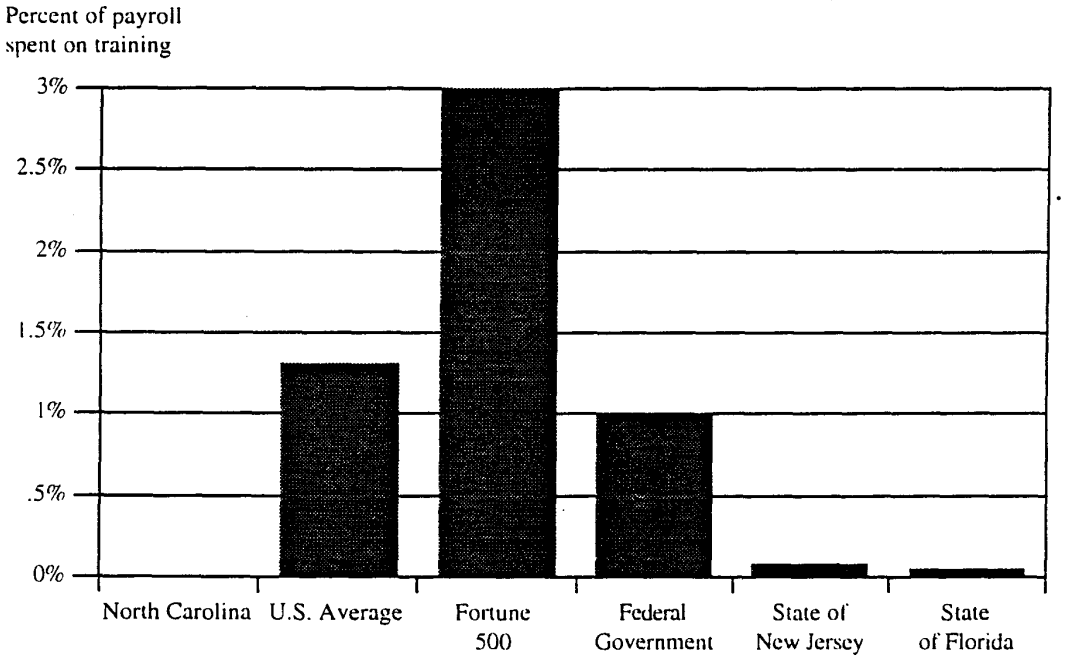
Exhibit 3-32
Percent of Payroll Spent on Training



(1) Includes only object of expenditure code 3950 which is Employee Educational Expense.

Source: Object of Expenditure Code computer run - March 20, 1992
Reinventing Government, David Osborne and Ted Gaebler
Civil Service Reform report for State of Florida - November 1, 1991

Finding 16 - The State of North Carolina does not consistently coordinate its training efforts across branches of government nor across agencies

The State has an employee and management division within OSP, but it focuses on management training. The only employee skills training that the State offers and coordinates is computer courses offered in conjunction with Wake Technical Institute. The State has decentralized employee skills training to the individual agencies, institutions, and departments.

This makes sense for those agencies that have training needs that are unique to their agency, but there are many training requirements that are applicable to many of the agencies. Employee training efforts are not comprehensively coordinated by anyone within the State.

Although the employee attitude survey indicated employees are satisfied with the training they receive (Exhibit 3-19), our findings indicate that the State presently does not have in place principles for a successful employee training and development process. A sound training and development process is depicted in Exhibit 3-33.

Employee training and development are important to the State because:

- The nature of work is constantly changing.
- Significant changes in information technology are constantly occurring and employees need to be kept up-to-date.
- The services provided by the public sector have changed radically over the last several years.
- There is an increasing demand for skills of a type and combination not anticipated two years ago.
- A period of initial training is no longer a sufficient skill base for an organization.
- Continuous training and development is essential for the future success of both the State and its employees.

Recommendations

- The OSP should be responsible for developing and coordinating employee training courses that have statewide applicability (e.g., management, supervisory, personal computing) and for ensuring the successful implementation of these training courses.

Exhibit 3-33
Training and Development Model

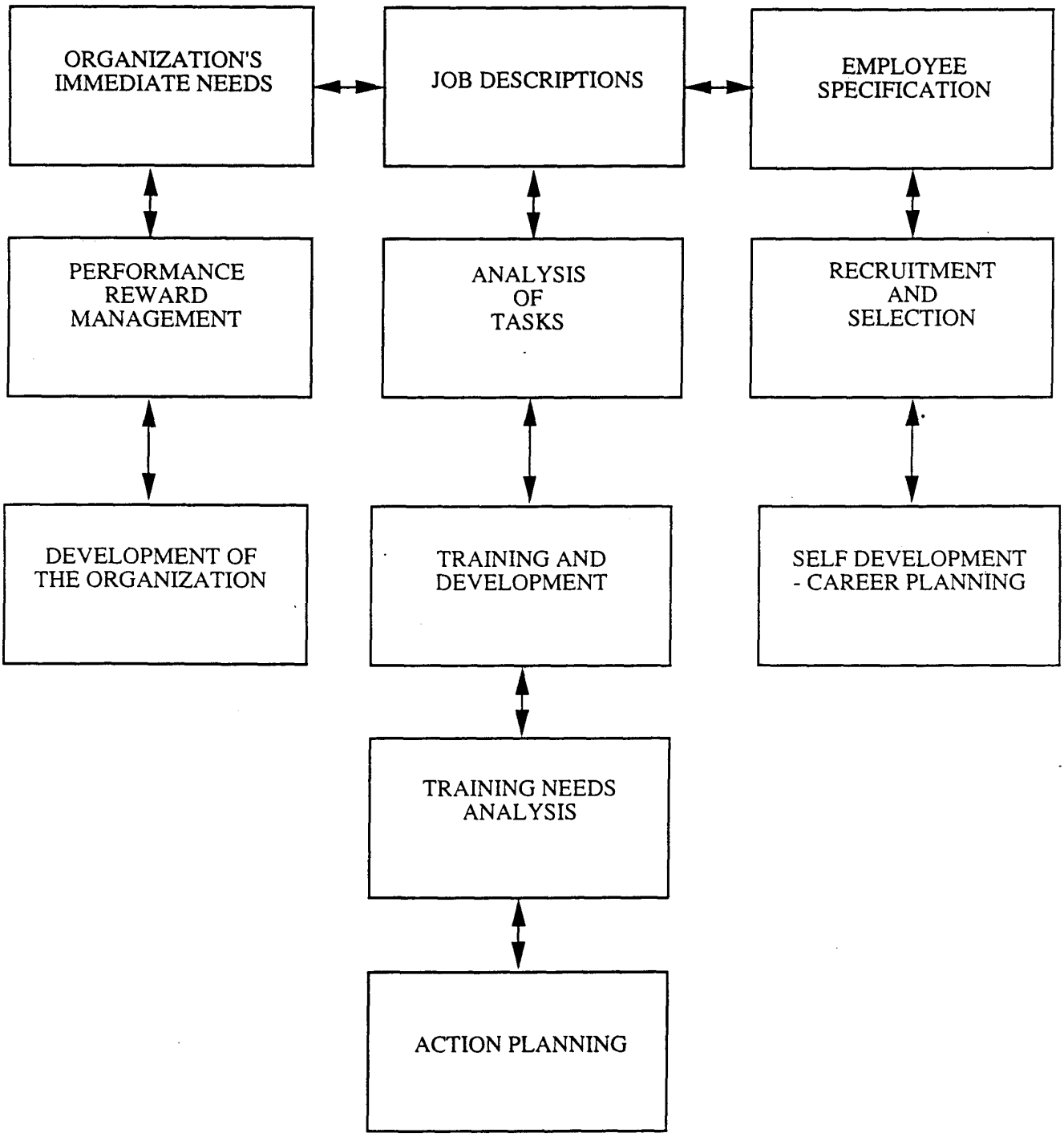
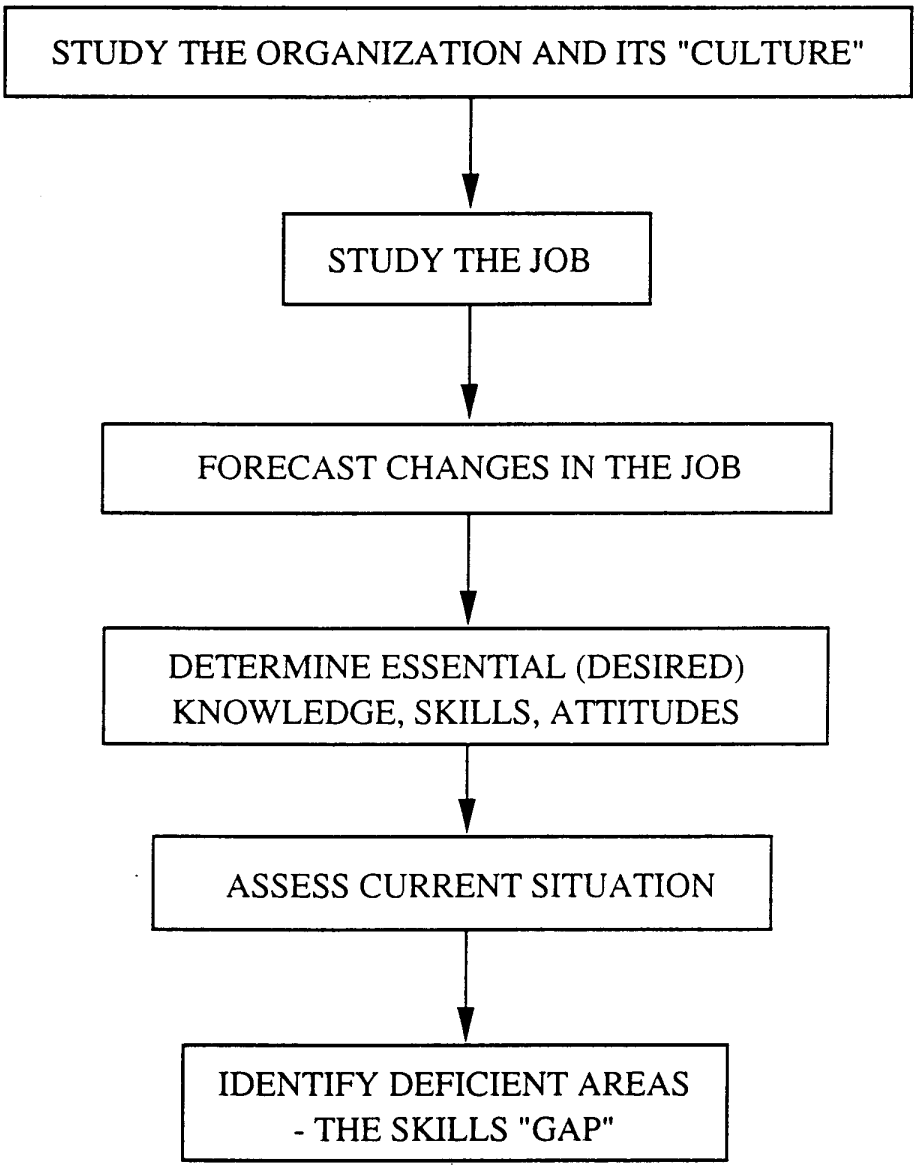


Exhibit 3-34
Training Needs Analysis



- Employee training and development needs for the State should be identified. The process of performing a training needs analysis is depicted in Exhibit 3-34. The OSP should work with individual agencies to identify their training needs, courses being offered, and whether other agencies, departments, and institutions could benefit from training courses already established. Determining training needs is especially important during times when organizational transitions are occurring and jobs are being redesigned.

- Line management should have primary responsibility for ensuring that individual training needs are identified and those needs specified as a formal part of all performance reviews.

  Agencies will play an important part in identifying the training needs of their employees and for fostering a management style and culture that promotes employee training. For job training that is specific to jobs that exist only in certain agencies, the agencies should have the responsibility to deliver and implement the training course. They should also be responsible for developing and designing the course.

- Employee training activities should be continuously evaluated by OSP.

  OSP should be responsible for evaluating course content, course administration, facilities, and trainers to ensure that they are needed for current job requirements. In addition, evaluation of the results of training should be based on predetermined learning goals and behavioral change objectives where feasible. OSP should be responsible for maintaining records of course attendance and training costs and for ensuring the facilities available are being well utilized and economically justified. Generally speaking, cabinet-level or other temporary appointees should not be eligible for outside training.

- Performance evaluation/measurement training should be increased for all evaluators involved in the employer performance evaluation process. The objective of this training is to remove the skewing of performance evaluations that currently makes it ineffective in a reward-for-performance system.

- Ensure that managers, supervisors, and EEO agency representatives are trained in the area of equal employment opportunity.

APPENDIX A

STATE AGENCY COMMENTS

NORTH CAROLINA OFFICE OF STATE PERSONNEL

December 9, 1992

TO: Curtis Clark, Director
Government Performance Audit Committee

FROM: Richard Lee

SUBJECT: Revised Draft of Performance Audit of Personnel System

Received the revised draft on December 7 and will get this response to you by your deadline of December 10. To expedite matters, I have requested my Division Directors to review their copies of the revised draft and to respond directly to you with any matters needing clarification in language or content in the areas of their assigned responsibilities.

I find the revised draft is much improved and that Peat Marwick accepted a substantial number of my suggested changes, for which we are very appreciative. My comments in this memo are to recap some of the key issues facing the personnel functions and to offer some guidance on the future application of the Peat Marwick report.

DECENTRALIZATION

Peat Marwick is pushing the decentralization theme in the report and they would do well to talk to some of their private sector clients who decentralized eight to ten years ago, and have had to centralize during the last two years to reduce the duplicate staff functions and be able to stay in business. I have direct knowledge of this.

There is a blending of centralized and decentralized functions which can produce the best of both worlds at an acceptable cost. However, if the goal of decentralization is cost effectiveness, then it will fail because it costs more money and requires more staff to decentralize. We learned that here in OSP where we had a net of 33 positions cut from our budget in conjunction with a legislative directive to decentralize and delegate work to the agencies, which we did. The agencies and universities have in turn added 125 positions to their personnel staffs to handle the work that was transferred to them and they are still adding more as we continue to reassign work to them.

Decentralization should be approached with caution since it whets the appetite of managers who desire autonomy, control and flexibility and whose higher satisfaction level can justify the added costs. A good rule of thumb to follow is that each position removed from the central core of services through decentralization will produce a minimum of five new positions in the subsidiary elements of an organization of this magnitude. It may even rise as high as ten over the next year or two. Additionally, the State Auditor advised me back in 1991 that it requires at least three times as many people to track down and audit decentralized

116 W. JONES STREET, RALEIGH, NORTH CAROLINA 27611 919/733-7106

paperwork in offices all over the State as it requires to audit the same paperwork coming across the desks in a centralized review process, and he is right. We now lack the necessary staff to monitor and audit the work in a timely manner that we were required to delegate.

The decision to decentralize or not decentralize should be at the discretion of the State Personnel Commission and the State Personnel Director who are best equipped through experience to deal with such matters.

HUMAN RESOURCES PLANNING

The report highlights the need for a Human Resource Planning function in OSP and we wholeheartedly support this recommendation. This would reinstate our former Workforce Resources Division which was eliminated by the 1991 General Assembly. This Division had in place manpower forecasting computer programs to assist agencies, recruitment services to assist agencies with scarce specialty classifications, consolidated employment advertising to reduce costs, consolidated campus recruitment program to serve all agencies and permit one recruiter to do the work of many, recruitment and selection seminars to produce consistent policy application throughout state government, and many other human resource planning activities. We felt the elimination of these services was a serious error and we are delighted that Peat Marwick has picked up on this.

EMPLOYEE RELATIONS

They have still missed the mark on Employee Relations on page 3.6. There is no employee relations function reporting to the State Personnel Commission staff or anyone else in OSP. We agree with the need for an Employee Relations function in OSP and we used to have one, but it was eliminated by the legislation creating the Office of Administrative Hearings in 1986 and what was left of an informal guidance function was eliminated by the 1991 General Assembly.

Each agency and university is responsible for its own employee relations and that is the way it should be. Each agency has its own grievance procedure which has been reviewed and approved by the State Personnel Commission and which clearly states the procedures to be followed when employees have problems and need a place to turn for help. The draft proposes a by-pass system in OSP where employees would go for help which is contrary to good management principles. This would undermine the agency employee relations function.

We could use an Employee Relations Division, but not for the reasons stated in the draft. If we had such a division and if legislation could be passed to provide for agency unsettled appeals to come through OSP before going to OAH, then we could introduce the concept of mediation or mutually agreed arbitration to expedite settlement, and if is not accepted, then the issue would move to OAH. At least, we would have prior knowledge of cases. An Employee Relations Division could also review agency grievance handling to assure the system was working according to plan, train agency staff, field inquiries from employees and direct them to the proper source of assistance in their agencies, and produce employee handbooks and newsletters.

OSP STAFF

The net effect of the draft on OSP staff will be:

1. Reinstatement and expansion of the former Human Resources Planning Division (Workforce Resources).

2. Additional staff to train agency employees in Performance Management and Performance Pay.

3. Expansion of the existing Employee and Management Development Division for statewide training coordination.

4. Expansion of the OSP monitoring and auditing staff to provide timely statewide agency review of decentralized services and ensure the integrity of the classification and compensation systems.

The draft proposes a comprehensive classification and compensation study of the State Personnel Systems, but keep in mind that OSP will be unable to provide staff from its limited current organization to interact with the study teams, so OSP will need additional staff for this purpose on a time-limited basis.

Additionally, keep in mind that we are currently understaffed and underfunded for the scope of work we still have to perform which means we need staff in Position Management, Safety and Health, Equal Opportunity Services and Agency Review.

The combination of all of the above reflects a probable need of 35 to 40 new positions.

KEYSTONES

A feasibility study and cost estimate for a full blown classification and compensation study should be provided to the General Assembly for approval prior to beginning such an undertaking. The feasibility study should reflect the estimated time involved and consultant fees, the probable cost impact in increased salaries arising from the study, and the probable cost of correcting salary inequities which now exist. It would be devastating to spend two years in such a study and have the General Assembly fail to approve the results because of the many millions of dollars required to implement the study.

The real keystone in the draft is in the second bullet on page E.3. If the General Assembly implements this recommendation and provides for its enforcement, the door to Human Resource Planning will be open.

We have enjoyed working with you on this audit and wish you continued success.

c: Larry Herman
John DiRenzo

.0006 DELEGATION OF AUTHORITY: DECENTRALIZATION

(a) The Office of State Personnel, under the direction of the State Personnel Director, has sole responsibility for the implementation of the State Personnel Commission's rules, policies and procedures. The State Personnel Director has the exclusive authority for final approval of all personnel actions under these Rules and policies.

(b) The State Personnel Director may delegate authority for final approval and accountability of certain personnel actions to the heads of state agencies and universities, and by extension, to the head of their personnel administration function. The decision to delegate authority for final approval of certain personnel actions or not to delegate, as well as the matters to be delegated, shall be at the discretion of the State Personnel Director. The delegation decision by the State Personnel Director shall be made based upon these factors:

(1) the acceptance of accountability for their own personnel functions by agency heads and chancellors under a delegation of authority from the State Personnel Director;

(2) the history of agency cooperation and compliance with statutes relating to personnel administration and with established Commission policies, rules, procedures and related corrective actions;

(3) a pre-assessment of the compliance capability of the agency's personnel functions and the personnel staff;

(4) the demonstrated knowledge and expertise in the administration of the Commission's policies, rules and procedures by the personnel staff of the agency;

(5) the maintenance of an adequate staff in the agency's personnel functions, including an appropriate number of professional level positions commensurate with the size and complexity of the agency; and

(6) the maintenance of a quality control plan within the agency's personnel functions designed to improve the professionalism of the personnel staff and to produce accurate data in a current and timely manner.

(c) Delegation shall be achieved through decentralization agreements which shall specify agency responsibility for implementing Personnel Commission programs and shall identify those personnel actions for which the agency shall have final approval authority. The agreement shall provide that the decentralized personnel administration authority may be unilaterally withdrawn or modified by the State Personnel Director based upon demonstrated inability or unwillingness on the part of the agency or university to maintain the level of personnel administration as measured by factors in Paragraph (b) of this Rule.

(d) The Office of State Personnel shall perform routine, ongoing monitoring of all agency and university decentralization agreements for compliance with specified levels of authority and with Commission rules, policies and procedures. The Office of State Personnel shall perform periodic on-site performance audits. These monitoring and auditing procedures shall be in accordance with accepted auditing principles and with the advice of the State Auditor.

History Note: Statutory Authority G.S. 126-4;
Eff. September 1, 1991;
Amended Eff. August 3, 1992.

NORTH CAROLINA OFFICE OF STATE PERSONNEL

December 10, 1992

G. Curtis Clark
Project Director
Government Performance Audit Committee
Room 612, Legislative Office Building
Raleigh, NC 27603

Dear Mr. Clark:

Thank you for the opportunity to respond to the revised draft of the Phase I Personnel System Performance Audit Report. My first comment has been made previously in Mr. Lee's letter of September 17, 1992: however, I am repeating it because the number quoted is significant in the report and was not corrected in the revised document.

On pages E.2 and 3.50 it is stated that "eighty-three percent of fiscal year 1992's eligible employees were rated `exceeds expectations'." This statement is incorrect as written. The correct statement is that seventy-four percent of fiscal year 1991's eligible employees or eighty-three percent of employees rated were rated above the meets level.

The Office of State Personnel would like to set the record straight since the figure appears to be the basis for Finding 8 discussed on page 3.50. It further states that this number "is so highly skewed that it reduces the performance evaluation's effectiveness for use in a reward for performance system." The next sentence is "that the effectiveness of the performance management system to adequately reward performance is suspect."

To make these statements without discussing the conditions and circumstances under which the performance management system has existed seems unfair. The performance management and pay program was most recently funded in 1989. Before that time, it had only been funded once since 1981. Another factor to consider is that top management support varies greatly from agency to agency. There is also a lingering perception that performance management is just a way to award money which further complicates the issue. Performance management is not linked to the planning or budgeting systems at this time: consequently, it appears to exist in a vacuum.

Finally, the grievance process mentioned on p. E.4 can be used to file disputes regardless of the level of the summary rating. If the existence of a dispute process causes supervisors and managers to document disciplinary action more precisely, then it has accomplished one of its purposes.

Please call if you have questions.

Sincerely,

Betsy R. Smith, Manager
Performance Management Program

BS:lc

c: Richard V. Lee

DIVISION OF EMPLOYEE

STATE EMPLOYEES' WORKPLACE REQUIREMENTS PROGRAM
STATE GOVERNMENT WORKERS' COMPENSATION PROGRAM

December 7, 1992

Mr. Curtis Clark, Project Director
Government Performance Audit Committee
300 North Salisbury Street
Raleigh, NC 27603

Dear Mr. Clark:

The section of the revised draft of the Personnel System Performance Audit report which speaks to the workers' compensation program on page 3.7 still needs clarification. As stated in OSP's response on September 19, 1992 the workers' compensation program is not managed by three different entities. Each entity has its own responsibility in the total management of the State Government Workers' Compensation Program.

Each state agency is responsible for determining liability, investigating, monitoring, processing and paying their own workers' compensation claims. This includes both Industrial Commission reportable and 'medical-only' cases. In the last calendar year the State had 11,022 workers' compensation claims of which 2,453 were IC reportable and 8,569 were 'medical-only'. Three-forths of the total State claims are not reported to the Industrial Commission as individual claim files. They are processed and maintained by the employing agency as 'medical-only' cases.

The Industrial Commission administers the provisions of the WC Act and maintains claim files on all reportable IC claims. The State agencies are responsible for submitting all IC reportable cases to the NC Industrial Commission for review to insure compliance with the NC Fee Schedule and provisions of the Workers' Compensation Act. If disputes arise on compensability between the employer and the claimant, the Industrial Commission does make rulings on liability if a hearing is held. The Attorney Generals' office provides defense council for state agencies in WC hearings.

The process of administering workers' compensation claims for the State resides with some sixty (60) various state agencies, universities, boards and commissions. These agency workers' compensation programs vary greatly in staffing, expertise and level of management involvement in the processing of claims. Staffing levels in most agencies do not allow sufficient time to investigate

claims or insure that medical bills are valid to the injury. In most state agencies the responsibility for administering workers' compensation is a minor percentage of the employees' total job responsibility. Usually the persons processing claims are only allowed enough time to process payment request for medical bills. The level of expertise in the agency programs generally coincides with the volume of claims that the agency processes. This does not provide for equal application of benefits to injured employees and liability determinations.

This is the reason OSP provides assistance to the agency personnel responsible for managing the agency workers' compensation programs. We provide both consultative and technical assistance to the agency and to injured employees if they have questions concerning their cases. OSP provides training and education assistance to assist the agency personnel improve their level of expertise. OSP evaluates the agency programs to recommend improvements in the efficiency of their programs and to provide consistent application of benefits to all State employees.

OSP develops and administers leave provisions which deal with State employees while out of work due to an on the job accident. Such leave issues deal with the waiting period required under the WC Act and allowing employees the opportunity to supplement the amount of compensation allowed under the WC Act. OSP also maintains the only statewide statistical data on all accidents, injuries and WC expenditures.

We agree that the method of processing workers' compensation claims in the State deserves further review. Our office has researched alternative processing methods and has data available for further review. Studies should be conducted to determine which processing method is best for the State.

If you would like to discuss in more detail please contact me at 733-6316.

Sincerely,

Kay Slaughter

Kay K. Slaughter, Director
Employee Safety & Health Division