

REPORT HIGHLIGHTS
PERFORMANCE AUDIT

Our Conclusion

The Arizona Department of Administration (Department) is responsible for implementing personnel reform enacted by the Legislature in 2012. As of May 2015, the Department has nearly finished implementing the three key provisions of personnel reform. Specifically, the Department consolidated seven personnel systems into the new State Personnel System (System) and transitioned the majority of state employees to an at-will workforce. The Department has also largely implemented the third key reform provision, to improve the State's workforce management. However, as part of this third provision, it needs to complete updating the classification and compensation system (classification system) that encompasses the System's job classes, pay structure, and job descriptions. Also, although not part of personnel reform, to address future workforce needs, the Department should take additional action to promote and strengthen workforce planning in the State.



2015

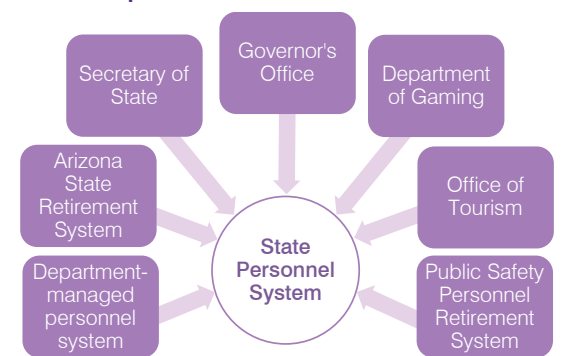
Department should complete personnel reform implementation and strengthen workforce planning state-wide

Personnel reform enacted to strengthen Arizona's state government workforce—In 2012, the Legislature enacted personnel reform to modernize the outdated state personnel system. As the State's central human resources authority, the Department was responsible for implementing personnel reform.

Key personnel reform provisions largely implemented—As of May 2015, the Department had implemented two key personnel reform provisions and nearly finished implementing the third key reform provision. Specifically:

- **Consolidated seven personnel systems**—Personnel reform merged seven separate executive branch entities' personnel systems to create the System and to increase consistency in managing the State's workforce. As of June 2015, the System included approximately 34,000 state employees from 105 state agencies, boards, and commissions.
- **Transitioned to at-will, uncovered service**—Personnel reform shifted a majority of the System's workforce to at-will, uncovered service to increase employee accountability and productivity.

Separate personnel systems merged into the new State Personnel System As of September 2012



At-will, uncovered service is an employment relationship where either party may sever the relationship at any time for any reason other than an unlawful reason. Department documents show that prior to personnel reform, 21 percent of the workforce was uncovered as compared to 67 percent of the workforce that was uncovered as of June 2014.

- **Improved workforce management**—The Department has also implemented two of the three areas intended to improve state workforce management. Specifically, the Department implemented a new performance management system, called Managing Accountability and Performance (MAP), to increase employee accountability. Nearly all covered and uncovered employees are required to undergo an annual performance evaluation using MAP. Additionally, the Department took various actions to streamline the State's recruiting and hiring functions, including establishing a standard employment application and process for employment verification and reference checking to be used by all system agencies. The Department also helped 88 system agencies implement onboarding to introduce new hires to their positions quickly.

Department needs to update classification system to fully implement personnel reform—To fully implement the third key personnel reform provision, the Department needs to finish updating the state classification system, which includes the System's job

classes, pay structure, and job descriptions. Although the Department has begun taking steps to implement the classification system update, including initiating development of an update plan and revising the System's information technology position classifications, it needs to finalize and implement the classification system update plan. As part of this plan, the Department should identify and incorporate classification system best practices, specify and prioritize the tasks or activities that need to occur to implement the system update, and identify needed resources and the persons assigned who will be responsible for the plan's execution. Finally, the Department should specify who is responsible for monitoring the plan's implementation to ensure the update progresses as expected.

Workforce planning critical because many state employees will soon be eligible to retire—Department projections show that several state agencies, including the Department, will have one-third or more of their staff eligible for retirement by fiscal year 2019 (see table). Workforce planning can be used to systematically identify and address an organization's gaps between current and future workforce needs to meet the organization's goals and strategic direction.

Department needs to develop a workforce plan and continue to encourage state agencies to conduct workforce planning—Although the Department has developed guidance to assist state agencies' workforce planning, the Department has not developed a comprehensive internal workforce plan, and state agencies are not required to engage in workforce planning. Therefore, the Department should develop a comprehensive internal workforce plan and encourage state agencies to engage in workforce planning by continuing to provide workforce-planning guidance and by providing training. Further, the Department should work with the Legislature to statutorily require state agencies to conduct workforce planning. If statute is amended, the Department should develop and implement policies and procedures that establish the requirements and guidance for workforce plan development, and periodically monitor state agencies' workforce planning efforts.

Department projections of state employees at selected state agencies eligible for retirement by fiscal year 2019 As of September 2014

State agency	Percentage of employees
Registrar of Contractors	45%
Department of Gaming	42
Industrial Commission	41
Department of Environmental Quality	41
State Parks	41
Lottery Commission	40
Department of Revenue	39
Department of Agriculture	38
Department of Insurance	38
State Land	38
Nursing	37
Corporation Commission	35
Small agencies	35
Arizona Game and Fish	33
Arizona Health Care Cost Containment System	33
Department of Administration	33

Recommendations

- The Department should finalize and implement the classification system update plan. This plan should include:
 - Identifying and incorporating classification system best practices;
 - Specifying and prioritizing the tasks or activities that need to occur; and
 - Identifying needed resources and persons who will be responsible for the plan's execution and monitoring.
- The Department should strengthen workforce planning state-wide by:
 - Developing a comprehensive internal workforce plan;
 - Continuing to provide workforce planning guidance;
 - Working with the Legislature to statutorily require state agencies to conduct workforce planning; and
 - If statute is amended, developing and implementing workforce planning policies and procedures to guide state agency workforce planning efforts and periodically monitoring these efforts.