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Progress Report



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DMS Adopts OPPAGA'S Workforce Recommendations; However, a Strong Outsourcing Contract Is Imperative

at a glance

The Department of Management Services' Workforce Program and the Legislature generally adopted the recommendations made in OPPAGA's 1998 report. The program increased its monitoring of agency personnel offices and developed a state human resource strategic plan.

The 2001 Legislature authorized the department to outsource state agency human resource services. This means that a vendor under contract with DMS will perform numerous payroll preparation and leave functions for over 100,000 state employees.

In developing its plan for outsourcing personnel services, the department must include safeguards to ensure that the accuracy and reliability of state employees' payroll and leave records will not be compromised. From its plan, DMS should develop a detailed performance-based contract specifying appropriate measures and standards.

Such a contract will allow state employees to remain confident that they will continue to have easy access to informed persons who can address their questions or concerns regarding payroll and leave problems.

Legislators will likely receive complaints if the administration of these records is not dealt with efficiently and effectively, thus causing state employees economic hardship and stress.

Purpose

In accordance with state law, this progress report informs the Legislature of actions taken by the Department of Management Services (DMS) in response to a 1998 OPPAGA report.^{1,2} This report assesses the extent to which our earlier findings and recommendations have been addressed.

Background

Currently, personnel functions in Florida's state government are both partly decentralized and centralized. Each state agency is responsible for handling day-to-day personnel matters including recruiting and selecting employees, assessing employee performance, taking disciplinary actions, and providing training. However, Florida's state personnel functions are also partly centralized in that the Department of

¹ Section 11.45 (7) (f), *F.S.*

² *Program Evaluation and Justification Review of the Workforce Program Administered by the Department of Management Services, Report No. 98-01*, July 1998.

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Management Services' Workforce Program is responsible for the overall administration of the state personnel system. The program's primary function is to establish a framework for a fair and equitable personnel system that promotes the state's personnel policy and imposes uniformity of employee treatment and personnel actions among state agencies.

The program's centralized state personnel system functions include maintaining the state's classification and pay system; managing the collective bargaining process with state employee labor unions; and promulgating and interpreting personnel rules for state agencies. The program also handles grievances as deemed necessary for state agencies and oversees state childcare facilities, the state awards program, and agency telecommuting programs. In addition, the program is required by statute to conduct periodic audits of state agency personnel offices and to provide technical assistance to agencies for the development and evaluation of training programs.

Prior Findings—————

Improve oversight and monitoring of agency personnel offices

We found that the Workforce Program was not regularly monitoring state agency personnel offices to ensure that they comply with relevant state personnel laws and regulations. As a result, program staff were unable to readily identify agencies that experienced personnel administration problems and, thus, could not assist them in correcting deficiencies in a timely manner. Therefore, we recommended that the department more closely monitor agency personnel offices. Such monitoring would help protect Florida taxpayers from the potential liability of lawsuits if state agencies were found to be using unsound human resource management practices.

We also recommended that the program compile and review data on career service grievances, collective bargaining, and discrimination complaints filed against agencies and conduct periodic on-site inspections of agencies personnel offices. Program staff could use this information to identify agencies that are experiencing personnel management problems and then provide these agencies with immediate assistance to address and correct the problems.

Develop a state human resource strategic plan

We found that the program had not developed a strategic human resource plan to define state long-range human resource goals and objectives. To ensure that the state has a viable long-term approach for addressing future personnel and organizational challenges, we recommended that the Legislature direct the Department of Management Services, in consultation with the state agencies, to develop a human resource strategic plan. The plan should provide long-range policy guidance for improving the state's human resource infrastructure and map out the personnel expenses and programs that will be needed to support the State Comprehensive Plan.

Current Status—————

The Department of Management Services' Workforce Program and the Legislature generally adopted the recommendations in our prior report.

Monitoring of agency personnel offices improved

To provide effective monitoring of agencies' personnel offices, the program took the actions described below.

- The program reviewed and analyzed grievances and included this data in the department's annual workforce report. The report includes information such as number of positions by collective bargaining units; the number of grievances filed by agency, violation type, and collective bargaining units; and the outcomes of the grievances in terms of denied, withdrawn, or settled.
- Program staff provided assistance to agencies in resolving human resource issues and implementing new human resource initiatives.
- The program placed greater emphasis on auditing agency personnel programs to ensure they were complying with state personnel laws and regulations, and in making recommendations to state agencies for improving their personnel programs.

State human resource strategic plan developed

Subsequent to our prior report, the Legislature passed legislation directing the department to develop a State Personnel System Human Resource Strategic Plan. The goal of this plan was to provide long-range guidance for improving the state's human resource infrastructure. The plan was completed in December 1999.

Recent Legislative Action

The 2001 Legislature passed Ch. 2001-254, *Laws of Florida*, which authorized the outsourcing of state human resource services. The legislation directed the Department of Management Services to submit a plan for outsourcing the services to the Executive Office of the Governor, the President of the Senate, the Speaker of the House, and the chairmen of the Senate

Appropriations Committee and the House Fiscal Responsibility Council.

The plan must include 1) the costs associated with contracting for outsourcing human resource services, 2) the costs associated with providing those human resource services not outsourced, and 3) the cost savings anticipated by the state.³ The President of the Senate, the Speaker of the House, and the chairmen of the Senate Appropriations Committee and the House Fiscal Responsibility Council must approve the plan. Once the plan is approved, the department is to contract with a vendor to provide human resource services for all state agencies.

In developing its plan for outsourcing personnel services, it is vital that the department include safeguards to ensure that the accuracy and reliability of state employees' payroll and leave records will not be compromised. Any plan must consider the timeliness of services as a critical factor in contract development. For example, any delay in the processing of payroll records would create very serious problems for state employees. Further, state employees must be confident that they will continue to have easy access to informed persons who can address their questions or concerns regarding payroll and leave problems.

A key issue for state employees is the accuracy of payroll and leave records. In the latter case, employees accumulate and use leave time during their employment with the state. When they transfer from one state job to another, separate from state employment, or retire, they are paid for their leave balance or transfer the leave to

³ The functions to be outsourced are payroll preparation and personnel operations. These functions include activities such as advertising vacancies, processing new employee appointments, classifying positions, collecting and reporting leave information, preparing payroll records, administering benefit enrollments, and maintaining employee records.

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their new jobs. Accuracy and timeliness in dealing with leave records is critical to the strategic success of the outsourcing initiative. Legislators will likely receive complaints if the administration of payroll or leave records is not dealt with efficiently and effectively, thus causing employees economic hardship and stress.

After state agency human resource services are outsourced, it will be crucial that the department establish a strong mechanism for monitoring vendor performance. This will help ensure that state employees and agencies receive quality services in a cost-effective manner.

Department managers should develop a performance-based contract that stipulates how they will review the vendor's performance. The contract should establish how performance will be reported and establish a mechanism for accountability.

Essential features of a strong performance-based contract for personnel services include

- required retention and public access to records;
- required tests by the vendor and the department to guarantee the validity of reported performance data; and
- clear reporting requirements, such as quarterly reports on all performance measures.

Specified performance measures relating to personnel services should include input, output, efficiency, and outcome measures.

- **Input Measure**

Unit costs of personnel functions, broken out by specified functions such as processing personnel actions and handling insurance issues

- **Output Measure**

Number of personnel actions completed, segmented into the various types of actions covered under the contract

- **Efficiency Measures**

Cost per personnel action completed

Number of personnel actions completed per personnel function and workforce member

- **Outcome Measures**

Customer satisfaction

Percentage of personnel actions processed correctly

Percentage of personnel actions completed within time standards

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