agencies who are experienced in processing HR transactions.

The ABMS. The Activity Based Management System (ABMS) was purchased by DGS to integrate personnel and payroll data between DGS' HR and Finance Units. The DGS Finance Unit benefits from this integration because it allows for an automated reconciliation of employee time tracking against charges to DGS customers. When the system was introduced about ten years ago, DGS expected that it would reduce OHR's labor and operating expenses. However, ABMS did not meet those expectations, instead presenting additional challenges for OHR.

For example, DGS is in the process of completing an upgrade to the financial segment of the ABMS system. The process of installing that upgrade halted activity on the whole system and reduced the ability of OHR to maintain its normal level of transaction activity and provide hands-on training to new employees. Although technicians described ABMS as being more robust than similar systems used by other state agencies, some OHR personnel complained that ABMS is actually very complex and poorly suited for a labor-intensive transactions environment such as the PTU section of OHR. Their criticisms include the following:

- ◆ The ABMS is unforgiving of easy-to-make errors during data entry. The system requires personnel specialists to enter a series of code numbers for timekeeping and budgetary purposes that, when incorrect, lead to additional data entry errors.
- ◆ The integrated nature of the system tends to compound the impact of data entry errors because subsequent corrections need to be posted to multiple locations.
- ◆ Similar to the RPA system, ABMS is unique to DGS, which minimizes any benefits of hiring skilled transactions specialists who transfer from other agencies.
- ◆ The DGS has not provided consistent and timely training to new staff on ABMS in order to minimize the number of processing errors.

Some senior OHR personnel told us they thought the problems posed by ABMS outweigh the benefits of the system's use. In their view, it might be worthwhile to move to a more simplified system, possibly one similar to CalSTARS, which is used by other state agencies. However, opinions on ABMS appear to be divided and analysts in several OHR units expressed different assessments. They described ABMS as a good resource for tracking employee data despite its limitations. They felt that at least some of the problems attributed to ABMS might be more accurately attributed to the SCO's HR systems, which are outside of OHR's control.

Recommendations. We believe that the problems identified with both the automated RPA system and the ABMS system significantly reduce the effectiveness of OHR. Accordingly, we recommend taking a closer look and collecting data to more thoroughly assess the benefits they

provide and the full range of their costs, including down time for both the systems and users, time and labor costs for error tracking, correction, and other aspects of rework. To the extent that DGS can modify the systems or work with the external vendors to make the necessary changes, it may be able to enhance both the productivity and morale of HR operations throughout the organization.

In order to provide specific recommendations, we would need to have open access to the systems and real-time processing of transactions. For example, we would need access to the contents of screens and system specifications that interface with SCO's systems. However, OHR cited confidentiality restrictions at DGS and state level that would preclude our access to these systems.

6.2 AREAS OF CONCERN EXPRESSED BY PROGRAM PERSONNEL

The results of our data collection indicated that the program managers and personnel were very dissatisfied with the services they received from OHR. There was clear consensus from staff based on the responses provided during our interviews. Very few senior-level managers expressed favorable comments about OHR services.

Exhibit 6.1 identifies the processes and characteristics that program personnel commonly identified as areas of concern over HR functions. The first item, poor customer service, is a broad concern that encompasses many of the other issues.

EXHIBIT 6.1

AREAS OF CONCERN EXPRESSED BY PROGRAM PERSONNEL PERTAINING TO HR FUNCTIONS

1. Poor customer service, including weaknesses in the following areas: service orientation, follow-through, helpfulness, listening skills, promptness, and ease of doing business.
2. Poor communication about the status of personnel transactions, such as their progress and estimated completion.
3. Low credibility and consistency in information, requirements, procedures, and advice from OHR personnel.
4. Obstruction of the efforts by program managers and personnel to achieve important business goals.
5. Excessive documentation requirements like the Essential Functions Duty Statement (EFDS).
6. Insufficient leadership to recognize the need to increase OHR effectiveness and to develop, deploy, and sustain operational changes for long-term improvement.

Customer Service. The most frequent comment we heard from program managers was the general theme of poor customer service and their strong dissatisfaction with numerous aspects of the service they received from OHR personnel. Customers' complaints included abrasiveness and lack of professionalism on the part of OHR employees, a lack of willingness to help, passiveness when actions need to be initiated, poor business etiquette, and a lack of accountability. Senior-level managers expect more deference and attention to their problems than they have been receiving from clerks, technicians, and junior level employees in OHR. Several managers at senior and executive levels told us stories of how OHR personnel casually instructed them to rewrite and resubmit their documents (for example, RPAs and duty statements) in a particular format before they would even begin to give them the assistance being sought.

Managers and PLs in several program areas said that the skill set of OHR employees is very inconsistent. A typical program comment was "a lot depends on the particular person" in OHR

with whom a manager is working. If the employee is both trained and service oriented, things usually go well. However, OHR generally has a large number of new employees and it takes a long time to train them to a level of sufficient proficiency. Consequently, there will likely be considerable variance in the quality of service among OHR personnel at the same position level.

Communication. Many program personnel complained about the processes and procedures followed by OHR and how they appear to be enigmatic in nature, particularly when OHR staff fails to communicate the status of their activities. Customers do not know why OHR procedures take so long and why they are so unclear. Because customers are heavily dependent upon OHR for vital transactions, this “mysteriousness” has become a noticeable source of frustration and suspicion, compounding the other problems customers have with OHR services.

A case in point is the role of C&P analysts to acknowledge each RPA from programs that seek a wide range of transactions, such as to refill a vacated job. Publishing an opening in the Job Opportunity Bulletin is a fairly routine transaction and OHR analysts are supposed to acknowledge receipt of those requests within 24 hours. However, some managers and PLs told us that it is often five to ten days before OHR provides any acknowledgement and takes further action, resulting in delays that customers do not understand and find frustrating.

The OHR managers told us repeatedly that they saw no reason for a response or a simple acknowledgement to take longer than one day. However, we did not see any formal procedures utilized by OHR for monitoring, measuring, or reinforcing response times. In fact, some lower level personnel acknowledged that they are occasionally late in their responses because of their other pressing priorities.

Credibility. Customers complained that the direction, information, and advice they obtain from OHR is highly inconsistent, and that it differs from one instance to another and from one person to another. In effect, customers question the competency of OHR personnel to provide accurate responses and are increasingly uncomfortable relying on OHR’s expertise for important decisions.

One byproduct of low credibility is an escalation in decision making. Some customers suspect that they can get a different or “better” answer to an inquiry if they ask a second person or escalate a decision to higher levels in OHR. At least a few programs appear to routinely escalate the decisions made by OHR analysts and technicians with which they disagree. Employees in C&P and PTU cited instances in which the first email they receive from a program includes copies to the program and OHR managers in preparation for escalating. While this practice strains cooperation right from the start, we believe it will continue if customers believe that escalation improves their chances of success.

A potential consequence of escalation is demoralization of OHR analysts whose decisions are overturned. Analysts may become reluctant to make decisions that could reflect poorly on their judgment and expertise, or get embarrassed to be on a losing side of disagreements with their peers in the program units. Although we did not see any direct evidence of demoralization, we heard from a few staff who appeared to take exception to being overridden by higher decision makers.

To further illustrate the issue of credibility, we learned about a situation involving what appeared to be a simple correction to a salary underpayment that unexpectedly took a long time to rectify. This example involved a senior-level employee who was hired at a salary level that was too low because of a data entry error. Errors in the employee’s salary compounded over time as the

employee received promotions. Although the program worked closely with PTU to correct the problem, the contact supervisor in PTU changed several times. Each time a new supervisor arrived, PTU returned to the first step in the resolution process regardless of how far the process had progressed under the immediate predecessor. At least one PTU supervisor contradicted the predecessor's strategy for resolution by undertaking a completely different approach. In the end, it took over two years to resolve the matter. The PL described the incident as unacceptable and believed, in large part, that it was due to a lack of competence at OHR.

Although this example only presents one side of a potentially complex payroll error, we heard similar stories about prolonged salary errors from representatives of two other programs. These instances do not necessarily indicate a failure by OHR staff to perform assigned tasks; rather, the perception by customers about the potential lack of competency of OHR led them to conclude that OHR could not be relied upon.

Obstruction. Managers told us in numerous interviews that OHR has become known as the “institutional no.” Program personnel described OHR's responses to requests and inquiries as very predictable—the first response is “no.” Managers told us they were particularly frustrated in hearing a negative response without having had an opportunity to discuss the circumstances of their request or to hear the rationale for the denial. The predictability of negative responses by OHR has led to others' perception of it being an obstacle to DGS business instead of a service that is supporting the business.

We categorized managers' complaints as reflecting either OHR's management style or department practice. Regarding OHR's management style, nearly all program managers and PLs told us that OHR was far too cautious and inflexible in its interpretation of civil service rules and regulations. In the eyes of their customers, OHR is so averse to taking risks that it consistently errs on the side of refusing to process personnel transaction requests from program managers when there is even the slightest doubt of their appropriateness. One deputy director told us that “they [OHR managers] take a negative position on any situation where policy requires interpretation or is ambiguous.” Managers and PLs from several programs stated that OHR managers have expressed their desire to avoid being audited by outside control agencies like SPB, DPA, and SCO.

Regarding department practice, managers from almost all program areas said that OHR had too much clout within DGS given the impact it has on business transactions. It appears that program managers want an easier avenue of appeal within DGS to overturn decisions when they think OHR is wrong. They cited instances of urgent hiring decisions that were delayed because of OHR errors in policy interpretation. These delays resulted in lost opportunities to fill important positions.

Our interpretation is that criticisms pertaining to DGS' practice reflect the programs' dependence on OHR for carrying out so much of their business, and their recognition of that dependence as being unreliable when they follow routine procedures. For example, a normal part of OHR's work delegation is assigning tasks and decisions to lower-level staff members. However, those lower-level employees are likely to make a disproportionate number of mistakes when they lack experience, knowledge, business perspective, and effective supervision.

Lower-level OHR personnel also have disproportionately higher decision-making power relative to the program staff because OHR fills a control (civil service) function in addition to a service (personnel department) function. As control and oversight agents, technicians and analysts have a formal approval authority that can delay a wide range of program transactions. Their

decisions about the documentation required for specific transactions can cause program managers to spend hours doing rework when they must revise complicated forms and lengthy supporting documents. Increasingly, disagreements between middle-level program managers and OHR analysts get resolved only by escalating decisions to the branch and division level. This results in frustration for the programs and delays in OHR transactions that are already criticized for being too slow.

We interpreted criticisms like the ones just described as being significant, but resulting primarily from inefficient processes and personnel. In contrast, we also heard allegations of intentional obstruction which, by their nature, were even more serious. Senior managers in two program divisions told us they were confident that OHR had taken deliberate action (either through commission or omission) that amounted to retaliation against them because of their persistence when they disagreed with an OHR decision.

A senior manager in another program said the prospect of retaliation was a serious and widespread concern among all the programs. Based on our observations and interactions with staff from OHR and the programs, it appears that the comment was based on a perception that OHR is able to slow down urgent transactions or decisions under the guise of being overworked, thereby hindering a program's operations. While this statement did not cite specific actions taken by OHR, we believe it reflected a clearly unhealthy level of distrust between program managers and OHR.

The EFDS Requirements. Program managers and PLs voiced concerns about OHR being too controlling in nature and presenting more problems, rather than being helpful. They singled out EFDS as a particularly relevant example of a difficult and unnecessary burden that OHR placed on them.

Our understanding of EFDS is that it is an enhanced version of the state's standard job description or duty statement form. In addition to describing typical work duties, the form distinguishes between job functions that are essential and those that are nonessential.

Program managers said the use of EFDS was presented to them as a requirement when it was deployed at DGS several years ago. The OHR did not consult with programs before adopting the EFDS model and they did not understand how benefits were supposed to outweigh the costs of the model. In effect, OHR brought about the compliance of program managers through enforcement of new HR policy instead of through a collaborative approach that relied on communication and persuasion.

Because it was mentioned along with so many other areas of concern, we believe that EFDS became a symbol to program managers of OHR authority and obstruction, which they resent. The OHR has yet to convince program managers that DGS benefits from the model and managers continue to believe that EFDS is not worth the time and labor they are required to devote to it. Therefore, the use of EFDS continues to be a source of friction in the interactions between the programs and OHR.

Our understanding of EFDS is that it is a recommended model for state agencies to adopt at their own discretion, but is not mandated. The program's costs and benefits for DGS are not known because they have not been closely analyzed. However, it appears that the use of the EFDS model primarily benefits those organizations that receive relatively higher numbers of claims from employee injuries. This seems to be consistent with the use of EFDS in other state agencies we interviewed. The EFDS has not been deployed at CDSS and FTB, environments

where relatively few workers are injured on the job and require a reasonable accommodation. On the other hand, Caltrans has adopted the EFDS model, perhaps due to the greater likelihood for numerous injuries due to the nature of highway construction and maintenance.

If the Building and Property Management (BPM) branch of RESD accounts for a large portion of injury claims and reasonable accommodation requests, for example, then the use of EFDS might very well result in savings to the BPM branch. Because nonessential functions of BPM jobs are already distinguished from essential functions, it is both faster and easier for BPM managers to respond to employees' requests for reasonable accommodation. Thus, EFDS might be cost effective for use in BPM or throughout RESD.

The opposite might be the case for other programs. For example, if the Administrative Hearings Division receives very few injury claims and reasonable accommodation requests, then the extra time managers spend to complete EFDS forms (compared to standard job descriptions) might cost the program more than the benefits received.

Recommendation. We recommend that OHR perform a detailed cost-benefit analysis of EFDS on a program-by-program basis as well as a DGS-wide basis. This analysis should seek to obtain reliable estimates of time spent by managers and other program employees on EFDS issues, and the costs of that time. The study should also include an estimate of benefits from the administration of reasonable accommodation claims. Other criteria for consideration include the following:

- ◆ The time required to train managers and PLs in EFDS requirements beyond the standard duty statement requirements.
- ◆ The time to “sell” and explain EFDS benefits to programs when resistance or complaints arise.
- ◆ The benefits that DGS might realize if OHR relied more upon persuasion and voluntary compliance by program managers instead of policy enforcement.

Leadership. Program managers expressed strong skepticism about the ability of OHR senior managers to effect long-term improvements in the branch's operations. Program managers identified the current OHR managers as the source of some of their most important problems (for example, obstruction of critical personnel transactions), and as complacent about the continuation of many other problems (for example, errors and poor service by lower-level employees). It appears that—at least in part—this perception might reflect a personalization by the program managers of the many troublesome issues they complained about along with their inference that OHR was well aware of their frustrations and did nothing to alleviate them.

6.2.1 ADDITIONAL CONCERNS

During our interviews, program managers raised two additional topics of concern. Although they expressed the same conviction about each of these issues as they did for the preceding ones, we have a few reservations about the implications that might be drawn from them. Accordingly, we present these concerns separately and share our thoughts based on our own observations and interpretation.

Balance Between Service and Control. One program manager told us, “The feeling we get from OHR is that it is more of a control agency than a service agency.” Other individuals had similar comments voiced as complaints in our interviews. Program managers assumed that

OHR saw its own role as a balance between service and control but, in OHR's decisions and actions, there seemed to be a clear imbalance.

A preponderance of control in OHR's orientation appears to link with complaints about OHR's excessive caution in exercising its discretion on behalf of programs, comments about avoiding audits, and being the "institutional no." Our interpretation of this is as follows: general aversion of risk by OHR managers has been focused on avoiding an audit of OHR decisions by SPB or DPA. The OHR's caution was reflected in a reluctance to support program managers in decisions that required OHR approval but which might raise the prospect of an audit. Their caution then was expressed as the predictable "no" to transactions requested by program managers. Eventually, program managers came to see OHR as being overly concerned about the control aspects of their role at the expense of partnering with them to meet normal business needs.

Precedent of Risk and Accommodation. As part of our effort to acquire an historical perspective of DGS issues, we learned of a visible event several years ago that appears to have significant implications for OHR decision making and risk taking. Around 2001, SPB conducted an audit of DGS examination practices that led to the rescission of SPB's delegation of authority. That same audit ultimately led to the removal of the OHR chief in what one insider described to us as "clear scapegoating."

As told to us, that former OHR chief created problems by going out of her way to accommodate a senior manager who wanted to hire a particular person from the outside. The OHR chief made the poor choice of scheduling an experience-oriented examination for a large entry-level classification (office technician), which caught the attention of SPB.

We have not read the results of the ensuing audit, but were told that it attributed the error to OHR's lack of knowledge in examination policies and procedures. We are somewhat unconvinced of that conclusion, since most state civil service analysts with limited work experience would still be aware of the implications of OHR's examination plans. Nonetheless, SPB delivered extensive training on basic civil service examination procedures to OHR analysts before it risked reinstating OHR's delegated authority for examinations.

Our impression is that DGS managers no longer recognize the price paid by the previous HR chief for a bad risk. The few program managers who recounted this story told us of their inability to hire and replace employees during the remediation period and they remembered the inconvenience that it caused them. However, it does not appear that they recognized any connection between the consequences from the SPB audit and their current complaints about OHR's excessive caution. One manager who was critical of OHR told us during an interview that "no one at DGS ever gets fired for taking too much risk."

We could find no clear distinction between the current decision-making climate in DGS and that of the preceding HR chief. It seems to us that it is within this same environment that OHR must assess its current and future risks in policy decisions. We suspect that the downside of at least some risks on the part of OHR managers might be much costlier than is commonly realized by DGS program managers.

Assumptions About OHR Knowledge. In numerous interviews and meetings, both with individuals and in groups, customers of HR insisted they were confident that OHR managers know of their great dissatisfaction and that they have known of it for a long time. When we specifically asked, most customers said that they had no direct or first-hand knowledge of such

feedback to OHR, but customers were adamant that OHR nonetheless “had to know” because of the long history and the pervasiveness of discontent. Customers concluded that it was obvious by the importance that the GC placed on the current study that a clear consensus existed that OHR was the single biggest cause of dysfunction at DGS.

We believe it is clear that customer dissatisfaction was well known and keenly felt by OHR’s customers. However, we found no evidence of any clear feedback having been delivered to OHR about the widespread dissatisfaction or the collective urgency of improvement. This disconnect is evident in the survey responses we received from program and OHR personnel, described earlier.

While we want to focus as much as possible on the statements of the people we interviewed, this is one area where we feel a need to offer interpretation. The certainty and intensity of program managers’ attributions toward OHR was very apparent in all of our discussions. Both OHR’s knowledge of dissatisfaction and the allegations of deliberate obstruction or retaliation reflect convictions that have taken on a life of their own, and which managers (and their staff members) now assume to be accurate. One deputy director described the situation this way: “Damage from the long history of conflict between programs and OHR now might preclude the resolution of that conflict...” without making bigger changes than might have been possible several years ago.

At least for OHR management, the results described thus far were surprising if not overwhelming. When we reviewed these findings at a high level with OHR, they said they had never received nor expected such strong negative sentiments. At least at our initial feedback meeting, OHR managers appeared to be at a loss to explain these results.

6.3 THE OHR PERSPECTIVE: PROCESSES NOT WORKING WELL

The managers and staff members of OHR were generally consistent in their comments about chronic staffing shortages, high turnover among personnel (primarily in the transactions unit), and little control over the training of new employees, as summarized in Exhibit 6.2. In addition to OHR, these issues were also corroborated through discussions with several managers in the program areas of DGS. The biggest disparity in perspectives between OHR and the program areas was whether these issues fully account for the reasons why OHR services are so far below their customers’ expectations. However, we found that program personnel had little or no acceptance of the issue pertaining to errors and omissions in work performed by the PLs.

EXHIBIT 6.2

AREAS OF CONCERN EXPRESSED BY OHR STAFF PERTAINING TO HR FUNCTIONS

1. Numerous senior managers without experience with civil service requirements and procedures.
2. Chronic deficiency in authorized and budgeted positions.
3. High employee turnover, especially among transactions specialists in PTU and personnel analysts in C&P.
4. Errors and omissions in work submitted by PL personnel in program areas.

The OHR Customers and Clientele. The most important challenge for OHR management is interacting with the diverse audience among the senior managers of DGS. The DGS has 17 positions that are filled through governor appointment, which is one of the highest among all state agencies. Nearly all of those positions are at senior levels, and many are filled from the

private sector. These managers have expectations acquired from noncivil service environments, and they tend to regard civil service as inefficient.

Our consistent experience from talking with senior personnel who are new to civil service was that they held much higher expectations of OHR services than did managers who came up through the civil service ranks.

A complication to this issue of perception is the relatively few people who transfer into DGS from other state agencies. Aside from the governor appointees, the vast majority of middle and senior managers in DGS rose from within the ranks. Those managers are familiar only with OHR as the provider of personnel services and have no other frame of reference in state government. Those few senior personnel who worked previously with other state agencies were more favorable in their opinions of OHR than were the individuals who began at DGS or who came from outside civil service. Our impression was that their perspective benefited from experience with similar personnel processes in their respective former agencies.

Resources (Staffing). The most common reason cited by OHR personnel contributing to the branch's problems is the deficiencies in staffing levels. The services that OHR provides require more people than are currently allocated. One consequence is that the current employees get backlogged in their work, have a higher volume of errors when they try to work too fast, and are stretched beyond their capacity. Ultimately, understaffing will lead to deterioration in the overall quality of services.

The OHR lost approximately 20 staff positions several years ago during a DGS-wide reduction in staff. Those positions were never replaced even though DGS has grown in size and complexity since that time. The OHR mentioned a lack of resources as an explanation for nearly all of its troubles and shortcomings. In support of that argument, OHR cites the improvement in the Selections Unit after employees were added through the partnering arrangement described earlier. The OHR supervisors and managers were confident that similar improvements would result if employees were added to other OHR units.

Turnover and Training. Many people we interviewed in both the program and OHR sides cited chronic and high levels of turnover in the two largest OHR units, C&P and PTU. This volatility resulted in high proportions of new and untrained employees in positions that frequently interface with customers. The lack of experience contributes to those new employees becoming overwhelmed by customers' questions, requests, and complaints.

Turnover in technician and analyst positions appears to be common among state agencies. The personnel technician position is regarded as an entry-level job and senior employees fully expect individuals to transfer and promote out of that position as soon as possible.

We believe that OHR needs to anticipate and plan for continued turnover in technical and analytical jobs. In this respect, we believe that two keys to managing high turnover are:

- ◆ A combination of technology and training that rapidly improves the knowledge and performance of new employees.
- ◆ Supervision of new employees to ensure work is reviewed for quality and adherence to standards.

We found little in the way of management control over the supervision role in OHR. The DGS does not have any formal criteria that address the method by which supervisors are evaluated,

how they learned or practiced their supervisory skills, what feedback they receive regarding their own effectiveness, or what practices distinguish high-performing supervisors from low-performing supervisors. Although OHR supervisors utilize individual development plans, those plans are not designed for setting and managing performance standards.

Recommendation. We have previously commented on the technology of OHR's two HR systems. We recommended an analysis with respect to ease of training, ease of use, and ease of supervision.

In other areas of this report we discuss introducing practices and measures for partnering and quality control purposes. We believe supervision is a function in OHR that should benefit by the introduction of standardized processes and measures, even if they are only a means to the end of delivering better customer service.

Personnel Liaison Errors. The OHR supervisors and employees were adamant about the prevalence of errors in the HR transactions they receive routinely from PLs. They cite errors, omissions, missed deadlines, and a variety of other delays caused by PLs that result in complaints from program managers and employees. Some OHR managers described PLs as "paper pushers" who do not provide program managers with the services that were originally envisioned in the role. The OHR personnel expressed resentment about the scapegoating by PLs to which they see themselves as victims, although they were unable to provide any data to support their perceptions. The OHR personnel also say that they know of no criteria for the performance of PLs, and that they had not assisted program managers to develop or apply any procedures to review PL performance.

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7.0 PROCESSES THAT ARE NOT ADDRESSED

The structure and organization of OHR appears to be similar to those of other comparable agencies. We did not notice any prominent difference between OHR and other public-sector personnel offices of similar size. However, we did identify some areas that DGS needs to address in order to improve its administration and delivery of HR services.

DEPARTMENT-WIDE PERSPECTIVE

The OHR priorities need to follow, support, and link to DGS business plans and priorities, including the overall enterprise perspective. However, we did not see sufficient leadership from OHR to identify DGS-wide needs related to HR in the absence of a comprehensive business plan. During the time frame of our analysis, OHR held its first strategic planning session in nearly five years. We did not observe any evidence that OHR conducted formal focused planning activities or followed up on the outcome of the previous plan during this time period.

We acknowledge that strategic planning is a widely recognized need that DGS has only recently begun to address on a Department-wide basis. However, it is unclear how OHR prepared for the DGS' future without initiating discussions with the senior program managers, at a minimum.

We can use the Training Unit as an example of insufficient direction in planning. The training function in DGS is allocated 28 percent of the total amount of funds dedicated for training. The remainder of DGS' training budget is allocated across the program areas.

Planning for OHR's portion of DGS training is conducted on an annual basis. The process consists primarily of program personnel submitting individual requests for training course selections. Training personnel deliver consultation on training needs to program managers upon request, but there is little structure in this process to assure consistency, thoroughness, and a common understanding among the staff within each division. In addition, we did not see any standard process for the Training Unit to solicit input on training at a strategic departmental level.

It is important to note that the Training Unit was one of the most well-regarded units from the perspective of the customers. With additional encouragement to be proactive in leading strategic activities, this unit can further enhance its value and effectiveness in the organization.

Recommendation. From a departmental perspective, DGS needs to have an effective function to manage HR across its various program areas. To be effective, that function will need a process that provides regular and specific feedback on the direction and status of the business as a whole. The business needs of DGS should drive OHR's annual planning and the ongoing monitoring of plans, to the extent that those needs can be determined. Even in the absence of a comprehensive business plan, focused discussions between OHR and program managers will help identify and integrate common needs and priorities. The OHR will need to accept responsibility for being proactive in the design and fulfillment of this role.

We recognize that an effective role in strategic decisions of a complex organization cannot simply be assigned but has to closely fit with the style, preferences, and capabilities of the particular individuals involved. That fit includes strong skills in teaming, collaboration, and

relationship building in addition to formal managerial and technical expertise. If DGS has those conditions in order, then we recommend that the DGS carefully elevate the OHR role so that OHR managers will become a more valuable asset in governance. However, if DGS does not yet have those conditions, we recommend that the task of obtaining the talent needed for DGS' HR leadership become (or remain) a high priority.

QUALITY CONTROL

We found that OHR has very little in the way of systematic quality control practices and also lacks quantitative data on the effectiveness of its processes. When something goes wrong, it is generally considered to be situation-specific, even though there is no cumulative evidence that basic processes are operating as they are expected or assumed to be. Errors are often first detected by OHR customers and are brought to management's attention in the form of customer complaints. As a result, OHR cannot say with certainty whether the quality of their services is normal or otherwise acceptable, because these terms are not defined or systematically monitored.

Recommendation. Modern quality control procedures entail more than statistical data collection and analysis, including debriefing of troubled and failed initiatives for the benefit of learning from those experiences. While we recognize that modern quality control is not a core process for DGS, we believe it offers considerable promise in a variety of ways. We recommend that those types of approaches should be taught to OHR personnel and managers and consistently reinforced as a means of strengthening OHR capabilities.

TALENT ACQUISITION AND DEVELOPMENT

Staff has informed us that DGS expects many personnel to retire within the next several years. The OHR has recently established its Succession Planning Unit, although it is still too early to assess its effectiveness. Among the initiatives that Succession Planning needs to complete are the identification of critical competencies for DGS to obtain, processes for the identification and development of people who show high potential, and processes for tracking and retention of key personnel.

For over ten years, DGS was able to hire talent from the outside into broad-banded classifications of career management assignment and career supervisory assignment as part of a demonstration project. However, that project terminated in approximately 2004, and there has been no subsequent progress in creating other avenues for external recruitment. The DGS now experiences the same difficulties in acquiring outside talent as other state agencies, yet its needs for new talent are probably greater than in most agencies.

We believe it is unlikely that DGS will find all the talent it needs for the future within the current framework of its own personnel recruitment, selection, and development. That framework works slowly, tends to be cumbersome, and relies heavily on promotion from within. The DGS will probably need the capability to hire talented applicants from the outside much easier and more frequently than it is currently able to. However, we need to note in this respect that DGS is not alone—DGS is in the same situation as all other state agencies and most other civil service agencies throughout the nation.

LEADERSHIP AND TEAM DEVELOPMENT

We found little in the way of resources in OHR that were designed to strengthen DGS' current leadership practices or to improve the use of teamwork to improve productivity. These are relatively new functional responsibilities in private-sector HR management, but they are old enough to be established in at least some other state agencies (for example, CDSS). When they are combined into a single function, they are sometimes called "organizational development." The purposes of these functions typically include the following:

- ◆ Identify and define practices that the organization wants to promote for effective management.
- ◆ Assess the effectiveness of current leadership practices.
- ◆ Build the organization's talent base for future leadership.
- ◆ Identify opportunities where the work of employee teams might be more productive and effective than individual employees.
- ◆ Identify supervisory practices that build and reinforce the effectiveness of teamwork at all levels in the organization (for example, cooperation, planning, collaboration, and communication).

We recommend that DGS explore the potential costs and benefits of these functions, either separately or in combination. We suggest that among the factors to consider in that exploration are the receptiveness and perceived need among DGS executive managers and the record of success demonstrated by similar functions in other state agencies.

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8.0 INTERAGENCY HR COMPARISON

To compare OHR to the HR operations of its peers, we interviewed HR managers of other state agencies as well as representatives from the two state civil service control agencies.

8.1 PEER GOVERNMENT AGENCIES

The CDSS, FTB, and Caltrans were selected for analysis because they have organizational structures that are comparable to DGS and OHR. Similar to DGS, these departments' HR operations report to senior administrative managers who, in turn, report to the executive officer. On the other hand, these departments were similar to OHR in that their major HR functions (or bureaus) are organized into broad groupings, such as examinations, classification and pay, and personnel transactions. They also have additional bureaus for HR functions that are less operational in nature, such as training and labor relations. A summary of data obtained from these departments for comparison with DGS OHR is presented later in the section.

DEPARTMENT OF SOCIAL SERVICES

The CDSS HR director transferred to her current position in 2005 from a similar role at the California Department of Corrections and Rehabilitation. By coincidence, CDSS had recently completed an analysis of its HR management function. Similar to DGS, the CDSS study was prompted as a result of widespread dissatisfaction among program managers with the HR services they received.

Over the five-year period prior to her transfer, CDSS had five different HR directors. According to the current HR director, the high turnover at CDSS is indicative of the difficulty departments have in finding a director that has the right combination of skills and style to gain the confidence of the department's top management. The lack of stability in retaining a capable HR director further compounded the difficulties in HR operations during that prolonged transition.

Being new to the job and to CDSS, this HR director found it advantageous to not have to defend the status quo and be given a mandate to improve the organization. The key findings from the CDSS study are summarized in Exhibit 8.1. Many of these findings appear similar in nature to those experienced by program managers and employees at DGS.

Although CDSS has one or two governor appointees, the majority of its senior management team is comprised of career civil service personnel. Like DGS, CDSS also uses the PL classification to support the HR needs of program managers.

EXHIBIT 8.1
KEY FINDINGS FROM THE 2005 CDSS HR STUDY

◆ Low morale within HR division.
◆ Excessive workload in the Transactions Unit.
◆ Poor customer service.
◆ Lengthy and confusing hiring process.
◆ Lack of accessibility and guidance from HR staff.
◆ Roles and responsibilities within HR not defined.
◆ Insufficient examinations to meet department needs (and they do not coincide with recruitment efforts).
◆ Overall feeling of HR being an obstacle to program needs.

FRANCHISE TAX BOARD

Managers from FTB reported that their priorities are primarily set by the agency's strategic business plan, which is established by an executive management team. Although FTB has roughly 50 percent more employees than DGS, it has only one-third the number of job classifications. Therefore, the agency requires fewer annual examinations to meet its programs' staffing needs. The FTB has one Governor appointee and all other senior managers have risen through the ranks of civil service. The role of PL is filled primarily by attendance clerks at the agency.

DEPARTMENT OF TRANSPORTATION

The HR director for Caltrans was hired four months ago, so she was unable to offer much perspective on HR operations at that agency. However, she was able to provide us first-hand knowledge of DPA based on her previous role as DPA's manager of classification and pay. For example, she was able to verify that the EFDS used at DGS was optional, not mandatory as thought by some staff. According to this HR director, Caltrans also uses the EFDS format. While at DPA, she also oversaw analysts who served as DGS OHR's principal contacts; however, she did not have much personal knowledge or experience with the issues that OHR faced.

8.2 CIVIL SERVICE CONTROL AGENCIES

STATE PERSONNEL BOARD

The SPB is a control agency tasked with maintaining the integrity of the state merit system. This agency is primarily concerned with enforcing civil service standards in personnel selection and promotion based on a competitive examination system. We interviewed SPB with the intent of obtaining comparison HR data from other state agencies. However, SPB does not collect or maintain any data on state agency HR operations and was unaware of where such data could be located.

DEPARTMENT OF PERSONNEL ADMINISTRATION

The DPA has authority for all matters related to the classification and salary administration for the state government. Similar to SPB, DPA is one of the principal control agencies that oversees the civil service processes in DGS. The OHR does not currently have a regular DPA contact person because DPA has recently experienced a number of staff departures and position reductions, and is in the process of reorganizing its personnel at this time.

8.3 COMPARATIVE DATA ON OHR

Another purpose of contacting state agencies was to collect and compare data on key HR indices, such as staffing levels, workload, and work volume. We received partial data from FTB and Caltrans, while CDSS provided us with data from its 2005 HR study.

Exhibit 8.2 compares DGS to three other state agencies using 11 key HR indices. Each comparison agency had more employees than DGS, an executive director with more years of tenure, fewer exempt appointees, and substantially fewer job classifications. The ratios of HR employees to the total number of employees they serve were similar among the four agencies, with DGS having the highest ratio. The full set of data we received from the other agencies is presented in Appendix E.

Based solely on the comparison data, there is no compelling reason to conclude that OHR is overstaffed or understaffed. The indicators on which OHR appeared substantially lower than the comparison agencies were related to its significantly higher relative number of classifications and examinations. However, it remains unclear as to how this difference translates into staffing and resource needs.

EXHIBIT 8.2
SELECTED COMPARISONS OF HR DATA AMONG STATE AGENCIES

No.	DATA	DGS	CDSS 2005	FTB	CALTRANS
1	Number of exempt positions filled by Governor appointment.	17	1	1	15
2	Average years of tenure of executive director over the past decade.	1		9	4
3	Total number of employees served by HR.	4,564	4,911	6,891	22,994
		4,209 in DGS and 355 in other agencies			
4	Total number of HR employees.	84	60	110	264
		74 PY in the OHR budget and 10 PY funded by programs			
5	Ratio of HR employees to employees served.	1.84%	1.22%	1.59%	1.14%
		84:4,564	60:4,911	110:6,891	264:22,994

Continued

No.	DATA	DGS	CDSS 2005	FTB	CALTRANS
6	Total number of job classifications managed.	756		215	383
7	Ratio of HR employees to job classifications managed.	11.11%		51.16%	68.93%
		84:756		110:215	264:383
8	Average number of RPA processed per year.	2,100		4,296	6,688
		6,300 over past 3 years excluding RPAs with errors-omissions		Average of 223 appointments and 135 separations/month for last 2 years	6,915 in 2007 7,404 in 2006 5,745 in 2005
9	Ratio of HR employees to RPAs processed per year.	4.0%		2.6%	3.9%
		(84 PY:2,100 RPA)		(110 PY:4,296 RPA)	(264 PY:6,688 RPA)
10	Ratio of PTU employees to RPAs processed per year.	1.43%		1.35%	1.42%
		(30 PY:2,100 RPA)		(58 PY:4,296 RPA)	(95 PY:6,688 RPA)
11	Average number of examinations per year.	144		60 - 70	205
		Includes 20 for CEA		Includes CEAs	Includes 20 for CEA

9.0 RETURN-TO-WORK

As mentioned in the methodology, our analysis included a review of the return-to-work (RTW) functions of workers' compensation and reasonable accommodation (RA) that currently reports to the Office of Risk Management (ORIM). In particular, we focused on determining the appropriate organizational placement of these functions. Prior to 2004, the RTW Unit reported to OHR.

INTERVIEW PROCESS

In assessing the efficiency and proper adherence to mandatory and statutory requirements of the California Workers' Compensation law, we interviewed the following DGS personnel both individually and as a group: ORIM's chief, staff services manager, staff risk manager, RTW coordinator, and reasonable accommodation-medical coordinator. We also solicited comments on how RTW/RA is functioning within DGS from the interviews conducted with representatives from DGS' programs. Finally, we conducted a focus group to assess the internal mechanisms in processing RTW/RA industrial and nonindustrial claims.

At our request, ORIM's staff risk manager arranged for participants who were closely involved in the processing of RTW plans and RA requests. Participants include personnel from OHR, ORIM, and legal. To obtain perspectives on claims processing from DGS programs, we asked to meet with BPM personnel. The BPM has the highest number of claims among DGS programs given the number of employees in this branch and the nature of its employees' work.

An RTW discussion group agenda was provided to the participants prior to the meeting. The agenda focused on the current operation of RTW, and in particular, the unit's ability to: (1) interface with injured workers and their supervisors through proper and timely communication, (2) effective case management, (3) training programs for DGS managers and supervisors, and (4) case documentation.

DATA COLLECTION

The ORIM provided us with documents detailing RTW/RA functions, statistical data on DGS workers' compensation costs, number of RA requests, and number of claims to date. Staff also provided training materials and guidelines relevant to safety training and workers' compensation claims. The OHR provided us with a chart identifying responsible personnel in ORIM, OHR, and programs who are involved in the processing of DGS employees' industrial and nonindustrial disability benefits and other types of medical leave benefits.

THE ORIM ORGANIZATIONAL STRUCTURE AND FUNCTIONS

In order to assess the appropriate organizational placement of the RTW Unit, we reviewed the overall structure and functions of ORIM, with special attention to the unit's primary responsibilities.

The ORIM oversees various functional units that provide assistance in not only fostering a safe work environment, but also in the proper administration of DGS' workers' compensation claims. The ultimate goal of these various units and programs within ORIM is to reduce the risks of

work-related injuries, and to efficiently manage work-related claims to minimize workers' compensation costs. As injuries occur, efficient administration and early safe RTW programs are significant factors in the reduction of workers' compensation costs. The RTW Unit handles the case management of all workers' compensation claims, primarily responsible for assisting injured workers in returning to work as soon as medically feasible.

THE RTW UNIT FUNCTIONS/STAFFING

The DGS Workers' Compensation/RTW Unit, under the direct supervision of the ORIM staff risk manager, provides assistance to all employees who have sustained injuries arising out of employment and occurring in the course of employment. In compliance with Article 12 of the Division of Workers' Compensation Administrative Rules, and the DGS Stay-at-Work Policy, the unit is responsible for providing: (1) temporary assignment for injured workers (IW) with work restrictions; (2) alternative work within DGS, if available; (3) early RTW plan, and; (4) proper training for managers and supervisors in safe work environment practices.

All workers' compensation claims at DGS are divided by programs and managed by three RTW coordinators. These coordinators are specifically assigned to claims filed by division and branch personnel.

In addition to these functions, and in compliance with California's Fair Employment and Housing Act (FEHA), the RTW Unit is also responsible for processing requests from employees with industrial and nonindustrial disabilities who are in need of special accommodations in order for the employee to perform the essential functions of his or her job. The RA coordinator manages and tracks RA requests, and ensures timely processing of requests.

The RTW/RA personnel also collaborate with the Disability Transactions Unit (DTU) and C&P in returning to work injured workers whose workers' compensation benefits have reached their maximum provisions.

ANALYSIS AND FINDINGS

In our initial interviews with program managers and employees, we heard mixed opinions and concerns about RTW and its role in the processing of claims, but nothing of great significance that would raise concerns about the proper and efficient functioning of the WC/RTW Unit within ORIM. In particular, we identified the nature of the complaint to see if the manager's opinion related to RTW primary functions.

The RTW Versus OHR Functions. Among the concerns expressed was a lack of confidence in the capability and diligence of RTW/RA personnel, poor communication with program managers about the status of their employees, and difficulty coordinating activities with both OHR and ORIM.

We addressed these issues of concern at the focus group. The BPM personnel who participated in the discussion had high praise of the RTW staff's level of performance and, in particular, the RTW coordinator's timely communication, prompt response, and proper case management of all BPM open claims.

Regarding the issue of difficult coordination of activities between RTW and OHR, it was evident from the discussion group that this particular concern was not related to industrial claims.

The RTW staff's responsibilities extend to the processing of nonindustrial disability benefits, as disabled employees reach their maximum allowance of benefit costs from workers' compensation claims. Once workers' compensation claims benefits are exhausted, disabled employees are given the options to utilize other employer and/or state cost benefits, depending on the employee's eligibility. At this juncture, collaborative work between OHR and ORIM becomes intertwined.

To analyze the interaction between RTW/RA and OHR functions, we reviewed a chart depicting responsibilities of OHR, RTW and program personnel involved in the processing of benefits or RTW of employees with medical issues. Although there are 15 distinct areas of responsibility identified, the RTW/RA functions have a primary role in only two of these areas. Specifically, the RTW coordinator serves as the point person for industrial disability leave, but has minimal involvement in the other areas. Likewise, the RA coordinator has primary responsibility for the RA area, with minor roles elsewhere.

The handling of all other medical issues that heavily involve OHR's PTU, DTU and C&P relates primarily to nonindustrial disability benefits.

The RAs. Another concern expressed by program personnel pertains to the dissatisfaction over the RTW and RA coordinators' recommendation to return to work an injured worker to the same work unit for modified work due to injury. However, strict guidelines and requirements mandated by the California Workers' Compensation Law leaves minimal options for program managers not to rehire an injured employee, nor provide reasonable accommodations. The RA coordinator expressed concern over program managers' active resistance to RA requests and temporary assignments due to medical necessity.

In further assessing the types of requests for reasonable accommodations, the RA coordinator provided a breakdown of the number of requests by DGS branch or division and by status. Exhibit 9.1 summarizes all requests for RA from 2006 to date.

EXHIBIT 9.1
DGS RA REQUESTS BY DIVISION/BRANCH

DIVISION/BRANCH	TOTAL NO.	APPROVED	DENIED	OTHER	OPEN- PENDING
	RA				
BPM	59	25	8	19	7
State Publishing	12	5	1	5	1
Administrative Hearings	9	3	0	4	2
Procurement	8	3	0	4	1
Telecommunications	7	3	0	4	0
RESO	4	1	0	3	0
Technology Resources	3	3	0	0	0
Project Management	2	1	0	1	0
OHR	2	0	0	2	0
ORIM	2	0	0	2	0
Public School Construction	2	0	0	1	1
State Architect	2	1	0	1	0
Executive Office	1	1	0	0	0
Fiscal Services	1	1	0	0	0
Fleet Administration	1	0	0	0	1
Gambling Commission	1	1	0	0	0
TOTALS	116	48	9	46	13

This data shows that 48 RA requests were approved, 9 denied, 46 withdrawn or closed for various reasons, and 13 pending or open/ended. Of the 116 requests since 2006, 54 were modified work accommodations due to industrial injuries.

In finding solutions for all requests for reasonable accommodations, the RA coordinator uses departmental resources to process the request in a timely manner, following the interactive process required by law.

The RTW Case Management. The ORIM currently has an all-inclusive automated risk management information system, IVOS, that provides crucial information for the proper monitoring of the progression of claims that can become contested if not properly documented.

The IVOS workers' compensation claim database is capable of generating reports and tickler schedules that are crucial in accounting for all claims. The critical nature of adhering to statutory requirements of the workers' compensation system is a significant factor in reducing workers' compensation costs.

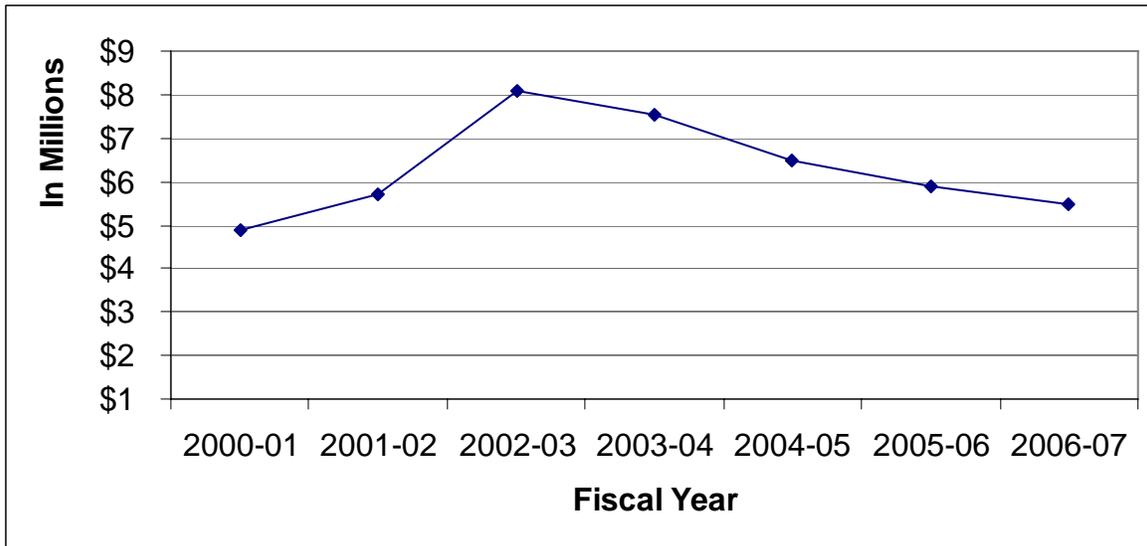
The RTW coordinator utilizes the IVOS for efficient management of workers' compensation claims. The database has a comprehensive checklist of all required and pertinent information, promotes an early return to work planning, and greatly reduces workers' compensation costs.

As noted in a number of studies, both employers and injured workers benefit when employees return to work as soon as medically feasible, following a workplace injury. Studies have also shown that injured workers who return to the workplace as soon as they are able generally recover from their injuries faster. Current workers' compensation reforms underline sound medical treatment and early return to work.

To substantiate this end, statistical data were solicited from ORIM to validate cost containment of DGS workers' compensation costs.

Exhibit 9.2 illustrates the trend in workers' compensation costs at DGS over the past seven years. There has been a steady decline in these costs since fiscal year 2002-03, dropping from \$8.1 million to \$5.5 million during this time period. Moreover, in 2007, the percentage of total payroll paid by DGS for workers' compensation was 2.47 percent, which was lower than the aggregate amount of 3.36 percent for California state agencies as a whole.

EXHIBIT 9.2
TREND IN WORKERS' COMPENSATION COSTS AT DGS



Based on our analysis, it appears that the RTW Unit is currently performing as well as, or better than, it did before it was transferred to ORIM. A significant benefit to its location in ORIM is the function's integration with other risk management resources, and its ability to utilize a state-of-the-art database. We believe that the mixed opinions and criticisms stem from the lack of understanding in differentiating workers' compensation benefits and employer cost benefits. Accordingly, the effectiveness of ORIM in managing workers' compensation and other aspects of the RTW process appears to support its continued management of these functions.

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10.0 SUMMARY OF RECOMMENDATIONS

As seen throughout the report, we have developed general recommendations for improving HR operations. In this section, we present a consolidated summary of these recommendations for consideration in Phase II of this study.

We have characterized these recommendations as focus areas, each of which will entail further exploration and discussion. Each area will involve conducting a thorough analysis of the tasks, resources, access, and project support required to develop detailed recommendations for process improvement. In particular, we will work with GC to develop a detailed work plan to serve as our road map for this phase.

One of our first tasks will be to obtain direction and concurrence from the GC on the focus areas that will be targeted. We encourage DGS to be selective in adopting its plan for process improvement, and we recommend that it refrain from undertaking too many initiatives at the same time. Our recommendations include initiatives that we believe will benefit HR operations throughout DGS, but many of them will take considerable time and effort to implement, even beyond the time frame of our current project scope.

We have structured the recommendations under the assumption that DGS managers and employees will be responsible for conducting the majority of work pertaining to their implementation. If a recommendation requires establishing a formal project and forming a special project team, the team will be managed and staffed by DGS personnel. Our role, as the external consultant, will be to work primarily with the project manager to develop a detailed project plan for the development and implementation of recommended changes. Depending on the timing of implementation efforts, we may also provide direction, guidance, and oversight to the designated project manager and the project team. This approach will help ensure that DGS employees are actively engaged in achieving the goals of the project and that they understand how new processes are developed and deployed. This level of participation will better prepare DGS staff to sustain new processes into the future.

To illustrate this approach, we use Recommendation 2—Conduct a Staff Workload Analysis—as an example. Among the first steps in this complex project is to identify goals (project outcomes) and the major steps to achieve those goals. In this example, we assume that the primary outcome sought by DGS is an effective budget change proposal (BCP) that allocates more PYs and funds for OHR operations. Therefore, the major steps of the project may include the following:

1. **Identify the Major Criteria for the Workload Study Portion of an Effective BCP.** Early on, we would plan to assist the project manager to identify the requirements for the workload study portion of a BCP. Because workload studies are more analytical and detailed than many projects in HR operations, we would expect to provide direction and guidance to the project manager in the details of tasks related to data collection, analysis, and reporting.
 - a. **Identify the Types and Extent of Data Required.** The process of collecting data is likely to consume significant resources in terms of the time required by project team members. Therefore, it will be important to clarify as many data requirements as possible in advance. We anticipate that a BCP will require collecting a fairly large amount of detailed data such as:

- i. The identification of current numbers and job classifications of employees.
 - ii. Prospective changes in those numbers and classifications.
 - iii. The major work tasks and duties of each current classification.
 - iv. The volume of tasks per employee.
 - v. Time spent performing each type of task on a daily and weekly basis.
- b. **Develop a Methodology to Collect and Analyze Reliable Data.** We will work with the project team to develop standardized procedures, such as consistent sets of instructions, data collection forms, and sampling techniques, that will help ensure accuracy, consistency, and thoroughness of the data collected. We also will help to ensure that the data are calibrated for the types of statistical analyses planned. Our experience performing similar studies can serve as guidance to the project manager and team.
2. **Collect and Analyze Data.** Tasks related to data collection may entail work observation, personal interviews with staff, self-reporting, or a variety of other procedures. These tasks will be the responsibility of project team members and will be overseen by the project manager.
- a. **Enter Data Into A Suitable Database.** We expect that all of the necessary statistical procedures can be performed using Excel (for example, averages and sums) and that data entry can be performed by project team members.
 - b. **Analyze Data According to Acceptable Procedures.** We will be prepared to assist with analyzing statistics and interpreting results as needed.
3. **Summarize Workload Findings In A Written Report that Addresses All of the Major Criteria.** The project manager and team members are well equipped to prepare a written summary report addressing the workload analysis. We will be available for review and guidance, but assume that DGS will have the primary responsibility for this task.

Our overall involvement with the implementation efforts will be gauged by the labor resources allocated in our Phase II budget. Accordingly, the GC will need to identify those recommendations that it considers to be high priority. For each recommendation that the GC agrees to implement, we will work with the assigned project manager to identify the balance of consultant and DGS staff resources required to undertake the project.

PHASE I RECOMMENDATIONS

To help ensure success in the development of detailed recommendations and implementation plans during Phase II, we have structured our Phase I recommendations in a logical format that aligns with the sequence of implementation and the resource needs for DGS participation.

10.1 FRAMEWORK RECOMMENDATION

Recommendation 1 is designed to serve as the foundation for improvements in HR performance. This recommendation addresses the development of guiding principles. Our analysis of DGS leads us to conclude that many of the current problems can be attributed to the absence of leadership continuity, and the role of GC is a key factor in DGS' future success.

Specifically, DGS needs a formal charter accepted throughout the organization in order to move forward on developing and implementing recommendations.

Recommendation 1: Establish Guiding Principles

In our findings, we identified that the most important issue for DGS to address is the continued and long-term success of GC. This is a crosscutting issue that will affect all aspects of DGS for many years. Regardless of the approach used for other possible improvements, we believe that development of team and individual competencies, norms, and expectations should be among the highest priorities of GC.

We recommend that the GC and DGS develop and adopt a set of guiding principles to provide direction for implementing recommendations for operational improvement of HR functions. These principles are intended to provide high-level guidance when determining the appropriate courses of action and to establish the criteria against which progress towards goals are monitored and evaluated. Exhibit 10.1 provides a proposed set of guiding principles that DGS can consider for its use. It is essential that all DGS stakeholders, including program personnel and OHR management reach consensus on the principles and agree to uphold them when developing and deploying the recommendations.

EXHIBIT 10.1
HUMAN RESOURCES ORGANIZATIONAL ASSESSMENT
GUIDING PRINCIPLES – DRAFT: JUNE 9, 2008

The purpose of these Guiding Principles is to provide direction for implementing recommendations for operational improvement of HR functions. These principles are intended to provide high-level guidance when determining the appropriate courses of action and provide the criteria against which progress towards goals are monitored and evaluated.

FOUNDATION PRINCIPLES

- ◆ The HR function is a critical element of the department’s administration that helps to facilitate the maximization of human capital, the most important asset in the organization.
- ◆ The Office of Human Resources (OHR) is tasked with providing HR services to programs throughout the department in an efficient and effective manner.
- ◆ Leadership throughout the organization, including OHR and the programs, are committed to implementing the recommendations and promoting continuous improvement.
- ◆ Implementation of the recommendations is a top priority throughout the department.
- ◆ The department will maintain simplicity and consistency, where possible, in its human resources processes and practices.
- ◆ The OHR and the programs will strive to achieve an optimal balance between customer satisfaction, productivity, and compliance with personnel-related laws and regulations.

Continued

OFFICE OF HUMAN RESOURCES
<ul style="list-style-type: none"> ◆ The OHR will establish and maintain a high level of customer satisfaction throughout the department. ◆ The OHR will focus on increasing productivity of its functions and activities to support the goals of the programs. ◆ The OHR will serve as the department's guardian to ensure that the department is maintaining compliance with personnel-related laws and regulations. ◆ The OHR staff will maintain ongoing communication with the programs on the status of work performed. ◆ The OHR will be consistent and strive for simplicity in the methodologies and approaches used to perform functions and activities, to the extent possible. ◆ The OHR's interactions with programs will be solutions oriented, by being proactive in seeking out solutions to programs' needs.
PROGRAMS
<ul style="list-style-type: none"> ◆ Programs will provide thorough, relevant, and timely information to OHR to assist in performing human resources activities. ◆ Programs will be responsive to OHR's requests and will alert OHR of any changes in their needs.
MEASURABILITY AND ACCOUNTABILITY
<ul style="list-style-type: none"> ◆ The OHR and the programs will develop quantifiable performance measures to assess progress towards meeting the goals of the recommendations. ◆ The OHR and the programs will continuously monitor progress towards meeting these goals.

10.2 SHORTER-TERM PRIORITY RECOMMENDATIONS

Recommendations 2 and 3 focus on initiatives that are relatively straightforward for which implementation plans can be developed fairly quickly with minimal involvement from DGS staff. As a result, DGS will likely be able to implement these recommendations in the near future and will experience results in the shorter term.

Recommendation 2: Conduct a Staff Workload Analysis

Many of our findings addressed comments from managers and employees in OHR who attributed service deficiencies to inadequate staffing levels. A number of managers in the program areas also said they were confident that OHR staffing was inadequate. The few external comparisons we made with other state agencies, however, indicated that OHR's staffing appears to be about average.

Our recommendation is for DGS to conduct a more complete analysis of staffing levels within OHR. At a minimum, the analysis would need to include factors like workload, transaction time, and scheduling. Ideally, this analysis should be conducted in conjunction with a review of the efficiency of internal technology, systems, and procedures.

Recommendation 3: Expand Communication Efforts Between OHR and Programs

During the onset of Phase I, OHR resumed a program of initiating communication meetings between personnel analysts and program PLs referred by OHR as "tubbing." The initial feedback from those meetings indicated that they improved the mutual understanding about

transaction issues and the resolution of problems. They also served as a forum for both parties to express concerns and to learn about their respective roles in mutual business interactions.

The DGS should extend this series of meetings upward in the hierarchy to include supervisors and managers on each side. We envision that the topics for discussion in higher level meetings would focus on policies and practices, as opposed to transactions and routine activities. A key requirement would be for these meetings to be promoted and sponsored by senior managers on each side so that they become a formal component of the communication efforts between OHR and the programs.

10.3 LONGER-TERM ENHANCED RECOMMENDATIONS

Recommendations 4 through 8 address initiatives that will require greater involvement from DGS personnel, particularly OHR staff, to develop the implementation plans. We anticipate that success in each of the initiatives listed in this section will require substantial commitment, support, and investment by OHR. Given the delays we have experienced with these staff during Phase I, it is possible that some of these recommendations may not be implemented until considerably further in the future.

Recommendation 4: Develop Measures of Customer Service

The OHR managers and employees appeared to be unaware of the magnitude and intensity of concerns expressed by their customers. Their comments indicated a general belief that they were meeting their customers' needs and expectations. From OHR's perspective, it was fulfilling its obligations as a control over civil service transactions while also delivering reasonable and acceptable operational support to DGS program managers.

In contrast, program personnel described numerous concerns with the lack of customer service. However, the absence of quantitative data makes it difficult to substantiate those concerns or to ascertain the magnitude of the actual problems.

To help clarify this situation, we recommend working with OHR management to develop procedures that can: (1) quantifiably measure the customer services that OHR provides; (2) serve as a baseline for service quality over time; and (3) provide for periodic reports to OHR's internal customers and DGS management.

At this time, our approach to the development of customer service measures is relatively open-ended. There are a variety of methods for measuring and tracking service quality—the key is to develop procedures that will be accurate, acceptable to all stakeholders, and sustained within the normal course of DGS business. We have no preconceived requirements for those procedures and would like to elicit the preferences of DGS in the design strategy. Nevertheless, we offer the following ideas for consideration.

Design. The ideal set of measures are those that require little or no support for collecting, analyzing, and reporting data. An example of such an automated process is an interactive telephone system that provides computerized data capture of callers' menu selections. These processes are sometimes used by help desks (for example, technical support) and customer service centers (for example, insurance claims and pharmacy prescription refills). We are open to exploring these types of automated systems with OTR prior to any final decisions being made but anticipate that this approach will likely be cost prohibitive.

More realistically, we may need to rely on the employees and supervisors of OHR to collect relevant data on many of their own services. This approach will make the data more susceptible to errors and omissions in collection and reporting since it will rely on the attention, effort, and care of these employees. From outside of OHR, it will be difficult to determine the extent to which any errors may be occurring. Therefore, the success of this effort will depend on assuring the understanding and commitment of the employees and supervisors charged with collecting the data.

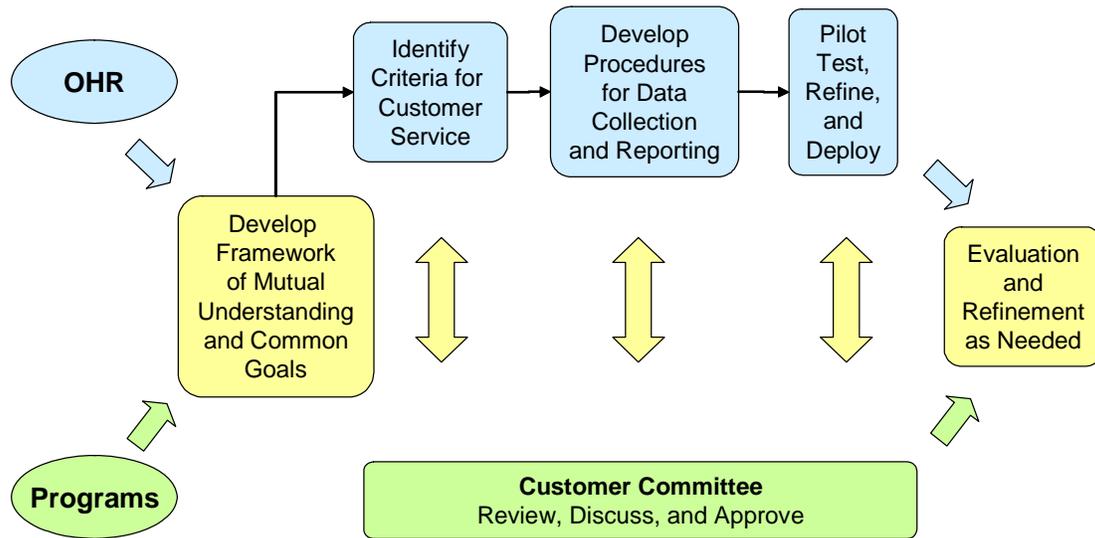
We believe it will be essential to include a high level of employee participation throughout the entire development process—both from OHR and the program areas. The OHR analysts and technicians must:

- ◆ Understand the need for collecting and reporting quantifiable measures and how those measures were identified.
- ◆ Actively participate in decisions about the design and administration of key features of the measurement effort (for example, definition of service criteria and the development of measurement procedures).
- ◆ Understand that DGS and OHR management intend to use the service measures for information and data-guided improvement, rather than for disciplinary actions.
- ◆ Commit to the entire process including striving to ensure accuracy and thoroughness of the data.
- ◆ Clearly see the initiative as being owned and supported by OHR supervisors and managers.

We believe that program managers and employees, as the internal customers of OHR, will need to provide the guidance and feedback throughout the project. They will serve as experts in identifying the most important aspects of OHR operations that influence satisfaction and they can participate in the design of procedures for measurement and reporting to ensure credibility and acceptance of the final product.

Exhibit 10.2 illustrates our general outline for this recommendation. We will plan to further develop this outline through discussions with the GC and OHR. At present, we envision OHR management to be the “owner” of this undertaking and to assume the lead role in presenting the needs, benefits, and requirements of the project to OHR employees. Together, OHR and program representatives will need to develop a detailed plan that clarifies the roles, timeframes, and responsibilities of all parties. In general, customers will serve on the project as experts on the requirements and criteria of customer service and OHR personnel will serve as experts on the design and operational deployment of accurate and sustainable measurement procedures.

EXHIBIT 10.2
GENERAL OUTLINE FOR DEVELOPMENT OF CUSTOMER SERVICE MEASURES



An important element in the planning effort will be to reach agreement on a process for OHR to regularly review details of all progress made with a stakeholder committee comprised of internal customers. Both OHR and program personnel will need to work closely to identify issues, analyses, and key decisions that might benefit from customer input, to confirm and agree upon any deviations from previously made plans and decisions, and to ensure that both OHR and its customers share equally in the project outcomes.

Potential Benefits. We believe the benefits of a procedure for measuring customer service will help both OHR managers and program managers. Once all parties agree upon the criteria for performance and the procedures for measuring those criteria, their expectations about roles and outcomes will be clarified. This process will help reduce misunderstandings and ambiguities. In addition, it can help improve accountability when problems arise or services diminish for any reason. With sufficient care in developing the definition of customer service, measures can also help to determine whether services have, in fact, diminished or otherwise changed over time.

Exhibit 10.3 identifies a few examples of the types of data we anticipate that OHR might find useful for measuring customer service. Since OHR and the Customer Committee will be responsible for determining the actual criteria for measurement, it is likely that additional measures will be identified. Regardless of the specific criteria that are eventually identified and agreed upon, we are confident that a high level of participation by both OHR and internal customers will lead to a process that all parties will regard as effective and meaningful.

EXHIBIT 10.3
EXAMPLES OF POTENTIAL CUSTOMER SERVICE MEASURES

QUALITY INDICATOR	EXAMPLE OF AN OHR APPLICATION
Customer Feedback	<ul style="list-style-type: none"> ◆ Calls and emails about errors in personnel transactions. ◆ Calls and emails about poor service by employees. ◆ Number of inquiries about who to contact in OHR.
Rates of Error	<ul style="list-style-type: none"> ◆ Number of errors in ABMS setup. ◆ Number of errors and omissions in RPA submittals. ◆ Number of instances with no explanation.
Types of Error	<ul style="list-style-type: none"> ◆ Data entry. ◆ Interpretation of regulations. ◆ Procedures related to RPAs. ◆ Lack of back-up during absences.
Sources of Error	<ul style="list-style-type: none"> ◆ Aggregates of errors by program area. ◆ Aggregates of errors by PTU. ◆ Number of data omissions in forms from new employees.
Need for Rework and Correction	<ul style="list-style-type: none"> ◆ Time spent identifying, communicating, and rectifying an error in benefits enrollment. ◆ Time spent correcting an overpayment of salary.
Resources Used	<ul style="list-style-type: none"> ◆ Salary costs of the time required for correction by people at different pay levels. ◆ Total staff time spent on error detection and rework.

Recommendation 5: Expand the Use of Partnership Agreements

The use of formal partnership agreements is a strategy that can help promote synergy throughout DGS. As discussed earlier, DGS has utilized staff resources funded by programs as dedicated positions in the Selections Unit of OHR. This arrangement appears to be very effective and well received by program personnel and OHR staff. The DGS should consider expanding its use of partnerships across other HR functions.

In our findings, we noted that voluntary partnerships offer the promise of improving performance beyond their current deployment in the Selections Unit. In particular, they may provide similar benefits in PTU and C&P. Dedicating one or more specific positions in each of those units to a program might help to achieve the following:

- ◆ Clarifying the respective roles of OHR employees and program PLs.
- ◆ Improving the accountability of staff on each side of personnel transactions.
- ◆ Providing more reliable and familiar contact personnel for OHR customers.
- ◆ Improving relations, communication, and understanding of roles and responsibilities between program managers and OHR analysts.
- ◆ Increasing managers' knowledge and sense of certainty about the schedules and time frames of transactions processes.

Furthermore, voluntary partnerships have the added feature of requiring programs and OHR to cooperate for their mutual benefit with the realization that they have a shared stake in the

program's success. This arrangement is in direct contrast with OHR's civil service role of control and oversight of the program transactions, instead placing more emphasis on service outcomes.

Recommendation 6: Analyze OHR's Automated Systems

We recommend conducting a more thorough analysis of the capabilities and limitations of the automated RPA system and ABMS. Although we have not collected empirical data on the quality and efficiency of the technology systems used by OHR, we heard numerous comments from program personnel and OHR staff criticizing the usefulness of these systems.

We propose that this analysis include a comparison between the automated systems in DGS and similar systems (either automated or paper-based) used by other state agencies. This comparison may provide some insight on the respective efficiencies, costs, and benefits of both current and alternative approaches.

As mentioned earlier, OHR was reluctant to provide us with access to HR systems, due to confidentiality restrictions. Consequently, our ability to perform this analysis hinges on the DGS' willingness to seek permission from SCO and other oversight agencies to grant us access to the inputs, processing, and outputs pertaining to these systems.

Recommendation 7: Analyze PL and Training Coordinator Roles

We determined that the roles of PL and training coordinator are not consistently defined by the programs. Program areas use numerous employees with a variety of skill sets to serve as PLs and training coordinators. However, we did not find anyone who claimed to be fully knowledgeable about the standards for their job performance. Instead, we identified considerable variance among the duties performed by these staff. For instance, some PLs take lead roles in assisting managers on design and documentation for HR issues, while others appear to do little more than filling out standard forms.

We recommend that DGS evaluate the roles of all PL and training coordinator positions. This comprehensive review will be beneficial in establishing consistency throughout DGS, while also serving as an opportunity to identify any overlap between the PL and training coordinator roles. As a result, DGS may realize benefits in efficiency to the extent that some of the roles are able to be combined.

Recommendation 8: Review the Need For Essential Functions Duty Statements

A visible initiative that OHR undertook a few years ago was the deployment of EFDS. Program managers were very critical about the excessive work, time, and frustration that was involved in their transition to the use of EFDS.

We are not aware of whether the problems resulting from EFDS continue to persist or whether they were only associated with a transitional process several years ago. If the use of EFDSs continues to be problematic, we believe that this process can be readily addressed, because EFDS is entirely within the prerogative of DGS. Nevertheless, the use of this model does provide important benefits to DGS that may not be visible to most program managers.

We recommend that OHR perform a careful cost-benefit analysis of EFDS on a program-by-program basis as well as from a DGS-wide basis. This analysis should seek to obtain reliable estimates of time spent by managers and other program employees on EFDS-related issues,

and the costs of that time. The study should be careful to include estimates of benefits related to reasonable accommodation claims. Among other criteria we suggest for consideration in this study are:

- ◆ The time that continues to be required to coach and train managers and PLs in EFDS requirements beyond the standard duty statement requirements.
- ◆ The time required to “sell” and explain EFDS benefits to programs when resistance or complaints arise.

Because of the high investment that OHR made when it mandated the change to EFDS, we believe that this type of project would be particularly difficult for OHR managers to accept. We recommend this initiative for its promise of improving OHR operations, but we advise DGS to first build OHR capacity for change before it considers revisiting EFDS.

APPENDICES

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APPENDIX A: INTERVIEW GUIDES DEVELOPED FOR DATA COLLECTION

DEPARTMENT OF GENERAL SERVICES EXECUTIVES AND MANAGERS, INTERVIEW TOPICS—FEBRUARY 2008

MGT Consultants (any of): Adam Lumia, Michael Hearn, Verne Bowers, and
Jerry Bowers

1. Introduction

- a. Can you give us a brief description of your background with the Department of General Services (DGS)?
- b. Please give us a brief outline of the business you manage.

2. Human Resources Issues

- a. What do you think precipitated the present study?
- b. Are there human resources (HR) functions that work especially well? Especially poorly?
- c. How do you see the history of interactions between HR and the program areas at DGS? When did problems begin to appear?
- d. What has been tried before to improve things? What resulted? Why have HR issues not already been solved?
- e. Do you see anything that is aggravating or prolonging the situation?

3. Department of General Services Business

- a. How would you describe the general “management climate” at DGS?
- b. What do you see as being the biggest priorities for DGS? For your business?
- c. Does your business use any measures of its operations and efficiency?
- d. Have there been any specific consequences for your business that you can cite as stemming from issues with the Office of Human Resources (OHR)?
- e. Potential improvements?
- f. What do you see as being potential solutions or steps toward improvement? What might be the biggest obstacles for those at DGS?
- g. Are there any specific issues that are especially important to address? To avoid?
- h. Are there any steps or actions that need to be completed as groundwork before addressing the HR issues at DGS?
- i. Can you think of anything that would help to make improvement actions easier, faster, or more certain?
- j. Any areas we have not covered? Any other comments?

OFFICE OF HUMAN RESOURCES STAFF, INTERVIEW TOPICS—MARCH 2008

Interviewee Name:

Work Unit:

1. Introduction

- a. Provide an overview of the purpose and process of the study and of this interview.
- b. Can you give me a brief description of your background with DGS and in HR?

2. Human Resources Issues

- a. Please describe how you see the role of your work unit in OHR.
- b. What do you see as being the major challenges for your work unit?
- c. What have been the major achievements of your work unit?
- d. Over the past few years, what has been the history of problems between HR and the program areas at DGS? Between your work unit, specifically and DGS?
- e. What are some specific examples of problems that you have personally seen or experienced?
- f. What has been tried before to improve problems between the program areas and your work unit? When did those attempts take place? What resulted?

3. Service and Control

- a. How would you describe your typical interactions with the personnel of the program units? Are they pleasant? Are they frustrating? Are program personnel generally pleased with the services they receive from your unit?
- b. How would you describe the orientation of your unit toward the delivery of HR services to DGS customers?
- c. How would you describe your unit's orientation to acting as a control function over the requests and actions of DGS program areas?
- d. How does your unit manage the balance between service and control for DGS? What feedback or measures help you to monitor that balance?

4. Office of Human Resources Business

- a. Do you keep or know of any measures of operations and efficiency of your work unit? Please describe (electronic files, summary data, etc.).
- b. Can you describe the work goals for your job?
- c. How were those goals set? When? How are they being measured?
- d. What were the goals for your job last year? How well were they achieved?
- e. Are there any functions of your work unit that are working especially well? What accounts for or contributes to that success?
- f. Are there any functions of your work unit that are especially weak or working poorly? What contributes to those weaknesses?

- g. Overall, what do you see as the main causes of the problems that you have seen or experienced?
- h. What do you see as being the most promising steps to improve those problems?
- i. What would it take for those steps to be successful?
- j. What risks and obstacles might be involved in try to implement them?

5. Current Study

- a. What do you see as being the major challenges for this study?
- b. Are there any other comments or observations that you'd like me to know?

PERSONNEL LIAISON INTERVIEW TOPICS—FEBRUARY 2008

Interviewee Name:

Work Unit:

1. Introduction

- a. Can you give me a brief description of your background with DGS?
- b. What is your background specifically in HR?
- c. Were you trained or prepared in some way for your current job?

2. Human Resources Issues

- a. Please describe how you see the role of HR at DGS.
- b. Are there any aspects of HR that are different from other state agencies?
- c. What do you see as being the major challenges for HR?
- d. What have been the major achievements of HR?
- e. Over the past few years, what has been the history of problems between HR and the program areas at DGS?
- f. What are some specific examples of problems that you have personally seen or experienced?
- g. What was your role in the situation?
- h. How did the problems you saw affect the business of the program units involved?
- i. What were the consequences of those situations? How were those situations resolved?
- j. What has been tried before to improve problems with HR? When did those attempts take place? What resulted?

3. Office of Human Resources Business

- a. Do you keep or know of any measures of HR operations and efficiency? Please describe (electronic files, summary data, etc.).
- b. Are there any functions of OHR that are working especially well?

- c. What accounts for or contributes to that success?
- d. Are there any functions of OHR that are especially weak or working poorly?
- e. What contributes to those weaknesses?
- f. Overall, what do you see as the main causes of the problems that you have seen or experienced?
- g. What do you see as being the most promising steps to improve those problems?
- h. What would it take for those steps to be successful?
- i. What risks and obstacles might be involved in try to implement them?

4. Current Study

- a. What do you see as being the major challenges for this study?
- b. Any other comments?

RETURN-TO-WORK DISCUSSION GROUP TUESDAY, 1 P.M., ROOM 1-331, APRIL 15, 2008

Interviewee Name:

Work Unit:

1. RTW Currently

- a. How well are the current RTW operations working?
 - i. Communication (employees, supervisors, case management)?
 - ii. Case documentation?
 - iii. Guidance and training for programs?
 - iv. Other aspects?
- b. Do any aspects of RTW cause difficulties?
- c. What data or records are available that indicate how well RTW is currently working?

2. What Changes Might Be Introduced To Improve RTW?

- a. What improvements would result?
- b. What resources and steps would be needed to ensure that potential improvements are achieved and sustained?
- c. What risks might be included?

3. What Might be the Consequences of NOT Making Changes?

APPENDX B: LIST OF DEPARTMENT OF GENERAL SERVICES PERSONNEL INTERVIEWED

Steve Giorgi	Executive Director, Gambling Control Commission
Dale Kuroda	Finance Manager, Gambling Control Commission
Nancy Patton	Assistant Exec Director, Commission on State Mandates
Andre Watkins	Training and Performance Enhancement Manager
Sheila Dubose	HR Specialist, Training
Debbie Strong	HR Bureau Director, Franchise Tax Board
Paul Ogden	Personnel Resources Manager, Franchise Tax Board
Sharon Planchon	HR Chief, Department of Social Services
Michelle Schmitt	Manager of Org. Development, Dept. of Social Services
Mike Strazzo	Chief, Merit Operations, SPB
Theresa Boron-Irwin	Legal
Amy Cooper	RTW Manager, ORIM
Darcie Abbott	RTW Coordinator, ORIM
Gerri Villhauer	SSM, BPM, RESD
Jan Dietz	BPM
Kathleen Daniel	BPM Medical Coordinator
Gail Saruwatari	Claims Manager, ORIM
Karen Lucas	Staff Services Manager, C & P
Linda Bender	Personnel Supervisor, C & P
Loretta Dillon	Personnel Supervisor, C & P
Alana Kydland	Associate Personnel Analyst, C & P
Berge Ochikubo	Personnel Analyst, C & P
Yvette Saldivar	Personnel Supervisor, PTU
Ezac Reyes	Associate Personnel Analyst, PTU
Lisa Hewell	Associate Personnel Analyst, Certifications
Terry Werner	Analyst, Labor Relations
Theresa Flores	Associate Personnel Analyst, Selections
Dolores Ballejos	Associate Personnel Analyst, Selections
Jack Barr	Deputy Director, Administrative Services (retired)
Diana Campbell	Specialist, Labor Relations and Program Improvement
Selina Mulligan	Specialist, Labor Relations and Program Improvement
Paul Stangus	Staff Services Analyst, Constructive Intervention
Carolyn Foote	Associate Personnel Analyst, C & P
Kris Doucette	Associate Personnel Analyst, C & P
Adrian Farley	Deputy Director, Procurement Division
Michelle Ogata	Assistant Deputy Director, Procurement
Russ Guarna	Branch Chief of External Operations
Ben Martin	Branch Chief of Strategic Sourcing and Acquisition
Marnell Voss	Branch Chief of Information Technology
JoAnn Button	Branch Chief of Management Resources
Will Semmes	Chief Deputy Director, DGS,
Deborah Baker	Deputy Director, Administrative Services Division
Rick Rusk	RESD Assistant Chief - PMB
Joe Mugartegui	RESD Branch Chief - AMB

Fred Cardano	RES D Branch Chief - BPM
Kathy Yamamoto	RES D Branch Chief - BOPP
Theresa Bierer	RES D Assistant Deputy Director
Jonathan Clarkson	EEO Officer
Kathy Hicks	Deputy, Division of the State Architect
Ron Diedrich	Deputy Director, Office of Administrative Hearings
Grace Leyva	Personnel Liaison, OAH
Rene Dimech	Personnel Liaison, OAH
Geoff Brandt	State Printer, Office of State Publishing
Rob Cook	Executive Officer, Public School Construction
Richard Shedd	Office of Fleet Administration Assistant Chief
Kim Hunt	ORIM Branch Chief
Donna Carey	Administrative Services Division - BSO
Cathy Coyne	Administrative Services Division - OFS
Brad Morgan	Administrative Services Division -OFS
Susan Ferguson	Office of Fiscal Services
Jerry Martines	Office of Fiscal Services
Brian Thomas	Office of Fiscal Services, Contracted Fiscal Services
Erica Sperbeck	Office of Fiscal Services Branch Chief
Jill Ellwood	OHR Labor Relations
Julie Barraza	OHR Personnel Transactions
Robin Enos	OHR Selections
Moana Tedrow	OHR Succession Planning
Linda Bender	OHR Classification and Pay
Loretta Dillon	OHR Classification and Pay
Douglas Holmes	OHR Personnel Transactions
Chris Thomas	OHR Personnel Transactions
Gloria Toscano	OHR Personnel Transactions
Ted Park	RES D Assistant Chief - PSB
Deborah Vaughn	OHR Chief
Maria Lopez	OHR Operations
Andre Watkins	OHR Training
Will Bush	Director, DGS
Doug Button	Deputy Director, RES D
Gary Grootveld	Deputy Director, Telecommunications
Larry Rowe	Supervisor, Telecomm
Bill Anderson	Supervisor, Telecomm
Glen Nash	Supervisor, Telecomm
Joan DeCrescenzo	Supervisor, Telecomm
Daphne Rhoe	Branch Chief, Telecomm
Angie Boldrini	Personnel Liaison, RES D
Cathie Denny	Personnel Liaison, RES D
Mona Gonzales	Personnel Liaison, RES D
Mary LaCasse	Personnel Liaison, RES D
Linda McGuire	Personnel Liaison, RES D
Candice Mercado	Personnel Liaison, RES D
Patricia Whitfield	Personnel Liaison, Legal

APPENDIX C: LIST OF DOCUMENTS REQUESTED AND REVIEWED

JANUARY 31, 2008

For reference in our HR Analysis Study, MGT has identified the following documents which we would like to receive from DGS.

1. **Copies of any previous studies of HR procedures, operations, and efficiencies that were conducted internally or externally in the past ten years at DGS.**
2. **Human Resources Procedure Manual(s) for OHR that are related to each of the major areas of HR operations:**
 - a. Selection (including recruitment, testing, certification, etc.).
 - b. Pay and classification.
 - c. Training and performance enhancement.
 - d. Personnel transactions.
 - e. Disability insurance.
 - f. Adverse actions.
 - g. Labor relations and program improvement.
3. **Human Resources Manuals used by Personnel Liaisons in the various program units.**
4. **Manuals, policies, and written procedures related to Return-to-Work of injured and disabled employees.**
5. **Copies of laws and regulations governing civil service, workers compensation, and return-to-work practices.**
6. **Job descriptions (or classification specifications) of all personnel in OHR.**
7. **Data on former DGS employees obtained from exit surveys or similar programs.**

FEBRUARY 19, 2008

For reference in our HR Analysis Study, MGT has identified the following documents which we would like to receive from DGS.

1. **Copy of the OHR strategic plan, or an interim copy if that plan is still in development.**
2. **Copy of the most recent update of the Request for Personnel Action (RPA) Workflow document or manual.**
3. **Copy of New Hire Orientation Manual developed by HROAG, possibly authored by Terry Werner.**

4. **Any data related to satisfaction with OHR services received from OHR clientele, customers, commissions, employees, etc., from surveys, questionnaires, and other data collection activities.**
5. **Identification of metrics available on OHR workload, work volume, and operational quality control such as the following:**
 - a. Total number of employees and managers served by OHR, including DGS and non-DGS agencies and commissions.
 - i. Number of OHR staff in full-time equivalent (full-time equivalent [FTE], personnel year [PY], etc.).
 - ii. Ratio of HR staff-to-clientele served.
 - iii. Total number of job classifications served among all clientele, divisions, and commissions.
 - b. Total number of RPAs (requests for personnel action) received per month or per year for the past two years.
 - i. Average length of time between receipt of RPAs and acknowledgement sent by OHR to the initiating office.
 - ii. Number of errors, incomplete, or reworked RPAs broken down by major categories of RPA (for example, classification change, payroll change, transfer, new hire, etc.).
 - c. Total number of requests to fill a job or position for past two years and the following data linked to each request where applicable:
 - i. Number of examinations requested.
 - ii. Number of examinations scheduled and length of time required for completion.
 - iii. Number of certification lists established and length of time required for completion.
 - iv. Number of candidates certified for hiring eligibility on new lists.
 - d. Total number of personnel transactions performed for past two years, per major category of transactions.
 - i. Number of errors, incomplete, or reworked transactions.
 - ii. Average lengths of time required to fully complete each transaction, broken down by major categories of transaction.
 - e. Indices used for monitoring of quality control in OHR operations.
 - f. Indices used in reporting OHR performance or progress to executive management and/or to outside agencies (for example, Department of Personnel Administration [DPA] and State Personnel Board [SPB]).

APPENDIX D: HUMAN RESOURCES DATA REQUESTED FROM OTHER STATE AGENCIES

ACTIVITY	DGS	OTHER AGENCY
Total number of positions that are filled by governor appointment—that are exempt from civil service.	17	
Average tenure of Executive Director for past ten years.	1 year	
Total number of employees served at the agency.	4,564—comprised of 4,209 in DGS and 355 in other agencies	
Total number of employees in HR.	84—74 PY in the OHR budget and 10 PY funded by other programs	
Ratio of HR employees to the number of employees served.	0.0184 (1.84%) 84: 4,564	
Total number of job classifications serviced.	756	
Ratio of HR employees to the number of job classifications managed.	0.111 (11.1%) 84: 756	
Average number of Requests for Personnel Action (RPA) processed per year.	2,100—6,300 over past 3 years not counting RPAs that have errors or omissions	
Ratio of HR employees to the number of Requests for Personnel Action.	1: 25 (84 PY: 2,100 RPA)	
Ratio of employees in Personnel Transaction Unit per RPA.	70 (30 PY: 2,100 RPA)	
Average number of examinations per year.	144—consists of 124 scheduled and 20 for CEA jobs	
Average time between exam request and exam completion.		
Average number of new hires per year.		
Average number of personnel transactions processed per year.		
Average number of requests for Hire Above Minimum (HAM) per year.		
Average number of completed HAM transactions per year.		
Average number of training courses developed per year.	14	
Average number of employee-hours delivered through in-house training per year.	2,600 via eLearning 2,380 via instructor	

Experience and example materials related to:

- ◆ Service level agreements.
- ◆ Customer service practices.
- ◆ Quality control procedures.
- ◆ Training of employees in C&P and Transactions Units.

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APPENDIX E: COMPARISONS OF HR DATA AMONG STATE AGENCIES

No.	ACTIVITY	DGS	SOCIAL SERVICES 2005	FRANCHISE TAX BOARD	CALIFORNIA DEPARTMENT OF TRANSPORTATION
1	Total number of positions that are filled by governor appointment—that are exempt from civil service.	17	1	1	15
2	Average years of tenure of Executive Director for past ten years.	1 year		9	4
3	Total number of employees served at the agency.	4,564—comprised of 4,209 in DGS and 355 in other agencies	4,911	6,891	22,994
4	Total number of employees in HR.	84—74 PY in the OHR budget and 10 PY funded by other programs	60	110	264
5	Ratio of HR employees to the number of employees served.	1.84% 84:4,564	1.22% 60:4,911	1.59% 110:6,891	1.14% 264:22,994
6	Total number of job classifications serviced.	756		215	383
7	Ratio of HR employees to the number of job classifications managed.	11.11% 84: 756		51.16% 110:215	68.93% 264: 383
8	Average number of Requests for Personnel Action (RPA) processed per year.	2,100—6,300 over past 3 years not counting RPAs that have errors or omissions		4,296—average of 223 appointments and 135 separations per month over last two years	6,688—6,915 in 2007 7,404 in 2006 5,745 in 2005
9	Ratio of HR employees to the number of Requests for Personnel Action.	4.0% (84 PY: 2,100 RPA)		2.% (110 PY:4,296 RPA)	3.9% (264 PY: 6,688 RPA)
10	Ratio of employees in Personnel Transaction Unit per RPA.	1.43% (30 PY: 2,100 RPA)		1.35% (58 PY:4,296 RPA)	1.42% (95 PY: 6,688 RPA)

No.	ACTIVITY	DGS	SOCIAL SERVICES 2005	FRANCHISE TAX BOARD	CALIFORNIA DEPARTMENT OF TRANSPORTATION
11	Average number of examinations per year.	144—consists of 124 scheduled and 20 for CEA jobs		60—70 Includes CEAs	205 Includes 20 CEA
12	Average time between exam request and exam completion.				6 month
13	Average number of new hires per year.				
14	Average number of personnel transactions processed per year.				
15	Average number of requests for Hire Above Minimum (HAM) per year.				
16	Average number of completed HAM transactions per year.			27	
17	Average number of training courses developed per year.	14		3 to 4	
18	Average number of employee-hours delivered through in-house training per year.	2,600 via eLearning 2,380 via instructor			

DATA TABLE FROM 2005, COURTESY OF DEPARTMENT OF SOCIAL SERVICES

DEPARTMENT	TOTAL DEPARTMENT EMPLOYEES	TOTAL HR STAFF	RATIO OF DEPARTMENT EMPLOYEES TO HR EMPLOYEES	TOTAL TRANSACTIONS SPECIALISTS	AVERAGE ROSTER SIZE		SUPERVISORS CARRY ROSTERS
					LOW	HIGH	
DHS	6,028	78	77:1	26	232	240	No
DDS	8,113	129	63:1	52	156	200	No
CalPERS	1,851	61	30:1	13	142	218	No
EDD	9,480	123	77:1	35	250	271	No
DMV ^a	8,267	111	74:1	30	276	350	Yes
DWR	2,676	53	50:1	12	223	223	No
DSS	4,911	60	82:1	14	351	420	Yes

a At DMV, currently (2005) some seasoned Personnel Specialists are carrying higher-than-normal rosters of approximately 350 due to high staff turnover (eight new Personnel Specialists) and five Personnel Specialists being off or on reduced time status.

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APPENDIX F: DGS EMPLOYEE QUESTIONNAIRES

FIRST QUESTIONNAIRE – DISTRIBUTED TO PROGRAM PERSONNEL AND OHR STAFF

		1	2	3	4	5
		STRONGLY AGREE	AGREE	NEITHER AGREE NOR DISAGREE	DISAGREE	STRONGLY DISAGREE
	STATEMENT					
1	The goals and priorities of OHR are clear to me.					
2	OHR keeps us well informed about issues that are important in our work.					
3	Attending HROAG meetings is a good use of my time.					
4	I know who to contact at OHR with questions and problems.					
5	OHR understands the difficulties in my job that cause problems for me.					
6	The people in OHR and in the program areas cooperate to get the job done.					
7	When I need help to get an important matter fixed, I can rely on the people I know in OHR.					
8	I believe that OHR management is heading in the right direction.					
9	Overall, I think OHR is doing a fine job.					

SECOND QUESTIONNAIRE – DISTRIBUTED TO OHR STAFF

	STATEMENT	1	2	3	4	5
		STRONGLY AGREE	AGREE	NEITHER AGREE NOR DISAGREE	DISAGREE	STRONGLY DISAGREE
1	The goals and priorities of OHR are clear to me.					
2	I have a clear understanding of who my customers are.					
3	If something goes wrong, we find out what is to blame not who is to blame.					
4	I have enough information to do my job well.					
5	People around here cooperate to get the job done.					
6	We are kept well informed about important issues in our work.					
7	I feel free to bring problems and questions to my supervisor.					
8	The training I received made me well prepared me for the work I do.					
9	I know when I can make decisions in my own and when I need to get higher approval.					
10	My good work is made known to the people above me.					
11	Managers and supervisors emphasize to us the importance of customer service and satisfaction.					
12	New people hired here have the training and skills to do their job well.					
13	I take pride in the work I do here.					
14	I can count on my coworkers to do the quality of work that needs to be done.					
15	I feel comfortable speaking my mind even when I disagree with the opinion of my supervisor.					
16	If things were done differently here, I could be a lot more productive.					
17	The goals of my job are clear to me.					
18	Overall, I am satisfied with my job.					

APPENDIX G: COMPARISON OF RESPONSES BETWEEN PROGRAM PERSONNEL AND OHR STAFF

No.	SOURCE	STATEMENT	1	2	3	4	5	N	MEAN
			STRONGLY AGREE	AGREE	NEITHER AGREE NOR DISAGREE	DISAGREE	STRONGLY DISAGREE		
1	Program	The goals and priorities of OHR are clear to me.		2	5	5	4	16	3.688
	OHR		3	2	1	1	1	8	2.375
2	Program	The OHR keeps us well informed about issues that are important in our work.		1	4	7	1	13	3.615
	OHR		1	4	2	0	1	8	2.5
3	Program	Attending HROAG meetings is a good use of my time.	1	2		2	4	9	3.667
	OHR		1	0	2	2	2	7	3.571
4	Program	I know who to contact at OHR with questions and problems.	11	1	1			13	1.231
	OHR		4	1	0	2	0	7	2
5	Program	The OHR understands the difficulties in my job that cause problems for me.		3	2	7	1	13	3.462
	OHR		2	4	2	0	0	8	2
6	Program	The people in OHR and in the program areas cooperate to get the job done.		6	8		2	16	2.875
	OHR		0	4	4	0	0	8	2.5
7	Program	When I need help to get an important matter fixed, I can rely on the people I know in OHR.	1	4	6	1	1	13	2.769
	OHR		4	3	1	0	0	8	1.625
8	Program	I believe that OHR management is heading in the right direction.			5	5	3	13	3.846
	OHR		0	6	1	1	0	8	2.375
9	Program	Overall, I think OHR is doing a fine job.	1	2	4	5	4	16	3.563
	OHR		2	3	2	1	0	8	2.25

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APPENDIX H: DEFINITION OF DGS ROLES PERTAINING TO SPECIFIC HR SUBJECT AREAS

SUBJECT	PTU	DTU	RTW	RAC	FMLA	C&P	A/C	PERSONNEL LIAISON	SUPERVISOR
Full Duty		If NDI, work with employee to obtaining needed docs	If IDL, communicates with employee and obtains needed docs.			If programs requires that position be backfilled LT or perm, contacts C&P.		Conduit between supervisor and C&P.	Relays to PL need to backfill position or any potential reorgs which may impact position.
Reasonable Accommodation			If IDL, and applicable, refers to RAC for accommodation.	Obtains documentation from, and works with, employee. Meets with Team, as required.		When requested, provides RAC info on vacant positions and potential classes.		Conduit between supervisor and C&P.	Works with RAC to identify essential functions and RA options.
Medical Transfer/ Demotion		If NDI, has been working with employee and refers to RAC.	If IDL, refers to RAC or initiates action by working with employee and C&P. (Has Option Letter gone yet?)	Works with employee to determine viable placement, if not available, works with C&P to initiate action.		Work with RTW and/or RAC, and Supervisor to achieve needed end. (Option letter for NDI or does DTU send?)		Conduit between supervisor and C&P.	Supervisor(s) works with PL to determine ability to place via a demotion/transfer.
FMLA	Verifies employee eligibility for participation				Provides guidance to A/C and Supervisors				
Pregnancy Disability Leave									
Medical LOA	Keys LOA								

SUBJECT	PTU	DTU	RTW	RAC	FMLA	C&P	A/C	PERSONNEL LIAISON	SUPERVISOR
Leave Balances	Provides balances to employee and/or supervisor								
Temporary Assignment									
NDI		Process documents. Communicate with employee. Refers to RAC if applicable. Triggers Option Letter, needed (who does it?)		Works with employee, as appropriate.					
IDL		Process documents Communication with employee	Contacts and works with supervisor, employee and SCIF. Sends Option Letter.	Works with employee, as appropriate					
Disability Retire.	Works with PERS								
Service Retire.	Works with PERS								
Voluntary Resign.	Keys action								
Medical Term.	Keys action					Receives docs from PL			
Mediation Program						Refer program to SPB			