STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

DEPARTMENT OF HUMAN RESOURCES, BOARD OF APPEALS, AND EMPLOYEE SUGGESTION AWARD BOARD

Performance Audit Report

December 2015

Justin P. Wilson, Comptroller

Division of State Audit
Sunset Performance Section

DEBORAH V. LOVELESS, CPA, CGFM, CGMA
Director

JOSEPH SCHUSSLER, CPA, CGFM
Assistant Director

DENA W. WINNINGHAM, CGFM
Audit Manager

Nichole Crittenden, CGFM, CFE
Suzanne Sawyers, CFE
In-Charge Auditors

Stacey Green, JD
Scott Wolfe
Staff Auditors

Amy Brack
Editor

Amanda Adams
Assistant Editor

December 4, 2015

The Honorable Ron Ramsey
 Speaker of the Senate
The Honorable Beth Harwell
 Speaker of the House of Representatives
The Honorable Mike Bell, Chair
 Senate Committee on Government Operations
The Honorable Jeremy Faison, Chair
 House Committee on Government Operations
        and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
        and
The Honorable Rebecca Hunter, Commissioner
Department of Human Resources
500 Deaderick Street,
Suite 100 James K. Polk Building
Nashville, TN 37243

Ladies and Gentlemen:

Transmitted herewith is the performance audit of the Department of Human Resources, the Board of Appeals for the Department of Human Resources, and the Employee Suggestion Award Board. This audit was conducted pursuant to the requirements of the Tennessee Governmental Entity Review Law, Section 4-29-111, *Tennessee Code Annotated*.

This report is intended to assist the Joint Government Operations Committee in its review to determine whether the Department of Human Resources, the Board of Appeals, and the Employee Suggestion Award Board should each be continued, restructured, or terminated.

Sincerely,

Deborah V. Loveless, CPA
Director

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State of Tennessee

A u d i t   H i g h l i g h t s

Comptroller of the Treasury   Division of State Audit

Performance Audit
**Department of Human Resources, Board of Appeals, and
Employee Suggestion Award Board**
December 2015
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We audited the department's activities for the period July 2012 to August 2015. Our audit scope included a review of internal controls and compliance with laws, regulations, and provisions of contracts or grant agreements that are significant within the context of the audit objectives. Management of the Department of Human Resources, Board of Appeals for the Department of Human Resources, and Employee Suggestion Award Board is responsible for establishing and maintaining effective internal controls and for complying with applicable laws, regulations, and provisions of contracts and grant agreement.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient, appropriate audit evidence to support the conclusions in our report. We present more detailed information about our methodologies in the individual report sections.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT FINDINGS

1. **The Strategic Learning Solutions Division needs to improve communication with state agencies, publish a training schedule, and adhere to its policies and procedures for tracking mandatory training**
   While the department has made an effort to standardize the learning and development training for state agencies, there is a great need to improve the training practices of the Strategic Learning Solutions (SLS) Division. Recipients reported that most of the training

material offered by SLS is beneficial; however, the methods for delivering and communicating training materials need improvement (page 6).

2. **The department faced challenges with the rollout of Get S.M.A.R.T.er in Performance Management training with providing enough facilitators and addressing the difficult transition of changing culture to the new performance management system**
In order to prepare state employees for Pay for Performance created under the TEAM Act, staff of the SLS Division provided S.M.A.R.T. (Specific, Measurable, Achievable, Relevant, and Time sensitive) Performance Planning training and then Get S.M.A.R.T.er in Performance Management training workshops to all executive branch managers and supervisors. With a staff of 14 employees, the SLS Division was tasked with training 8,500 executive-branch managers and supervisors by July 31, 2015. While the department admirably took on this overwhelming task, and while the training material is beneficial to managers and supervisors, the execution of training was problematic (page 14).

3. **Most agencies reported that raters lack proficiency in developing S.M.A.R.T.-based goals and in completing qualitative evaluations**
Due to agencies reporting that raters lack proficiency in developing S.M.A.R.T.-based goals and completing qualitative evaluations, the ratings that will be used for the initial pay increases in January 2016 may not be as qualitative and objective as expected. Overall, based on interviews with executive branch human resources officers, talent managers, and performance management coordinators, raters and front-line staff lack a clear understanding of the process (page 22).

4. **A number of weaknesses in the performance management model could affect the objectiveness and fairness of the process**
We found difficulties in the areas of difficult-to-measure job duties, time requirements, change in job duties or supervisor, and work performed outside stated goals, based on discussions with executive branch human resources officers, talent managers, and performance management coordinators. In these areas, the department may need to modify the current performance evaluation model (page 24).

5. **The department did not track Sick Leave Bank activities, did not utilize the contracted medical professional to review medical certifications prior to granting decisions, did not know the minimum number of participants required to remain viable, and cannot explain the substantial increase in the Sick Leave Bank account**
We found that the Department of Human Resources did not track the Sick Leave Bank's (SLB) activities, such as approvals, denials, and usage of the bank, and was therefore unable to provide us with an accurate list of the leave and cash balances. Additionally, the SLB Board of Trustees does not use an experienced medical professional, such as a physician, nurse, or medical director, to ensure the medical certifications required for granting a decision are reviewed correctly (page 30).

OBSERVATIONS

The audit report also discusses the following issues: the department needs to review evaluation data reliability and the accuracy of queries in Edison (page 27), the Board of Appeals has created a more efficient and streamlined process for handling appeals, and the member attendance tracking process needs improvement (page 34).

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INTRODUCTION

PURPOSE AND AUTHORITY FOR THE AUDIT

This performance audit of the Department of Human Resources, the Board of Appeals, and the Employee Suggestion Award Board was conducted pursuant to the Tennessee Governmental Entity Review Law, Title 4, Chapter 29, *Tennessee Code Annotated*. Under Section 4-29-237, the department and boards are scheduled to terminate June 30, 2016. The Comptroller of the Treasury is authorized under Section 4-29-111 to conduct a limited program review audit of the agencies and to report to the Joint Government Operations Committee of the General Assembly. The audit is intended to aid the committee in determining whether the department and the board should be continued, restructured, or terminated.

HISTORY AND STATUTORY RESPONSIBILITIES

The Department of Personnel was created by Section 4-3-1701, *Tennessee Code Annotated*, in 1939. In 2007, the department changed its name to the Department of Human Resources to establish the responsibility to design and implement policies and practices to effectively manage the human resource needs of state government. The department's mission is providing "strategic human resources leadership and partnering with customers for innovative solutions." In addition to advising the Governor on human resource issues and administering the provisions of the Tennessee Excellence, Accountability, and Management (T.E.A.M.) Act of 2012, the department maintains state employee records for separated employees, as well as all records pertaining to applicants for state employment. It also approves, coordinates, and conducts training and career development courses for state departments and agencies.

As shown in the organizational chart on the following page, the department's main divisions are the Office of the Commissioner, Office of the Deputy Commissioner and General Counsel, Human Resources Operations Division, Strategic Learning Solutions Division, and Human Resource Management Services Division.

The following sections report to the Deputy Commissioner/Office of the General Counsel:

- Legislative Liaison/Public Information Officer,
- Legal Services,
- Equal Employment Opportunity/Americans with Disabilities Act,

Department of Human Resources
Organizational Chart
As of November 2015

Commissioner DOHR

Board of Appeals

Exec. Admin. Assistant

Assistant Comm./ Chief Operating Officer

- Fiscal Director
- Human Resources and Talent Management Director
- Engagement Analytics and Research Director
- Quality Assurance and Records Management Director
- Human Resources Exec. Admin. Assistant

Deputy Comm./ General Counsel

- Legal Services Director
- EEO/ADA Director
- Employee Relations Director
- Legislative Liaison/ PIO
- Board of Appeals Administrator

Assistant Comm./ Chief Learning Officer

- Learning and Development Dir.
- Organizational Development Director
- Admin Svc. Assistant
- Admin Svc. Assistant

Assistant Comm./ Chief Service Officer

- HR Service Center Director
- Agency Resource Center Director
- SLB Administrator
- Exec. Admin. Assistant

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- Employee Relations,

- Mediation, and

- Board of Appeals Administration.

The following units report to the Human Resources Operations Division:

- Fiscal Services,

- Human Resources and Talent Management,

- Quality Assurance and Records Management, and

- Engagement Analytics and Research.

The Strategic Learning Solutions Division collaborates with agency leaders to create a customized organizational learning and development plan. The division consists of the Learning and Development Unit and the Organizational Development Unit.

The Human Resources Management Services Division is composed of the Human Resource Service Center, Agency Resource Center, and Sick Leave Bank.

AUDIT SCOPE

We audited the department's activities for the period July 2012 to August 2015. Our audit scope included a review of internal controls and compliance with laws, regulations, and provisions of contracts or grant agreements that are significant within the context of the audit objectives. Management of the Department of Human Resources, Board of Appeals for the Department of Human Resources, and Employee Suggestion Award Board is responsible for establishing and maintaining effective internal controls and for complying with applicable laws, regulations, and provisions of contracts and grant agreements.

For our sample design, we used nonstatistical audit sampling, which was the most appropriate and cost-effective method for concluding on our audit objectives. Based on our professional judgment, review of authoritative sampling guidance, and careful consideration of underlying statistical concepts, we believe that nonstatistical sampling provides sufficient, appropriate audit evidence to support the conclusions in our report. We present more detailed information about our methodologies in the individual report sections.

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OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

The audit's primary objectives were to determine:

- the effects of the new guidelines and processes under the Tennessee Excellence Accountability Management Act for training, the Pay for Performance program, the application process, and the Board of Appeals;

- whether the training provided is adequate and meeting the needs of state agencies;

- the status of the performance evaluation process thus far in preparation for the launch of Pay for Performance;

- the effects of the new application process;

- whether the Board of Appeals process is efficient and timely for processing cases and decisions;

- whether the Sick Leave Bank process is efficient, beneficial, and in compliance with statute, policies, and procedures; and

- the current status and effectiveness of the Employee Suggestion Award Board.

TENNESSEE EXCELLENCE, ACCOUNTABILITY, AND MANAGEMENT ACT

The purpose of the Tennessee Excellence, Accountability, and Management (T.E.A.M.) Act established in 2012 under Section 8-30-101, *Tennessee Code Annotated,* was to attract, select, retain, and promote the best employees based on merit and equal opportunity, and free from coercive political influences. The goal of the state personnel system is to provide technically competent employees to render such services in an ethical and honorable manner. Specifically, the intent of the General Assembly is to further this purpose by allowing agencies greater flexibility in personnel management in order to enhance the overall effectiveness and efficiency of state government. Section 8-30-101 states, "The General Assembly further intends that state government operate within a framework of consistent best practices across all state agencies and entities and that the state's most valued resource, its employees, be managed in a manner designed to enhance work force productivity and demonstrate sound business practices."

The T.E.A.M. Act divides the executive branch into preferred service and executive service. Executive service includes the highest ranking employees and those serving as the head of the division or unit that provides meaningful implementation and development of a policy.

Under the T.E.A.M. Act, the Department of Human Resources (DOHR) has updated and restructured its practices and policies for learning and development; performance evaluations for both executive and preferred service employees; hiring practices for preferred service employees; appeals process for preferred service employees; and the probationary period,

reduction in force, disciplinary actions, and merit pay for executive and preferred service employees.

The T.E.A.M. Act makes DOHR the exclusive provider of educational and training programs for employees in the state service, including legal compliance, professional skills, talent development, and leadership development. The updated performance management system requires that each employee's evaluation be completed annually, with a minimum of two interim evaluations. The performance standards and expected outcomes must be Specific, Measurable, Achievable, Relevant, and Time sensitive (S.M.A.R.T.). The performance evaluations are used to determine salary increases, decreases, and as a factor for determining candidates for promotions or transfer, demotion, dismissal, or reduction in force. Under Section 8-30-107, *Tennessee Code Annotated,* any state officer or employee who does not comply with any provision of the T.E.A.M. Act commits a Class C misdemeanor.

The hiring system for preferred service employees now requires agencies to define the minimum qualifications and identify the knowledge, skills, abilities, and competencies required for each position. Open positions must be announced for a minimum of one week. Any applicant who meets the minimum qualifications, including veterans and their spouses, will be put on the eligible list of candidates for the agencies to consider. The agency must interview at least three candidates from the list and has 30 days to hire one of those candidates.

The T.E.A.M. Act established a board of appeals of up to 18 members to handle complaints received from a preferred service employee concerning the application of the law, rule, or policy to the dismissal, demotion, or suspension of the employee. The complaint process consists of three steps which are discussed later in the audit report. All complaints to the Board of Appeals must be sent within 14 days of the action, and a decision must be made by the board within 120 days.

TRAINING/CUSTOMER SERVICE

The Strategic Learning Solutions (SLS) Division provides professional development skills for employees, offers talent management, and provides leadership development for managers and supervisors. SLS is divided into two units—learning and development and organizational development. The SLS Division has a staff of 14 employees and 3 vacancies. SLS focuses of four areas of leadership and development:

- Leadership Development consists of statewide leadership development programs;

- Talent Management consists of the executive leadership series and the organizational landscape for executive and senior level leaders;

- Performance Development consists of fundamental and advanced management skills; and

- Professional Development consists of the essential training for all employees.

SLS is responsible for statewide planning, coordination, and review of learning and development programs, as well as direct delivery of initiatives, trainings, conferences, and workshops. It is important to note that SLS provides these services through agency employees, such as human resources officers, performance management coordinators, and talent managers, who do not report to DOHR; they report directly to their agency heads.

Our objectives were to determine whether the training provided by the SLS Division was adequate and met the needs of the agencies, how SLS enforced and monitored the completion of mandatory training for the agencies, and what mechanisms the department used to obtain feedback on training provided. The scope of our audit focused on the mandatory training provided by the SLS Division and the S.M.A.R.T. and Get S.M.A.R.T.er performance management training required for the rollout of the Pay for Performance program. Our work included

- interviewing executive branch human resources officers, performance management coordinators, and talent managers to obtain feedback on the training received from SLS;

- interviewing SLS Division staff to determine how they obtained and used feedback in updating and providing training and how they monitored mandatory training; and

- reviewing survey feedback from training classes.

Finding

1. The Strategic Learning Solutions Division needs to improve communication with state agencies, publish a training schedule, and adhere to its policies and procedures for tracking mandatory training

While the department has made an effort to standardize the learning and development for state agencies, there is a strong need to improve the training practices of the Strategic Learning Solutions (SLS) Division. Recipients reported that most of the training material offered by SLS is beneficial; however, the methods for delivering and communicating training materials need improvements. By law, the Department of Human Resources (DOHR) maintains the power to write and implement HR policy and leadership and development training curriculum for all executive branch departments. Prior to the T.E.A.M. Act, training was decentralized, leaving each agency to conduct its own training. DOHR now offers mandatory training to state agencies at no cost. SLS meets with the agencies to develop competencies and specific behaviors to fit each agency's needs, and has developed a Management and Leadership Pyramid of Learning Four Level Certificate Program (see Appendix 4) for supervisors and managers to facilitate mandatory training.

<u>Training Schedule</u>

While the department does have an available schedule of training that lists the classes offered, days and times, and facilitators, the schedule is not easily disseminated due to constant

changes with the curriculum. We requested a list of all the training classes that have been canceled for the year; however, SLS was also unable to provide that information. It would be helpful if the department develops and maintains an internal master training schedule to track reasons for class cancellations. That information would make the department aware of areas that can be modified. Additionally, the SLS Division training facilitators do not have an assigned caseload and can be double scheduled. For example, we found a facilitator assigned to teach the Get S.M.A.R.T.er training classes at two different locations (Jackson and Morristown) on the same day at the same time. As a result, one of those training classes was canceled because SLS did not notify the trainer of the schedule change. We also found that the number of training classes assigned per SLS training facilitator varied from 9 to 44 classes.

Mandatory Learning and Development Training

The Get S.M.A.R.T.er curriculum took priority over all mandatory training to get the executive branch ready for the Pay for Performance rollout. This hindered agencies' ability to provide training for their staff. Per DOHR policy, all state employees are required to participate in the mandatory learning and development workshops, which must be completed within 12 months of their start date. Employees may receive this mandatory training from their agency's training coordinator, online via Edison, or from an SLS training facilitator. All supervisors and managers are strongly encouraged to earn the State of Tennessee Management and Leadership Pyramid of Learning Level 1 and Level 2 certificate.

In September 2014, the SLS Division created the two-day certification training, referred to as "How to Facilitate," at the request of the agency training officers for agency staff to be qualified on the training content. In order for the agency's training facilitator to teach the content courses to employees, the facilitators must pass the "How to Facilitate" certificate training, be certified by the SLS staff, and then follow up by passing the relevant "Train the Trainer" content courses. A facilitator who does not pass the certification must retake the course.

The certification training had a very low pass rate when the program started. Based on data received from SLS for September 2014 to April 2015, 178 human resources officers, talent managers, and training coordinators from 23 agencies attended the How to Facilitate certificate training classes. Of the 178 participants, 171 had to retake the course, and 31 of those participants had to take the course a third time in order to pass.

On March 13, 2015, the SLS Division communicated to the executive branch agencies via email that all leadership and development training (including the certification training classes and related content courses) would not be available from May 1, 2015, until after July 2015 to focus on the Get S.M.A.R.T.er training. However, SLS still offered the following training during that time: the customized leadership academies at a few select agencies, the statewide leadership development programs, such as LEAD TN, TGEI, TGMI, S.M.A.R.T., Performance Management (online course) and Respectful Workplace (online course). Therefore, facilitators who may have passed the How to Facilitate certified training but not all the content training courses were unable to provide the mandatory training to employees at their agency. Any trained

facilitators who had passed the content courses were able to continue teaching classes at their respective agency during the rollout of Get S.M.A.R.T.er.

We looked for examples of what an efficient and effective training schedule should look like. One example is the Metropolitan Nashville Government Human Resources website, which publishes the scheduled training classes with the instructor listed for a six-month period. The website also includes registration instructions, inclement weather and cancellation policy, as well as the class size limits and other details. It would be helpful if the SLS Division provided this information for the mandatory courses on the DOHR website.

Lack of Tracking Mandatory Training

The SLS Division lacked a tracking mechanism to ensure that agencies' employees completed mandatory training. Per DOHR policy 12-051, each state agency is required to maintain a record of every employee's learning and development activities in a manner identified by the Commissioner and submit those records to the department regularly. However, the department does not directly supervise training staff in other agencies; therefore, SLS could not require agencies to submit training records, and SLS could not assess agencies' completion of mandatory training.

Each respective agency maintains information regarding its employees who have completed required training. It is also the agency's responsibility to report training information to the director of learning and development. The department was unable to provide any reports, spreadsheets, or tracking methods used to determine which agencies have completed training.

As stated by the assistant commissioner/chief learning officer, SLS should be able to run a query in Edison every quarter to see who has been trained, but the department instead depends on an honor system from the agencies to ensure that everyone is receiving training. If all training must be completed within twelve months of an employee's start date, every employee will have a different training cycle which is difficult for agencies to track and monitor.

Although SLS plans to start tracking the completed mandatory training after July 2015 the department is currently unable to ensure and verify compliance with their training policy.

Lack of Training Guidelines and Agency Feedback

The department does not have training guidelines that state the number of attendees required to facilitate a training class or that include an inclement weather and cancellation policy. Such guidelines would provide agencies with more certainty about whether a class will be taught. Although the department lacks an official written cancellation policy, according to management there is a three-day notice between when a class is scheduled and when a class is canceled, but there is no definitive time frame for rescheduling. However, we found that classes are not always canceled within that three-day window. The human resources staff we interviewed often mentioned that canceled classes were a problem.

We conducted interviews with 21 of the 23 executive branch cabinet agencies, which included the Human Resources Officers (HROs) and training coordinators. The feedback obtained from those interviews revealed that

- 14 agencies (67%) reported that training classes had been canceled with little to no prior notice;
- 12 agencies (57%) reported that SLS is difficult to communicate with;
- 15 agencies (71%) reported difficulties scheduling classes;
- 11 agencies (52%) reported that the training provided by the department is not meeting the agency's needs; and
- 11 agencies (52%) reported not being adequately trained in needed areas.

Other concerns noted by the agencies were

- SLS does not have a true training schedule; rather, training is irregular and erratic;
- Training for front-line employees is not useful and training for other specialized positions is not very helpful; and
- SLS has a tendency to overcommit and release too much too soon regarding new training before it is prepared.

Effective communication between the SLS Division staff and the agency's HROs and training coordinators is very important. When SLS does not communicate clearly, it causes the agency's training coordinators to lose credibility with their staff, and it ultimately reveals that SLS is not in tune with its customers. SLS provided all of the surveys conducted after most of the training classes taught from January 2013 to May 2015. Although the survey responses we received for individual training classes were favorable, a 2014 customer service survey conducted by the department showed that SLS had the lowest ratings of all of the department's divisions and some of the comments mirrored what our interviewees said.

Recommendation

The SLS Division should ensure that a long term training schedule is available to state agencies that includes information to make the registration process easy for employees. The division should develop and follow a cancellation and inclement weather policy. SLS should prevent the disruption of ongoing training classes when new curriculum is developed. To ensure employees receive training, SLS should also track completion of required courses. Lastly, SLS should better communicate with the state agencies to ensure that the department's training is meeting the agencies' needs.

Management's Comment

The Department concurs that tracking of mandatory learning can be enhanced and that communication can always be improved in order to better serve customers.

Mandatory Learning and Development

Learning and development is essential to the success of employees and managers. It is through these programs that employees are equipped to handle all situations in the workplace, from basic legal compliance to leadership development. The Department does have exclusive jurisdiction over mandatory learning and development pursuant to the Tennessee Excellence and Accountability Act of 2012 (T.E.A.M. Act). In practice, this means that the Department is charged with developing enterprise-wide consistent curricula for these programs and assuring that agencies are equipped to provide these programs to employees as required. A list of all mandatory courses can be found in DOHR Policy 12-050.[1] This policy is available to all employees online at http://www.tn.gov/assets/entities/hr/attachments/12-050_Mandatory_Learning_and_Development_Workshops.pdf.

One method for delivering approved learning to employees is through the Train-the-Trainer model (or T4T), a process in which SLS teaches agency trainers to deliver content for mandatory courses to employees in their respective agencies. Utilizing other agency staff to deliver learning is effective in that such products are delivered consistently and quickly based on agency needs. However, it is important to note that these agency employees do not report to DOHR or to SLS; rather, they report to their agency head. As with most DOHR efforts, to assure successful delivery of services, we depend on the services provided by employees in the other agencies, but because of organizational structure, must manage through influence as opposed to direct authority. SLS must seek cooperation from these agency employees and gain support to achieve enterprise success in delivering these courses.

In order for agency facilitators to teach SLS content courses, they must pass the How to Facilitate Certification. The How to Facilitate Certification was established in direct response to a specific request from the statewide Learning and Development Council, which indicated that employees in their agencies were not adequately equipped to teach adult learners. This Council, comprised of the top ranking employee responsible for training in the agencies, requested a certification process in order to enhance the skills of those staff enabling them to engage those learners. In direct response to this customer request, DOHR partnered with Vanderbilt University in the development of the curriculum, incorporating best practices and creating a world class educational experience. SLS staff integrated this Facilitation Certification and is the sole provider of the Certification.

After successful completion of the How to Facilitate Certification, agency facilitators must attend a content workshop to learn the curriculum content for the mandatory courses. Certified facilitators are not further required to test on the curriculum content. To date, the pass rate of the How to Facilitate Certification is 76%. The pass rate has been as high as 78%. It is

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[1] Get S.M.A.R.T.er was added as a mandatory course for supervisors at the request of agency human resources officers in February 2015.

important to note here that agency certified facilitators are required to earn their How to Facilitate Certification to teach Respectful Workplace, one of the primary mandatory courses. Due to the legalities around this compliance course, Respectful Workplace requires a DOHR attorney to participate in the certification process, which is separate and apart from the facilitation certification.

Customer feedback is essential to successful programs and the Department relies heavily on the voice of the customer to assure exemplary programs. One example of the response to customer feedback is Get S.M.A.R.T.er. for performance management. More about this course can be found in Finding 2. Because of the immediate employee need, this course became a departmental priority. However, this priority did not hinder agencies' ability to provide essential learning and development. Mandatory trainings did not cease during the rollout of Get S.M.A.R.T.er and, in fact, all mandatory trainings continued during this time period. Agency facilitators, who were certified to teach these mandatory courses, continued to deliver mandatory learning as necessary in their agencies during this timeframe.

Another method of delivering mandatory learning is by providing these courses online. Four of the eight mandatory learning modules are available online for agency supervisors to take at their convenience (Respectful Workplace Refresher, Performance Management, Proactive Onboarding, and Navigating Practices and Policies for Supervisors). These online courses are available 24 hours a day, 7 days a week. Such products were not halted at any time.

Learning facilitators were also available to teach mandatory course content during this time and did so at the request of agencies. Rosters are maintained for courses taught directly by the SLS team, which demonstrate the ongoing delivery of courses occurred.

SLS does require agencies to submit records of completed mandatory training via monthly reports per DOHR policy 12-051. Again, because of the decentralized reporting structure, SLS has oversight but lacks the direct authority to enforce compliance with report submission. As such, the Department concurs that the reporting of agency delivered programs is not consistent. Attendance for programs provided directly by SLS is recorded and tracked consistently. In addition, SLS has requested that all training records be entered and tracked in Edison ELM, and because ELM data indicates that agency staff is not accurately entering data, SLS has partnered with Edison over the last several months to improve the reporting process and make it more user friendly. SLS continues to provide training and technical assistance to agency training staff to teach them how to correctly enter training data into Edison. In further efforts to accurately track and maintain this information, DOHR created a shared performance goal for the 2015-2016 performance cycle with members of the Learning and Development Council. The shared goal reads as follows: Beginning October 1, 2015, ensure agency stakeholders have reached expected percentage of agency supervisors certified in the Pyramid of Learning by September 30, 2016 as evidenced by tracking in Edison ELM - Level I Certificate: 25% of agency supervisors; Level II Certificate: 5% of agency supervisors; and Level III Certificate: 3% of agency supervisors.

Training Schedule

The Department does not concur that the learning and development schedule is not readily available. Beginning in 2012, following the passing of the T.E.A.M. Act, SLS has provided a master schedule of all learning and development courses to human resources officers, training officers, and other agency learning professionals. In addition, the master schedule was frequently distributed at all HR Officer meetings, Talent Management roundtables and Learning and Development Council meetings. Two years ago, the department began to post this schedule on DOHR's website and in Adobe Forms Central with access available to all employees. Furthermore, a calendar is posted on the DOHR website which also provides a listing of workshop descriptions and registration instructions.

The Department concurs with the finding that SLS does not publish a calendar of cancellations. However, each registered participant is personally notified in the unfortunate event of a class cancellation. Because the courses are developed with an agency's needs as the foci of the calendar, individual communication is more important strategically than a notice of cancellation on a website. Posting notice of cancellations is not the most effective mechanism for notifying employees of course changes, but DOHR acknowledges that it will attempt to find more proactive ways to communicate course cancellations with customers.

The finding assumes that a facilitator with SLS is similar to being a case manager in an agency. Facilitators do not have caseloads or standard or typical learning assignments. Each SLS facilitator works on various projects with varying degrees of complexity dependent on the needs of an agency. This highly tailored approach makes it impractical from a business perspective to assign a caseload for learning and development. The nature of the work requires SLS facilitators to be agile because of the many demands for learning and development enterprise-wide. On any given day during the Get S.M.A.R.T.er initiative, over 16 classes per day could have been scheduled, since over 430 Get S.M.A.R.T.ER classes were held. The published schedule for these events may not have been updated to reflect a change in the facilitator; however, each class was presented as published in the schedule. This schedule was delivered to human resources officers and training coordinators. And SLS maintained direct contact with the HR officers in each agency to assure that the course was delivered in their agency.

Training Guidelines and Agency Feedback

SLS maintains guidelines for learning and development which establish the minimum and maximum number of attendees required for class. The guidelines may differ depending on curriculum design of the workshop, recognizing again that adult learning cannot be a cookie cutter approach. DOHR concurs that these guidelines may not be easily accessible and SLS is working to make the guidelines more accessible to agency facilitators and employees.

SLS maintains a practice for canceling courses; however, DOHR concurs that an established cancellation policy and an inclement weather policy should be developed and made readily accessible. Safety of employees and facilitators is the first priority in the rare instances of inclement weather.

Due to the rolling calendar of workshops, SLS does not automatically reschedule a canceled class. Rescheduling of classes is done on an as needed basis as requested by the agency. This approach allows for the learning to take place at a time which is most convenient for the agency and does not interfere with the agency's normal business operations.

The "customer" feedback provided in the audit report is troubling due to the lack of information regarding the survey process, lack of information regarding the sample pool, and information regarding responders. The Department operates on a continuous improvement model and incorporates feedback from customers to deliver a positive learning experience. Without specific data collected from the audit, such improvements cannot be incorporated.

Conversely, data collected from SLS is markedly different. Data collected from actual customers demonstrate the effectiveness of overall learning and development provided by SLS with 90% of responders rating the overall quality of learning workshops 4 or greater on a 5-point scale with 5 being the highest.

In addition, the following bullets are in direct response to other concerns noted by the agencies as relayed by the auditors resulting from an informal, not statistical survey:

- SLS does have an established training schedule. It is not irregular or erratic. SLS provided both the Get S.M.A.R.T.er training schedule as well as the training calendar that represents one year of scheduling prior to the Get S.M.A.R.T.er rollout to relevant agency staff. Furthermore, in trying to better communicate with agencies and employees, this information is posted in a three-month view on the Department's website at http://www.tn.gov/hr/topic/registration-resources.

- SLS has provided several workshops specifically to front-line employees. As a result of the Customer Focused Government initiative, SLS created G.R.EA.T. Customer Service that was designed for all executive branch employees. SLS also created Becoming a Change Agent that targeted all employees. Moreover, while the Pyramid of Learning workshops target supervisors, the workshops are available to all employees and employees who desire to become supervisors are highly encouraged to attend those sessions.

- SLS does not provide technical training. Under the Act, SLS is responsible for providing all non-technical training. Technical training is provided by the agencies. It would be improbable to learn the specific business details of each agency in order to effectively provide such technical training.

- SLS is meeting the demands of the business and the requests of their customers. SLS has an established practice of piloting all workshops within DOHR and to targeted customers prior to rolling them out statewide.

In response to customer feedback, the SLS leadership team has launched a listening tour with human resources officers and talent management directors to further improve communication with the agencies and assure their learning and development needs are being met. The visits are 75% complete and have been exceptionally well received. SLS will incorporate feedback from

these visits into their operations and processes, if able, in order to deliver the best learning for all employees.

Auditor Comment

While the department's schedule of training lists the classes offered, days and times, and facilitators, it is not easily disseminated due to constant changes with the curriculum. After March 2015, the director of learning and development stated that the department suspended classes to rollout Get S.M.A.R.T.er, and therefore, could not provide the training schedules for April, May, June, or July 2015. These training schedules were not posted on the department's website, thus making them not readily available.

Finding

2. **The department faced challenges with the rollout of Get S.M.A.R.T.er in Performance Management training with providing enough facilitators and addressing the difficult transition of changing culture to the new performance management system**

In order to prepare state employees for Pay for Performance (discussed later in the report) created under the T.E.A.M. Act, staff of the Strategic Learning Solutions (SLS) Division provided S.M.A.R.T. (Specific, Measurable, Achievable, Relevant, and Time sensitive) Performance Planning training and then Get S.M.A.R.T.er in Performance Management training workshops to all executive branch managers and supervisors. According to the commissioner, SLS was understaffed when the initial training rollout started. With a staff of 14 employees, the SLS Division was tasked with training 8,500 executive-branch managers and supervisors by July 31, 2015. While the department admirably took on this overwhelming task, and while the training material is beneficial to managers and supervisors, the execution of training was problematic.

S.M.A.R.T. Performance Management is the first phase in developing a comprehensive approach to performance management. S.M.A.R.T. offers supervisors and managers the knowledge and skills needed to develop individual performance plans and establish a baseline of accountability. S.M.A.R.T. training is a component of the Level 1 Certificate Learning Series in the Management and Leadership Development Pyramid of Learning and is a prerequisite for the Get S.M.A.R.T.er training. Get S.M.A.R.T.er in Performance Management is a coaching philosophy intended to enable supervisors to engage employees and help them reach higher performance.

SLS first released the S.M.A.R.T training in March 2012, and it was led by SLS learning facilitators and agency trainers who had been taught the curriculum by SLS. S.M.A.R.T. training was restructured to include a pre- and post-test for the participants and retaught to agencies in May 2013. However, SLS did not provide follow-up after the initial program release. As a result, many agencies did not feel adequately trained in S.M.A.R.T., and SLS

realized in May 2015 that it had to retrain several agencies in S.M.A.R.T before they could begin the Get S.M.A.R.T.er training.

The Get S.M.A.RT.er training began with an executive briefing conducted by the assistant commissioner/chief learning officer to the leadership T.E.A.M. at each agency. Agencies could not register managers and supervisors for Get S.M.A.R.T.er training until after the executive briefing had been conducted. Get S.M.A.R.T.er was originally slated to be a "How to Facilitate" certificate content training course for certified trainers to teach at their respective agencies. After SLS piloted Get S.M.A.R.T.er in March 2015, all of the Get S.M.A.R.T.er content classes were canceled. By March 30, only SLS learning facilitators were allowed to teach GET S.M.A.R.T.er training. Additionally and unlike other training classes, agencies could only register for Get S.M.A.R.T.er manually instead of using Edison or Adobe Form Central.

According to the director of learning and development, all 23 executive cabinet agencies were scheduled to complete the executive briefing by July 30, 2015. As of the beginning of July 2015, SLS had trained 3,600 out of 8,500 managers and supervisors (42%) across all agencies. In order to try to complete Get S.M.A.R.T.er training for the remaining 4,900 by the July 31 deadline, the SLS Division recruited certified training facilitators from a few agencies to teach the training at their respective agencies. Of the 20 total facilitators teaching Get S.M.A.R.T.er across the state, 13 were SLS training facilitators or contractors and 7 were certified trainers from different agencies. The number of training classes per SLS training facilitator varied from 9 to 44 classes. By August 24, 2015, 7,722 out of the 8,500 managers and supervisors (91%) had been trained in Get S.M.A.R.T.er.

We attended a Get S.M.A.R.T.er training course conducted by an SLS training facilitator and found the training material informative and useful. We also conducted interviews with the human resources officers, talent managers, training coordinators, and performance management coordinators at 25 executive branch agencies, and we found that

- 15 agencies (58%) reported that the evaluators had not been adequately trained in S.M.A.R.T. goals;

- 19 agencies (86%) reported that the department did not provide any feedback on the S.M.A.R.T. goals; and

- 13 agencies (50%) reported that the supervisors struggle with writing S.M.A.R.T. goals because some positions are hard to measure.

Additional feedback received from the agencies indicated that training classes, particularly Get S.M.A.R.T.er, continued to be canceled by SLS for reasons such as a rescheduled agency executive briefing and the training facilitator not being aware of the training appointment. Feedback also indicated that SLS did not communicate effectively during the rollout of Get S.M.A.R.T.er training.

Recommendation

SLS management should test the training they develop on its intended users, such as the training coordinators at each agency, to ensure effectiveness. Management should also follow up with agencies, should utilize feedback on training materials already distributed, and should strive to not cancel classes.

Management's Comment

The department does not concur with this finding. The execution of Get S.M.A.R.T.er was intentional and methodical in response to direct employee and legislative concern. S.M.A.R.T. Performance Management was initiated in 2012 as a result of the T.E.A.M. Act. The Act required all performance plans to be Specific, Measurable, Achievable, Relevant and Time Sensitive. The curriculum was developed to teach supervisors to write performance plans compliant with this statute. Previously, performance plans were reflective of an employee's job duties and supervisors were asked to write them to the exceptional level, which was a struggle. The S.M.A.R.T. initiative was critical to changing the culture in state government from a focus on seniority to a focus on performance. SLS was able to accomplish this Herculean feat by delivering this learning to all supervisors and managers in 2012.

Shortly after the initiation of this program, agencies indicated that the agency training officers were not proficient in pedagogy and struggled to engage adult learners. It is important to reiterate here that the agency trainers are not direct reports of the Department and SLS has no authoritative ability to direct their work. Because of this concern from the agencies, SLS hired external coaches to help instruct supervisors on the practice of how to write S.M.A.R.T. performance plans. It should be further noted that the agencies themselves acknowledged they lacked professional facilitation skills among their training officers, and requested that SLS develop the How to Facilitate Certification curriculum discussed in Finding 1.

In terms of effectiveness of content, SLS surveys participants after each face-to-face and online learning workshop. The survey results overwhelmingly support the strength of the curriculum with regard to the relevance of the curriculum, the effectiveness of the facilitator, the definition of the learning objectives, and the accomplishment of the learning objectives. Below are the results of the surveys associated with the S.M.A.R.T. Performance Planning training across all executive branch agencies:

- 80% of 1,940 responders to the survey indicated that Performance Management online training was relevant to their job.

- 80% of 1,940 responders to the survey indicated that they have the ability to apply the learning as a result of the Performance Management online training.

- Of the 2,864 supervisors who participated in the S.M.A.R.T Clinic led by SLS, 100% scored an 80 out of a possible 100 on the post test.

- Of the 2,864 supervisors who participated in the S.M.A.R.T. Clinic led by SLS, the participants increased their score by an average of 20 points as a result of taking the workshop.

In 2015, the Department responded to legislative inquiries about the State's readiness for pay for performance. Operating in a continuous improvement mindset, SLS again wanted to strengthen the capabilities of supervisors in S.M.A.R.T. training as many supervisors were unable to coach employees to higher performance. As a result of this direct feedback, Get S.M.A.R.T.er was initiated. This program was established to further enhance the abilities of supervisors to coach their employees to higher performance, not as a follow up to the initial training.

SLS surveyed participants after each Get S.M.A.R.T.er workshop. The survey results overwhelmingly support the strength of the curriculum with regard to the relevance of the curriculum, the effectiveness of the facilitator, the definition of the learning objectives, and the accomplishment of the learning objectives. Below are the results of the surveys from the face-to-face Get S.M.A.R.T.er workshops across all executive branch agencies:

- 94% of 1,388 responders to the survey indicated that the Get S.M.A.R.T.er workshop content was relevant to their job.

- 95% of 1,388 responders to the survey indicated that the learning objectives for Get S.M.A.R.T.er were clearly defined.

- 96% of 1,388 responders to the survey indicated that the facilitator effectively facilitated the Get S.M.A.R.T.er workshop content.

- 93% of 1,388 responders to the survey indicated that the learning objectives were met for Get S.M.A.R.T.er.

To further demonstrate the strategic rollout of both programs, below is a timeline that illustrates the follow-up that SLS provided to agencies regarding S.M.A.R.T. performance planning:

March 2012　　　　S.M.A.R.T. Performance Planning was launched to teach all executive branch supervisors how to write performance plans.

July 2012　　　　All executive branch supervisors were trained in S.M.A.R.T. Performance Planning. This was accomplished through the train-the-trainer model.

October 2012　　　External coaches were hired to assist with the auditing of performance plans to assure compliance with the S.M.A.R.T. formula criteria. As a result of the internal audit, the Department found that many agencies still struggled to write performance plans that met the S.M.A.R.T. criteria.

October 2012　　　External executive coaches were hired to work with appointing authorities to strengthen the performance plans of their executives and equip them to be champions of S.M.A.R.T.

January 2013	External coaches were retained to work with agencies to strengthen the skills of supervisors in writing S.M.A.R.T. performance plans.
April 2013	SLS updated the S.M.A.R.T. curriculum with a pre/post-test to ensure supervisors were able to retain the course content.
July 2013	External coaches were brought back to further strengthen supervisors' skills by facilitating S.M.A.R.T Writing Clinics. The Clinics were specifically designed to give supervisors practice in writing S.M.A.R.T. performance plans. Supervisors brought actual employee performance plans to the writing clinic and received real-time feedback and critique on their employee's performance plans.
August 2013	SLS launched Performance Coaching to teach supervisors how to coach and manage employee behavior with the goal of creating a culture of continuous feedback.
October 2013	The Department launched the Performance Management online learning module to train supervisors on the newly updated performance management process in Edison. Elements of S.M.A.R.T. and performance coaching are incorporated into this online training.
January 2014	The Department, in conjunction with Edison, launched webinars to teach supervisors how to navigate the updated online performance management system.
April 2014	SLS hired external coaches to continue the initiative by teaching agency supervisors the Performance Coaching curriculum to reinforce positive behaviors in employees and change noted negative behaviors and performance in employees.
March 2015	SLS piloted the Get S.M.A.R.T.er curriculum three times with an increasingly broadened audience in an effort to solidify the most effective curriculum to meet the needs of supervisors. The pilots included agency talent management directors, learning and development directors, certified facilitators, human resource directors, and members of the Department of Human Resources team.
April 2015	The Department launched Get S.M.A.R.T.er Coaching for Higher Performance.

This timeline unreservedly confirms the department's commitment to assuring supervisor success and demonstrates that the department provided appropriate follow up after the initial rollout, contrary to the audit finding.

Because of the commitment to excellence this course requires, SLS provided guidelines regarding the executive briefing being a prerequisite to taking the workshop as it is important to gain alignment from the appointing authority. This approach was used during the implementation of G.R.E.A.T. Customer Service and was a proven successful strategy for integration into the agency. All Get S.M.A.R.T.er workshops were scheduled and any cancellations were at the request of the agency appointing authorities. SLS gave the agencies the autonomy to schedule and cancel their own workshops based on the business needs of the agency. SLS strives not to cancel workshops. Cancellation of workshops is always a last resort.

The department strives for excellence in delivery of each one of the services it provides resulting in each and every learning initiative being piloted prior to launching statewide. The employees of DOHR can testify that they serve as a test group for each of these initiatives, and targeted customers are typically included as well, including HR Officers and Talent Management Directors. In order to meet the needs of the customers and the adult learners, these pilots often result in rewrites of the learning content. Such program tweaks are necessary to ensure a positive learning experience which positively impacts the learner and benefits the citizens of Tennessee. To ignore the pilot process is to ignore the basic tenets of this organization, performance excellence and continuous improvement.

Auditor Comment

While the training material is beneficial to managers and supervisors, the execution of training was problematic. SLS was understaffed when the initial training rollout started. Get S.M.A.R.T.er was originally taught as a course for certified trainers to teach at their respective agencies. SLS later decided that only SLS learning facilitators would teach Get S.M.A.R.T.er training. SLS later again allowed selected certified trainers to teach Get S.M.A.R.T.er at their respective agencies. This frequent change made this process difficult. Additionally, the feedback received from the human resources officers and training coordinators indicated that SLS did not communicate effectively during the rollout of Get S.M.A.R.T.er training.

PAY FOR PERFORMANCE

Section 8-30-104(a)(8), *Tennessee Code Annotated,* gives the commissioner of the Department of Human Resources (DOHR) the authority to implement a job performance system for employees in state service while Section 8-30-313 stipulates that the commissioner, in cooperation with appointing authorities, must establish standards of performance and expected outcomes for employees.

DOHR Policy 12-064 defines the Performance Management Program as

a systematic process used to define the standards of performance and expected work outcomes for all employees, provide ongoing performance feedback, offer

the employee developmental opportunities, and document an objective and fact-based record of the employee's performance.

The purpose of the program is to facilitate the creation and nurturing of a performance based culture where the individual employee's performance is aligned with the agency and administration's objectives and employees are appropriately rewarded for the results they achieve.

The minimum requirements for the program for each employee include

1. An <u>Individual Performance Plan</u> (IPP), which includes an initial discussion between the rater and the employee about the expected performance standards and between four and six work outcomes, which are developed by the rater and entered into Edison. This occurs at the beginning of each evaluation cycle.

2. At least two <u>interim reviews</u> that include constructive performance feedback and coaching, how the employee can improve performance, and any consequences, if appropriate, for unacceptable or marginal performance.

3. A documented <u>annual review</u> which provides a performance rating for each defined outcome and one for overall performance. Ratings must be justified by objective, fact-based statements of observation by the rater. The annual review also allows the employee to comment.

The evaluation cycle runs from October 1 through September 30 each year. Per DOHR Policy 12-064, in order for an evaluation to be valid, all review cycle procedural steps must be completed in no less than 90 days from the date of the performance planning discussion, allowing for 30 days between each stage (see the Performance Management Workflow in Appendix 5). Evaluations result in ratings of Outstanding, Advanced, Valued, Marginal, and Unacceptable (see Table 1 for the rating definitions). According to the policy, individual performance plans should be tailored to the "Valued" level of performance. Currently, Pay for Performance is set to begin in January 2016 with the 2015 evaluation results serving as the basis for pay increases. Employees with scores of Valued, Advanced, or Outstanding should receive salary increases of increasing percentages dependent on budgeting.

Table 1
Work Outcome and Evaluation Rating Definitions

Work Outcome	Individual Work Outcome Rating Scale
Unacceptable	This rating should be used when the employee's performance did not meet the criteria specified in the work outcome and is sufficiently weak that the employee's work must be frequently checked to be certain that it is done properly; when the employee's inadequate performance limits the ability of the agency and/or division to achieve its goals; when the rater or another employee must "cover" for inadequate performance by the employee; when the employee's performance causes an excessive number of complaints from persons

	the employee serves; or for similar reasons which can be described by the rater. Unacceptable implies that the expected performance standards described on the individual performance plan are almost never met. It also means that if *all* work outcomes were handled in this fashion by the employee, the employee would have to show immediate improvement or be subject to adverse administrative action.
Marginal	This rating means that a level of the employee's performance did not meet some or all of the criteria specified in the work outcome and clearly needs improvement. The employee consistently does not meet some aspects of the stated expectation.
Valued	This rating is used to describe a solid performer and *valued* performance. Performance of the work outcome met the performance expectations defined on the individual performance plan. There is no immediate need to improve performance. There are no major deficiencies in the employee's performance of the work outcome.
Advanced	This rating means that the criteria specified in the work outcome statement was consistently met and often exceeded. There are relatively few ways in which the employee's performance of the work outcome could be improved.
Outstanding	This rating means that the defined performance expectations were clearly exceeded and affected measurable improvements in organizational performance.

Evaluation Score	Overall Rating Scale
Unacceptable	Unsatisfactory work outcomes
Marginal	Work outcomes consistently do not meet some stated expectations
Valued	Work outcomes consistently meet stated expected performance
Advanced	Work outcomes consistently meet and often exceed stated expected performance
Outstanding	Work outcomes consistently exceed expected performance and affect measurable improvements in organizational performance

Source: Department of Human Resources Performance Achievement Training Handbook.

Our objectives were to determine how the performance evaluation process is working since implementation and whether evaluators are properly trained in developing work outcomes and completing evaluations in preparing for the Pay for Performance program's release. Our work included reviewing data and reports combined with in-person interviews with both DOHR staff and human resources officers, talent managers, and performance management coordinators in executive branch agencies.

Finding

3.   Most agencies reported that raters lack proficiency in developing S.M.A.R.T.-based goals and in completing qualitative evaluations

Due to agencies reporting that raters lack proficiency in developing S.M.A.R.T.-based goals (Specific, Measurable, Achievable, Relevant, and Time sensitive) and completing qualitative evaluations, the ratings that will be used for the initial pay increases in January 2016 may not be as qualitative and objective as expected. Overall, both raters and front-line staff lack a clear understanding of the process.

We interviewed personnel from 21 executive branch agencies and emailed questionnaires to 4 other executive branch agencies. We interviewed human resources officers, talent managers, training coordinators, and performance management coordinators, totaling 38 individuals. Of these, 60% reported that their raters are not adequately trained in developing S.M.A.R.T.-based goals and 44% stated that raters struggle with using the S.M.A.R.T.-based goals for evaluations. While Department of Human Resources management stated that they review 10% of each agency's S.M.A.R.T.-based goals to determine whether they address each element (specific, measurable, achievable, relevant, and time sensitive), 92% of departments reported that the department provided them no feedback to them about such a review. Several agency personnel reported that the S.M.A.R.T. training content changed mid-way through the release and training process without proper communication from the department. Some terms used to describe the quality of training were "rushed," "piecemealed," and "greatly lacking."

One of the main issues noted was the timing of the S.M.A.R.T. and Get S.M.A.R.T.er training. The revised training, which taught trainees how to develop S.M.A.R.T.-based goals for the individual performance plans, was provided in 2013, after the plans had been developed. Thus the training would not be used until the next cycle and the resulting evaluations may not be as qualitative in nature. The Get S.M.A.R.T.er training was also delivered too late for raters to appropriately coach their employees to achieve higher ratings.

Another concern is that the process depends on the raters informing front-line staff of the process as there is no training for those individuals. Unfortunately, raters were ill-equipped to educate front-line employees appropriately about the performance management process.

Recommendation

The department should time the training of agency staff to coincide with the development of individual performance plan goals and coaching sessions. The department should also develop training for front-line staff. The department should work with the agencies to develop performance management experts who can review goals and evaluations and identify areas for additional training.

Management's Comment

The department does not concur with this finding. There is a massive culture change occurring in the Executive Branch, especially as it relates to performance management. Managers have had to learn a completely different way of evaluating their employees. As noted in the timeline in finding 2, implementation of S.M.A.R.T. goals in state government was challenging, as they are a drastic change from copying and pasting an employee's job description into his or her performance plan. The S.M.A.R.T. Formula Planning Tool is a leading practice in the industry for development of performance plans. As the Department observed the difficulty supervisors were experiencing in writing S.M.A.R.T. goals, we expanded our capacity by contracting with external coaches to assist with auditing performance plans and focused our efforts in those agencies where the goals were weak by hosting workshops created to assist supervisors in strengthening those goals.

As a result of the department's internal audit of performance plans, SLS hired external coaches to work with supervisors on the S.M.A.R.T. curriculum to further equip them with the tools necessary to write performance plans. Performance coaching was also made available to supervisors who have not historically been given tools on effectively communicating with their employees. And finally, Get S.M.A.R.T.er was designed to equip supervisors with the resources and courage to enable higher performance coaching. These programs have been recognized across the country and continue to provide support for supervisors which did not previously exist. These resources are essential to the success of any supervisor, especially those who must give objective performance reviews.

The department does concur that all employees could benefit from training on S.M.A.R.T. performance planning. However, research indicates that successful implementation of performance management initiatives is largely based on the support of middle management. Therefore, the focus of this initiative has been centered on managers who will need to implement objective performance planning for their employees. With limited resources available and the desire to provide meaningful support to supervisors, the department has presently focused on this population to ensure success. Information about the Performance Management process, S.M.A.R.T., and requirements can be found online at http://www.tn.gov/hr/article/pm-resources-and-tools and remains available for all employees.

Auditor Comment

We interviewed human resources officers, training coordinators, talent managers, and performance management coordinators in 21 executive branch agencies. Of these, 60% reported their raters are not adequately trained. Further, a number of those reported issues with the lack of communication on content changes as well as the timing of training. While the department has undertaken a significant cultural change and has provided training, it is difficult to discount the concerns of the agencies it serves.

Finding

4. **A number of weaknesses in the performance management model could affect the objectiveness and fairness of the process**

The department may need to modify the current performance evaluation model. We found difficulties in the areas of difficult-to-measure job duty measurements, time requirements, change in job duties or supervisor, and work performed outside the stated goals.

<u>Difficult-to-Measure Job Duties, Lack of Training, and Inability to Affect Agency-wide Goals</u>

Executive-branch employees encompass a wide range of job classifications and duties. We identified three weaknesses: the difficulty of measuring some jobs, the lack of training opportunities for some employees, and the lack of opportunity for some employees to ever receive an "Outstanding" rating.

In our discussions with cabinet-level departments, 43% stated they have job positions that are difficult to measure. For example, many administrative positions do not have dedicated daily assignments and many job duties fall outside of the employee's control, such as fielding telephone calls. There are also manual labor jobs that vary daily, such as highway maintenance workers who may fill pot holes one day and collect road kill the next.

Another issue with the disparity between job classifications is the ability to affect agency-wide goals to achieve an Outstanding rating. Employees may be unable to affect the department as a whole, thereby limiting their opportunity to receive the highest rating, which requires an employee to "affect measurable improvements in organizational performance." (See Table 1.)

<u>Time Requirements and Change in Supervisor or Job Duties</u>

The evaluation process is too cumbersome and time-consuming, according to 57% of the agencies interviewed. This includes the normal process, but also when an employee changes supervisors mid-cycle. In some agencies, time is a bigger problem because supervisors are not necessarily in the same physical location as the employees, necessitating travel and schedule changes to complete any needed in-person discussions. Several departments expressed a desire for fewer steps in the process, such as only one interim review. The time required to perform the steps of the evaluation could interfere with supervisors' ability to perform their normal job duties and meet their own individual performance plan goals.

We had several agencies comment on the difficulty of having to start the review process over when an employee changes supervisors mid-cycle. When this occurs, the new supervisor must create a new individual performance plan, which could change the goals for the employee. Additionally, if an employee changed supervisors and there were less than 90 days until the end of the evaluation period, then there would be no valid evaluation for that employee and it seems the employee would be ineligible for a salary increase.

<u>Work Performed Outside Stated Goals</u>

It is possible that that some employees would focus on meeting their IPP goals to the detriment of other, equally or more important tasks that arise mid-cycle. On the other hand, some employees could be penalized for not meeting the goals because more immediate issues arose during the cycle. It does not appear there is a way to reset the goals if necessary or to give employees credit for other work performed if that work took precedence over the stated goals during the evaluation period.

Recommendation

The department should develop suggested performance measures for positions that are not easily measured, should provide a better explanation for the Outstanding score for employees who are unable to affect agency-wide goals, and should account for employees who must shift focus from goal-related work during the evaluation cycle.

Management's Comment

The department does not concur. Again, the department is engaged in an enterprise-wide culture shift which is different from anything previously seen in State Government.

Performance management is the key area where the department has focused its efforts to change the culture in State Government. Prior to the T.E.A.M. Act, the performance goals were not written objectively, so 85% of employees being evaluated were receiving scores in the top two tiers of a 5-tier rating scale, some for simply showing up to work on time. Many employees had never been evaluated, and employees had not received a permanent salary increase in three years, so there was no incentive attached to high performance, which was causing low morale and lack of desire to achieve. The department determined that this was the key area to drive performance excellence, so the Act allowed for merit pay to recognize above average performance and stipulated that individual performance plans must be S.M.A.R.T. Our goal was to create a culture of continuous feedback and to focus on performance as a journey, not an event.

It is true that supervisors find it difficult to measure some jobs. Again, this is because the philosophy is new and different to employees who were previously rated on simple performance measures (such as arriving to work on time). Supervisors must now think objectively about the critical functions of their employees, which requires serious thought. S.M.A.R.T. goals are difficult. However, the Department has worked with specific agencies that struggle to write work outcomes for specific job classes. In addition, the department has provided training, coaching, and technical assistance to those agencies to assist them with goal development and employee coaching. SLS has also held writing clinics to specifically address writing performance plans for challenging positions. Each of these initiatives is outlined above.

The department is intentional in tracking proficiency in supervisors' knowledge of the performance management model. For example, each supervisor is required to take Performance Management online, which teaches the basic systematic requirements of the program and incorporates elements of S.M.A.R.T. and performance coaching. In order to complete this learning module, supervisors must demonstrate a minimum of 80% proficiency through a "test-out" quiz. Supervisors that do not meet this minimum score must retake the Performance Management course and quiz until proficiency is met.

In addition, the department audited a percentage of S.M.A.R.T. goals in the agency. Results from this audit demonstrate that 91% of the goals throughout the state were meeting the elements of S.M.A.R.T. SLS also created a pre- and post-test for S.M.A.R.T. to capture the retention and knowledge proficiency of participants. Survey data reveals that out of 2,864 employees trained, employees' knowledge improved from 63% to 80% as a result of the training.

A major culture shift involves the fact that an employee's performance plan is not the same as his or her job description. The performance plan should align with the appointing authority's performance plan, which aligns with the Governor's priorities. This alignment strategy is taught in extensive detail in the S.M.A.R.T. curriculum. When an employee's performance plan aligns with the appointing authority's plan, it provides an opportunity for the employee to earn an outstanding rating by affecting measurable improvements in organizational performance.

The very definition of Outstanding in performance management establishes an exceptionally high bar. The definition states that the "work outcomes consistently exceed expected performance and affect measurable improvement in organizational performance." While this bar is high, it is not insurmountable. To say that an employee cannot receive an "outstanding" rating is false. In fact, approximately 2% of employees received such a rating this cycle. It is our goal to increase that percentage over time as all executive branch employees have the opportunity to achieve an outstanding rating. SLS has worked with agencies to develop customized suggested work outcomes for positions that have functions they feel are not easily measured and continues to work with agencies through the Get S.M.A.R.T.er initiative, which is designed to help coach employees to higher performance.

The audit states that supervisors struggle with the time requirements for true performance management, which is a subjective analysis without much supporting detail. It is true that supervisors are required to spend time with their employees, establish performance expectations and have regular performance meetings and coaching sessions with their employees. This is a responsibility for those employees who choose to supervise. To say that the process is too time consuming indicates that employees are not worth the time for proper performance management and coaching. Supervisors should be held accountable for ensuring that this process is followed, thereby benefiting the employee and creating a performance excellence culture.

It is true that the performance management program does not provide an avenue to reset goals and to address a shift in priorities mid-cycle. To do so would be a detriment to the employee. Instead, if a priority is such a dramatic shift from an employee's previous goals, the employee, out of sheer equity, ought to be given the opportunity to perform the new goals. An

employee who goes above and beyond the performance expectations should be acknowledged as such, and may even be a candidate for an outstanding rating.

Auditor Comment

We recognize that performance management is a culture shift in state government as do the human resources officers, training coordinators, talent managers, and performance management coordinators we personally interviewed during this audit.

- Based on the experience of those interviewed, many agencies have difficulty defining S.M.A.R.T. goals for particular positions such as highway maintenance, information systems, and administration. These individuals did not attribute this to the concept being new, but they believe that not all positions can be effectively measured in this system. It appears the department should significantly increase its consulting efforts as this was a problem for many agencies.

- None of the individuals we interviewed received any feedback about their level of compliance or how to improve the quality of their goals.

- In no instance did those interviewed question the worth of their employees. Communicating the struggle their supervisors face supports the level of concern they have for agency staff and their commitment to fairly evaluating employees.

Observation

1. The department needs to review evaluation data reliability and the accuracy of queries in Edison

Our objective in this audit was to review evaluation data in Edison, the state's enterprise resource planning system, since the new evaluation system was implemented. We obtained full data sets for the period October 1, 2012, through April 16, 2015, for 22 executive-branch agencies. We also obtained, from DOHR, a copy of the IPP [individual performance plan] Status Update report as of May 27, 2015. We compared the report to our analysis as well as asking performance management coordinators about the accuracy of the report.

After extensive review of the evaluation data and discussions with Department of Human Resources staff, it appears there could be issues with the data and/or the queries. Our analysis did not match the department's report, which is based solely on Edison queries as opposed to the full data sets we obtained. These same queries are also used by the executive-branch agencies to monitor completion percentages.

After analyzing data and interviewing department staff, we were unable to draw conclusions on data for many reasons:

- When an employee transfers from one state agency to another, rather than the prior evaluations being attributed to the previous agency, the employee's current agency becomes the assigned agency for all evaluations. Therefore, the employee's evaluation history cannot be traced.

- There are discrepancies for estimated due dates, including dates outside of the period reviewed and erroneous dates. Some type of edit check might be needed as this could be a problem in other date fields.

- If an employee lacks computer access or is out on leave and cannot electronically approve evaluation steps when signatures are due, managers can override employee signatures without the employee's knowledge.

- There were large discrepancies between the expected number of individual performance plans and the expected number of interim reviews. Understandably, some agencies have high turnover, high inter-departmental transfers, and an unknown quantity of employees changing supervisors. Without knowing each particular instance, we could not determine the reason for the discrepancies.

- There were instances of significantly high numbers of employees assigned to a single rater. For cycle years 2013 and 2014, we found that the number of employees assigned to a single rater ranged from 1 to 470.

Based on our discussions with agencies and staff, agencies are focusing on completing evaluations on time instead of considering whether the data entered is accurate or whether queries are providing all the necessary data. As evaluators are learning their role in a new process and as agencies achieve timeliness, it will be beneficial to focus on ensuring data reliability to identify needed internal control measures or training.

Department of Human Resources comment:

The Department concurs with the observation. The data provided through Edison at any given date may be different from previous data gathered due to the number of separations, hires and promotions per month and the sheer volume of employee turnover statewide. To combat this, the Department, in conjunction with Edison, developed a new query that provides the current status of all performance management documents in the system for all employees. This report has been beneficial to the agencies in determining the status of each employee for each cycle. The Performance Management Coordinator (PMC) in each agency is responsible for assuring compliance with the performance management program. To assist these agencies, the Department has initiated quarterly meetings with the PMCs of each agency, consistent with the Department's collaborative and influential method of authority, to transfer knowledge and to guarantee best practices are utilized throughout the enterprise.

In response to some of the information mentioned in the observation, the Department responds as follows:

- When an employee transfers to another agency, the historical evaluation documents completed in Edison do not change. However, any pending documents at the time of transfer must be canceled by the agency PMC prior to the employee's transfer. The assigned agency will create a new document for the employee reflecting the employee's new duties. Historical documents are to be maintained in the agency.

- Edison performs a mass creation of performance documents for agency employees at the beginning of the annual cycle on October 1 each year. The PMC is responsible for creating documents for employees who are hired or promoted mid-cycle. The new cycle dates are determined based on the hire/promotion date.

- The manager override function should only be used by supervisors when an employee refuses to sign at any step in the process. This process should be documented by the supervisor when it occurs.

- The discrepancy between the expected number of Individual Performance Plans and expected number of interim reviews change is due to employee separations, transfers, and promotions that occur each reporting period.

SICK LEAVE BANK

The Sick Leave Bank (SLB) grants paid sick leave to members who have been medically certified as unable to perform the duties of their jobs as a result of a personal illness, injury, accident, disability, medical condition, or quarantine and who have exhausted all of their personal sick, compensatory, and annual leave balances. As established under Section 8-50-903, *Tennessee Code Annotated,* the SLB is offered through the Department of Human Resources and is governed by the Sick Leave Bank Board of Trustees. The board is responsible for hearing any appeals to the SLB and determining to uphold, modify, or overturn the previous decisions.

The board is composed of the commissioners of the Department of Human Resources and the Department of Finance and Administration; the state treasurer; the executive director of the Fiscal Review Committee; and three members from different agencies or departments one from each of the grand divisions selected by the Tennessee State Employees Association. Members of the board serve three-year staggered terms. The SLB administrator, an SLB specialist, and an SLB analyst review the application and make a determination of award based upon whether the paper application has been completed accurately and completely.

The SLB is open to all state employees with at least 12 months of employment who are currently accruing sick leave and have a balance of at least six days by October 31 during the current enrollment year. Employees are required to make an initial investment of four donated days of sick leave and one day every year thereafter. The SLB must maintain a membership of at least 20% of eligible state workers and a leave balance of one day per member at all times. In the event of a shortage, the SLB utilizes a special assessment which requires each member to donate an additional day. The days accrued in the SLB are converted into a cash balance.

Members of the SLB can apply for sick leave grants by submitting a withdrawal request application and medical certification form. The medical certification form, completed by the member's current doctor or surgeon, must be submitted with each withdrawal request application to the SLB. Applications for sick leave grants must be submitted no less than 2 weeks and no more than 30 work days after the eligibility date. Sick leave is not approved until the member has exhausted all accumulated and combined leave and has been on unpaid leave status for five consecutive working days. Sick leave granted from the SLB cannot be greater than 30 days for which an employee would have otherwise lost pay and the maximum of sick leave a member can receive from the SLB is 90 days for any one illness or recurring diagnosed illness, or accident.

The SLB can deny applications for the following reasons: if a member has a preexisting condition; wishes to have elective surgery; wishes to use leave for the illness of a family member; is earning or receiving income from other employment; is receiving disability benefits from social security or the state retirement plan; or is receiving workers' compensation benefits or any other employer-provided benefits for job- or service-related injuries or illnesses that are related to the request for leave from the SLB. If an application is denied, the member can file an appeal to the board with the SLB administrator within 15 days from the receipt of determination. All appeal decisions made by the board are final.

Methodology and Results

Our objectives for the SLB and its board of trustees were to determine if the process is efficient, useful, and in compliance with the appropriate procedures and laws. Our audit work consisted of

- reviewing rules, laws, policies and procedures;
- interviewing department staff and SLB members;
- reviewing board activity, including meeting transcripts and meeting attendance;
- comparing the SLB to similar programs in surrounding states; and
- obtaining feedback from the executive-branch agencies.

Finding

5. **The department did not track Sick Leave Bank activities, did not utilize the contracted medical professional to review medical certifications prior to granting decisions, did not know the minimum number of participants required to remain viable, and cannot explain the substantial increase in the Sick Leave Bank account**

As of June 2015, the Sick Leave Board had 17,577 members and as of June 30, 2015, it had a balance of $16,125,645.48. We found that the Department of Human Resources (DOHR) did not track the Sick Leave Bank's (SLB) activities, such as approvals, denials, and usage of the SLB, and was therefore unable to provide us with an accurate list of the leave and cash balance. Additionally, the SLB Board of Trustees does not use an experienced medical professional, such as a physician, nurse, or medical director, to ensure the medical certifications required for

granting a decision are reviewed correctly. Administration of the SLB could not tell us how many employees must remain in the SLB for it to remain viable, and could not explain why the SLB board continued to assess employees one day of sick leave each year even though the balance of the SLB account has significantly increased over recent years.

Lack of Tracking

The SLB administrator was unable to provide how many SLB requests have been approved and denied because denied cases are solely kept in each employee's file and would have to be manually reviewed. The SLB only keeps records of denials when an employee appeals the decision to the board. According to numbers provided by the department, there have been a total of 62 board appeals filed since 2010. .

Based on the interviews conducted with the executive branch human resources officers, some agencies are monitoring SLB usage, while others are not. According to these agencies, some of the challenges with the SLB include that

- processing time was slow and untimely;
- DOHR never asks for feedback on how the program is operating; and
- there are problems with communication between the SLB and employees.

DOHR does not require agencies to submit any information regarding SLB activities at the agency level. Although the department reports being able to obtain information on an individual employee, it does not track overall SLB usage. The department does not have a system to monitor total usage of the SLB or to verify that employee use of the leave was recorded accurately in employees' personnel records. Furthermore, the department tracks the processing of an employee's paperwork and whether it is timely, but no one verifies that the information is accurate.

In researching the surrounding states, we noted that Alabama has a donated leave program in which higher-ranking workers (supervisors/managers) can donate leave to lower-ranking workers (employees who are not at the management level), but lower-ranking workers cannot donate to higher ranking workers. Alabama employees could also buy sick leave, which led the state to change the donation process to require a third party to review leave requests. The Alabama incident illustrated the need for a tracking system to document leave requests, approvals, denials, time usage, and leave balance.

Medical Personnel Not Used in Award Decisions

There are no statutory requirements for experienced medical personnel to serve on or assist the board in understanding the medical cases. A dentist currently serves on the board and the department has contracted with a medical consultant to review files and medical records and to provide medical opinions and consultation. However, the consultant is only used when the doctor reports are conflicting or there is a discrepancy with the information and criteria guidelines. Using a consultant to review all cases could prevent problems and lessen appeals.

According to SLB guidelines, in order to request leave from the SLB, members must submit a withdrawal request application and have their current doctor or surgeon complete a medical certification form and send the form directly to the SLB. In one case, an agency reported that an employee needed hip replacement surgery on both hips, to be completed separately. The SLB approved sick leave for the first surgery and initially denied leave for the second surgery, labeling it a recurring illness. The board finally approved the leave for the second surgery after several calls by the employee and the agency. Another agency reported that an employee had breast cancer in the right breast and had received leave from the SLB. When the employee was diagnosed with breast cancer on the left side the next year, the SLB denied the request because they considered it the same occurrence. The expertise of an experienced medical director, physician, or nurse would be beneficial in reviewing the medical certification forms as part of evaluating withdrawal requests.

Participation Decrease and Account Balance Increase

Membership in the SLB has decreased by 3,026 members (15%) from 2010 to June 2015. Section 8-50-901(1)(C), *Tennessee Code Annotated*, requires a membership of more than 20% of the total number of state employees. In light of the decreasing participation, the department does not know how many employees must remain in the SLB for it to remain viable. Sections 8-50-925, 8-50-926, and 8-50-945, *Tennessee Code Annotated,* allow the General Assembly, Higher Education, and each school under Higher Education to have their own separate sick leave bank. At our request, the department compiled the number of employees in the SLB in the table below.

Table 2
SLB Membership and Balance 2010-2015

Date	Number of Employees Participating in the Sick Leave Bank	Balance in the Account As of These Dates
06/30/2010	20,603 Members	$5,330,089.89
06/30/2011	20,561 Members	$11,021,873.82
0630/2012	19,803 Members	$11,927,101.72
06/30/2013	19,045 Members	$12,969,584.71
06/30/2014	18,487 Members	$14,536,475.81
06/30/2015	17,577 Members	$16,125,645.48

Source: Department of Human Resources.

As illustrated in the table, while the number of participants has decreased since 2010, the balance in the SLB account has increased more than threefold during that same period. The annual assessment of one day of sick leave may be waived by the board and is statutorily required only if the balance is less than one day per member. However, administrators of the SLB convert assessed days to dollars and cannot tell how many "days" are in the account. The department was also unable to explain the increase in the balance and what the funds cover.

Recommendation

The department should track activities of the Sick Leave Bank (SLB), including approvals, denials, and usage. The SLB administrators should consider the advice of the contracted medical consultant prior to making award decisions. The department should determine the number of participants required for the SLB to remain viable and should forego the annual assessment of state employees if it is not needed for SLB expenses and awards.

Management's Comment

The department concurs with this finding. Based on information provided to the auditors, there have been only 62 Sick Leave Bank Board appeals in 5 years. The Bank, which was established as a benefit for state employees who have suffered illness or injury, is not effective or efficient. In fact, a survey conducted among state peers demonstrates that, of 18 responding states, only 3 other states still maintain such a program. The department does not hire medical personnel, nor should a human resources agency be in the business of making medical determinations. To have a medical contractor review each of the applications as suggested by the auditors, however, would be costly and not an efficient use of taxpayer dollars. Research conducted by the Department indicates that a short-term disability program would be far more efficient and better benefit the employees who desperately need the services.

BOARD OF APPEALS

Board Responsibilities and Composition

The Board of Appeals was created in 2012 under the Tennessee Excellence, Accountability, and Management Act to replace the Civil Service Commission. The commission had a long process with several steps, including business meetings to discuss the cases that solely relied on transcripts of the hearing, initial orders, and submitted documents to support their claims, among other documents. As stated in the 2011 Sunset performance audit of the Department of Human Resources and the Civil Service Commission, there was a decrease in appeals since the previous audit, but the auditors could not make a detailed assessment of timeliness due to limited data. The audit noted that the 1999 audit showed that commission appeals were lengthy processes. The auditors recommended the commission maintain more detailed tracking of information to determine whether timeliness has improved.

Section 8-30-108, *Tennessee Code Annotated,* established a citizen member Board of Appeals with up to 18 members. Preferred-service employees can file complaints to the board concerning the agency's application of a law, rule, or policy to their dismissal, demotion, or suspension of three or more days. The complaint process now consists of three steps.

- Step I allows an employee 14 days to file an appeal from the date of the action or the date they should have known of the action. The appeal is filed with the appointing authority, and a decision must be made within 15 days.

- Step II allows an employee 14 days to file an appeal of the Step I decision with the commissioner of the Department of Human Resources, who must make a decision within 30 days.

- Step III allows an employee or agency 14 days to file an appeal of the Step II decision to the Board of Appeals, which then conducts a hearing. An administrative law judge (ALJ) assists with the hearing to ensure the laws are followed while the state and plaintiff present their cases and evidence before the board. The ALJ neither conducts the hearing nor provides a recommendation for the order. The board must decide to uphold, overturn, or modify the previous decision within 120 days after the date of filing the appeal.

The board must have a minimum of nine members. Per statute, three members must be present to establish a quorum. The Governor may remove a member of the Board of Appeals who has three consecutive absenses from a meeting. The board has an elected chair, and each member, upon request, receives a per diem and lodging.

Methodology and Results

To gain a better understanding of the board, our objectives were to determine the efficiency and timeliness for processing cases and decisions. Our audit steps included

- reviewing state statutes and policies to ensure they are being followed;

- reviewing hearing transcripts, meeting attendance, and settlement documents to ensure the proper steps and procedures were adhered to;

- interviewing department staff and board members; and

- comparing similar boards of surrounding states to Tennessee's board.

Observation

2. **While the Board of Appeals has created a more efficient and streamlined process for handling appeals, the member attendance tracking process needs improvement**

Under the Tennessee Excellence Accountability and Management (T.E.A.M.) Act, the Board of Appeals was established to create a more efficient and streamlined process for handling appeals. The board currently consists of 12 members who represent the geographic, racial, and gender diversity of the state. Currently, all board meetings and hearings are conducted twice a month in Nashville. Since the board was created, there have been a total of 365 Step II appeals filed and 149 Step III appeals filed. The data for the Step I appeals is maintained by each agency, instead of the Department of Human Resources, but the department plans to implement a way to gather Step I appeal information from the agencies in the future.

<u>Board Member Attendance</u>

Our audit work included a review of the board meeting minutes to determine board member attendance. While the tracking of meeting attendance has improved since the board was initially created, there is still room for improvement. Early board records revealed discrepancies between attendance information provided by the department and the court reported transcripts. According to the board's administrator, attendance was simply written on the outside of the case file when a meeting started. In some instances, members would leave early because they were not needed or the case was dismissed, creating a difference between the records provided to us and the official transcripts. The administrator was able to account for all of those differences.

As a result of the previous tracking method, the administrator created a spreadsheet to record member attendance, which has eliminated any previous discrepancies. Based on the attendance spreadsheet, we noted that

- the average attendance at each hearing was four to five board members;

- there are four members who have missed three or more consecutive hearings of the board;

- one member attended 80% of the hearings;

- the majority of the board members attended 40% to 50% of the hearing dates; and

- the member with the lowest attendance (who joined the board in October 2014) attended 25% of the hearings.

While this is not a major issue for the board, as a best practice, it should ensure the accuracy of the tracking system to maintain a more accurate record of member attendance. On most days, there are at least two cases, requiring six members to run two panels.

<u>Timeliness of Appeals</u>

In determining the timeliness of the appeals process, we examined 68 cases heard by the board from January 2013 to February 2015. Of those 68 cases, 36 decisions were upheld, 5 were overturned, 16 were dismissed, 9 were defaulted, and 2 were amended. A case is defaulted if the employee does not attend and offers no explanation. A case is amended when the board modifies the employee's discipline set in Steps I and II. Fifty-four of the cases (79%) were completed within the allotted 120-day period, and 14 cases (21%) surpassed the 120 days. There are several factors that can cause a case to last longer than the prescribed time, such as hazardous weather conditions, lack of a quorum, extension requests from a party, and a heavy case load that does not allow for everything to be determined in a single day. While the number of appeals exceeding the 120-day rule is low, it is often due to unavoidable circumstances. The board administrator maintains and monitors delayed cases to ensure timely completion.

The agency and the plaintiff also have the option to settle a dispute. If the settlement occurs after the Step III appeal has been filed, the department keeps a record of the case. However, the department does not track any settlements that occur prior to Step III because the department is typically not involved in the settlement meetings. According to the deputy

commissioner/general counsel, the department will often encourage an agency to consider settling cases that involve smaller issues, because it saves agency and state resources by expediting the process. Some of the common reasons for settlements are

- the employee drops all claims against the state;

- the employee is allowed to resign instead of being terminated;

- the employee is labeled as "do not rehire within the agency";

- the employee is reinstated to his or her former position;

- the employee is awarded back pay; and

- the days for suspension were altered.

During the audit, we reviewed six surrounding states—Arkansas, Georgia, Kentucky, Mississippi, South Carolina, and Virginia—to determine how their appeals process compared to Tennessee. Based on the information obtained, the Tennessee Board of Appeals had similar procedures and practices to those states, with most of the states requiring a quorum of three board members and the quick publication of findings after a hearing. We also interviewed the human resources officers from 26 executive-branch agencies to obtain feedback on the appeals process. Some of the information we obtained from those interviews revealed that

- the new appeals process has improved efficiency and effectiveness;

- the new panel is better than the previous system;

- the mediation aspects of the program are good;

- the agencies have identified and corrected more disciplinary issues since the T.E.A.M. Act; and

- the new appeals process does not allow much time for the agency to complete the appeal process.

The chief administrative law judge expressed that the board is running very well and that the members put considerable effort, time, and thought into the process. Additionally, the judge stated that timing can be a challenge, but it is usually a result of agencies issuing several disciplines around the same time. Based on this information, it appears that the board is functioning adequately, and the only suggestion for improvement could be an adjustment to the time limits on Step I appeals. The agencies are allotted 15 days to make a decision, and some agencies indicated that this is insufficient and that they would prefer an extended time frame.

Appeal Cases in Remote Locations

The department is considering conducting the board hearings in other locations or via video conferencing to ease the burden on those having to travel to Nashville. There will be a test case occurring in fall 2015 to determine its feasibility. According to the deputy commissioner, the board can feasibly hear simultaneous cases as long as there are available staff and sufficient board members. One of the biggest concerns is a conflict of interest; if board members hear

cases closer to their communities, that could increase the chance of members personally knowing a party involved in the case.

In terms of cost, expenses incurred include travel and hotel expenses for the board and staff. Factoring in mileage, maximum hotel allotments, and per diems allowed by the state, we compared the expenses of conducting the appeals in Nashville to other cities across the state (Knoxville, Memphis, Johnson City, Jackson, and Chattanooga). The costs associated with hearings in these cities were comparable with Nashville, with little to no significant cost difference. The only difference is the consideration of convenience to employees located in East or West Tennessee. The cost is dependent on the number of people, including witnesses, who would have to travel depending on where the case is held.

The board's administrator suggested a more cost-effective alternative of conducting a case via video conference, which the administrator is planning to test within the next year. According to the chief administrative law judge, if board members are video conferencing in different locations, it could impede their deliberations in determining the facts of the case. Video conferencing could be a potential cost-saving strategy to allow witnesses and others to testify remotely, thereby cutting down on travel costs and opportunity costs.

While the department's implementation of the Board of Appeals process has been successful, the board should consider the idea of using video conferencing for board meetings to alleviate costs and the inconvenience for those having to travel.

Department of Human Resources comment:

The department concurs that the process for tracking member attendance can be improved. However, it is important to note that the Board was designed for member flexibility. The statute allows for up to 18 members to serve on the Board of Appeals, yet a quorum is met with just 3 members. This design was so that the citizen members could attend meetings at their convenience. The Board of Appeals meets twice per month and the meetings often last all day. To require attendance at each one of these meetings is not feasible as these members are engaged in their own businesses. These members are vital to the appeal process and volunteer their time, taking time away from their regular business. These members are to be commended for their service to the State of Tennessee.

The department further concurs that meetings could be more efficiently held by video conferencing and has explored this possibility. The Administrative Procedures Division has raised some concerns that such meetings could compromise the integrity of the hearings.

In summary, the consistent theme that the audit has not noted is one of the fundamental and core values of this department, a list of which can be found on the department's website. Continuous Improvement is the first value we teach employees and continue to strive to meet in providing services to assure service excellence. The definition of continuous improvement in the department's value statement includes the following:

- Seeks innovative solutions to improve processes and solve problems;

- Shares knowledge to gain better organizational performance; and

- Engages in opportunities for personal and professional growth.

The department has adopted a philosophy not usually demonstrated in government. The department consistently seeks productive feedback to improve services. If productive feedback is provided, the department must stand ready to respond in kind with enhanced services. The department's lack of direct authority hinders this approach at times; however, with positive relationships and influence, the department has been able to change the culture and is moving the State towards becoming the employer of choice.

APPLICATION PROCESS

The Tennessee Excellence, Accountability, and Management (T.E.A.M.) Act of 2012 instituted changes to the hiring practices for preferred service positions within the state. These changes included requiring agencies to define the minimum qualifications and specifically identify the knowledge, skills, abilities, and competencies required for each position. All open positions must be announced for a minimum of one week. Applicants who meet the minimum qualifications, including veterans and their spouses, will be placed on a list as eligible for consideration by the agency. From the eligible list, the agency must interview at least three candidates and has 30 days to hire an individual once the applications are referred to the agency. Veterans and their spouses are given interview preference for both appointments and promotions if they meet the qualifications.

In 2009, the Department of Human Resources started using NeoGov, an employment application program, for evaluating and sorting job applications for the state. NeoGov is a human resources software application that automates the entire hiring and performance evaluation process, including position requisition approval, automatic minimum qualification screening, test statistics and analysis, and Equal Employment Opportunity reporting.

Methodology and Results

Our objectives for the application process were to determine

- the use of NeoGov specifically, whether it is used for anything more than accepting and processing employment applications, such as performance evaluations;

- who has access to use, input, and export data to and from the system; and

- whether the department conducts any data reliability testing.

Our methodology included interviewing the assistant commissioner of Technical Services and the director of Technical Services, as well as state agency human resources officers to obtain feedback on the new application process and the NeoGov system. We also looked at which surrounding states were accessing NeoGov and how they were using its components.

Based on the audit work conducted, it appears that the application process for selecting and interviewing candidates has improved and is more efficient with the use of NeoGov. The former application process had major issues linking information with Edison, and the handling time for one application was approximately eight days. As a result of implementing NeoGov, the application process and review time have been reduced to a matter of seconds. Positions are now advertised according to specifics including the exact city, county, and building locations, instead of being posted by classification. The state has processed approximately 330,000 applications using NeoGov since 2009, according to the assistant commissioner for Technical Services. From January to July 2015, the state has processed 164,769 applications.

Although NeoGov has several uses, Tennessee only uses it for application intake and tracking. Per department policy, NeoGov has a method that allows management to quickly select applications from military veterans, who must be interviewed within 30 days of applying. Veterans who apply must submit their military service history documentation, known as a DD Form 214, showing that they have received an honorable discharge. If they are currently on active duty at the time of application but will soon be discharged, a statement from their commanding officer is required and the official documentation can be submitted at a later date. NeoGov indicates whether veteran applicants meet the preferences and uploads the document into the system so that agencies can view it. Additionally, NeoGov can narrow down applicant lists for a job by matching applications that meet the core competencies and by conducting first-round knowledge-based interviews using pertinent questions received from the agencies.

The eligibility lists that agencies receive from the department can vary in size based on the nature and title of the position and the number of applicants and vacancies. Depending on the position, the number of applicants on the lists can range anywhere from 120 to 820. In selecting applicants to interview, the agency's hiring manager looks at the nature of the position and the first-round interview questions to determine the applicant's skill level. While policy requires a minimum number of three interviewees, the number can vary by agency, ranging from 10 to 30 depending on the position, the number of quality applicants, and the number of veterans and spouses.

The department has also implemented a complaint system for applicants who feel they have been unfairly evaluated and/or omitted from the eligibility list. The complaint process consists of three steps. 1) The applicant contacts Recruitment Management Services to determine if the application was received or if the information was mismatched; 2) the applicant contacts the department's commissioner to review the case; and 3) the department notifies the applicant within 48 hours of any mistakes or discrepancies. Applicants have up to seven days from the initial notification to respond or they will be deemed ineligible and/or removed from the interview list. Applicants are encouraged to correct any inconsistencies and bring in additional information to continue the process.

Since January 2014, there have been 6,212 complaint calls to the department regarding applications. Of those calls, 370 complaints involved the NeoGov login process, email notifications, and the interview process. All complaints were resolved by sending the applicant to a NeoGov technician, to the Recruitment Management Services specialist for email issues, or to the agency's human resources officer for interview complaints. The department also received

complaints from agencies wanting the department to sort the applicant list alphabetically, but that could possibly omit applicants whose last names are at the end of the alphabet from having their applications reviewed. Only applications from veterans automatically go to the top of the list.

Executive branch agencies interviewed agreed that the new application process is more efficient and is a vast improvement from the old system. The use of the first-round supplemental interview questions has been helpful in eliminating unqualified candidates, assisting with hiring more qualified applicants, and accelerating the process of sorting through applications. The agency's hiring managers are pleased with how NeoGov is operating. NeoGov allows hiring managers a quicker way of hiring qualified veterans, whereas before NeoGov, they had to interview all veterans, regardless of qualifications. While the new system has been a great improvement to the hiring practice, some common issues stated by the agencies were the following:

- the new process is "still fairly cumbersome";

- it is sometimes difficult, or "tight," to meet the 30-day hiring deadline, especially if the applicant list is large, the candidate makes a minor error in the application, or the application was not accepted by the system and is not corrected within the 30-day window;

- it is difficult to get the time frame waived by the department when there are circumstances beyond the agency's control;

- unqualified applicants are still sometimes making it through the selection process;

- some agencies are not getting enough quality individuals on the lists;

- supplemental questions are at the end of the application and the department "is not checking the actual qualifications," making it difficult to discern if the applicant is actually qualified;

- some applicants are reporting that they never received first-round interview questions through NeoGov;

- Edison and NeoGov did not communicate so that new employees are set up in a timely fashion, but the department created a pathway for the two systems; and

- there is no way to flag applications that are not accepted within the 30-day time limit required by the T.E.A.M. Act.

From July 2015 through August 2015, the hiring process was temporarily halted due to system upgrades to NeoGov in order to digitize the department's forms. The updates to NeoGov converted all of the paper forms to electronic format so that Edison and NeoGov can interact with each other. All of the applications that were in the system at the time of the shutdown were completed and processed as of July 9, 2015, and agencies could start requesting for posts on August 17, 2015. The system reopened for members of the public to begin submitting applications on August 26, 2015. As the department moves forward with the changes to the application process, it should continue to stay abreast of any challenges that occur and use the feedback from the state agencies to ensure a smooth application process.

EMPLOYEE SUGGESTION AWARD BOARD

Board Responsibilities and Composition:

Section 4-27-101, *Tennessee Code Annotated,* established the Employee Suggestion Award Program to reward, with cash or honorary awards, those employees and retired employees of state government whose adopted suggestions result in substantial savings or improvement in state operations. The program's board is composed of the commissioners of the Department of Finance and Administration, the commissioner of the Department of Human Resources, the commissioner of the Department of General Services, the executive director of the Fiscal Review Committee, and one member appointed by the Tennessee State Employees Association. An assistant commissioner of the Department of Human Resources serves as staff to the board. The board is responsible for governing its proceedings, establishing criteria for making awards, and approving each award. There are no statutory requirements for board attendance.

Suggestions are accepted from all employees of state government, with the exception of employees who serve on state boards and commissions and those whose duties primarily concern administrative planning, evaluation, and research. Suggestions that solve a problem an employee was tasked to solve are also ineligible. All employees and former employees in good standing are eligible to receive cash awards through the program except for the following employees and levels of management:

LEVEL I: Governor's staff, department commissioner, or equivalent;

LEVEL II: Assistant or deputy commissioner, assistant to commissioner, major fiscal and administrative policy department staff, or equivalent;

LEVEL III: Director or division chief, including the full line division chief to a statewide program; the chief of division supervising several line service units, or equivalent; and

LEVEL IV: Assistant to director or division chief, section chief, head of major departmental function, or equivalent.

According to statute, the maximum cash award allowed is 10% of the first year's estimated savings or $10,000, whichever is less. For suggestions with a value less than $250, the cash award is $25. Funding for each award comes from the agency or program that received the benefits of the savings. The board has created a point system to determine the value of savings for suggestions that do not have a monetary value. The points range from a possible score of 0-20 that measures effectiveness, seriousness of the condition, ingenuity shown, and other categories.

The operating procedures for submitting an applicant award begins when the employee submits the suggestion to the Department of Human Resources program administrator. Once the program administrator reviews the suggestion for eligibility standards, it is referred to the appropriate agency for further investigation and evaluation. If the agency approves the suggestion, it is returned to the board for determination of an award.

Methodology and Results:

Our objectives for the Employee Suggestion Award Board were to determine the board's current status, future plans, meeting attendance, and award statistics. Our audit work included

- reviewing the statutes, policies, and procedures to determine if they are being followed;

- interviewing department staff to determine what changes have been or will be made to the employee suggestion awards; and

- reviewing all the meeting minutes, awards submissions, and award rejections from 2005 to 2014

Based on the audit work conducted, it appears that the board followed its policies, procedures, and operating guidelines until it stopped meeting in 2012. The last board meeting was in November 2012 because there have been no suggestions submitted to the board since then. In 2012, the department determined that the existing process for the Employee Suggestion Award Program was ineffective and new procedures were needed to streamline the process. The department implemented a new process in fall of 2015 that will allow agencies to have a coordinator and review committee. Each suggestion will go directly to the agency coordinators, who are responsible for getting the evaluations and conducting review committee meetings. If the committee recommends the suggestion, it will be sent to the Department of Human Resources for consideration at the next board meeting. Under this new system, the burden is placed on the agencies, and the new review committees with the board administrator and the board serve in secondary approval roles.

Our review of the existing system covering the period from 2009 to 2012 revealed that the board approved 10 awards that resulted in total estimated savings of $323,569. The board awarded $24,929 to employees, which is approximately 8% of the total savings. Since the program began in May 2005, there have been a total of 47 awards made in different amounts. There were 8 awards for $10,000 for the following suggestions:

- using commercial underwater cameras for highway bridge inspections;

- requiring TennCare applicants to be residents of Tennessee, and returning out-of-state applications unprocessed;

- Underground Storage Tank Fund not reimbursing for completion of the TN UST Reimbursement Application;

- revising the tire manifest form to capture only critical information, and creating a waste tire database that is accessible on the Internet;

- having Water Pollution Control staff use an Oracle-based software program to build an information management system;

- changing the composition of the primary hydraulic barriers;

- obtaining an agreement with the cities and municipalities to remove the requirements for testing from certain permits; and

- eliminating unnecessary print costs by eliminating an unnecessary insert with vehicle registration.

Table 3
Total Number of Awards by Amount From 2005 to 2015

Dollar Amount of Award	Number of Awards
$25-$49	4
$50-$99	3
$100-$499	15
$500-$999	5
$1,000-$4,999	7
$5,000-$9,999	5
$10,000	8
Totals	**47**

Source: Department of Human Resources.

The turnaround time between submission of suggestions and receipt of awards ranged from five months to more than eight years based upon the received date and the board decision date. The table below shows the length of time between the suggestion date and the award date.

Table 4
Length of Time Between Submission of a Suggestion and Award

Time Period	Number of Awards
Less than 1 year	5
1 to 2 years	19
2 to 4 years	15
4 to 6 years	4
6 to 8 years	1
More than 8 years	3

Source: Department of Human Resources.

The new system is being implemented, in part, to gain agency support and to increase agency involvement. The revised guidelines eliminate steps but do not set time requirements for board approval. They marginally indicate regular board meetings but do not specify regularity, which could result in suggestion awards being in the system for years without a decision.

Our review also included contacting surrounding states to determine how comparable their programs are to Tennessee's. A comparison study of the eight neighboring states (Alabama, Arkansas, Georgia, Illinois, Indiana, Kentucky, Missouri, and West Virginia) revealed that

- West Virginia offers a higher percentage of the savings than Tennessee's 10%;

- Arkansas and Kentucky match Tennessee's 10% rate, and Indiana offers 5% of the savings;

- Alabama, Arkansas, Georgia, Illinois, Kentucky, and Missouri pay half or less than half of the Tennessee maximum of $10,000;

- Indiana is the only state that offers a higher maximum on the savings;

- Alabama, Illinois, Indiana, and West Virginia do not offer awards for non-measurable ideas, but Arkansas, Georgia, Kentucky, and Missouri do offer a comparable value for non-measurable awards (Tennessee has a minimum of $25 and a maximum of $300).

The Employee Suggestion Award Program is a useful method for employees to communicate potentially cost-saving ideas and receive recognition for their contributions. As the department and the Employee Suggestion Award Board prepare to implement the new process for the program, we recommend that they communicate these changes and guidelines to the agencies.

APPENDIX 1
Title VI Information

The Tennessee Human Rights Commission (THRC) issues a report, *Tennessee Title VI Compliance Program*, (available on its website) that details agencies' federal dollars received, Title VI and other human-rights-related complaints received, whether agencies' Title VI implementation plans were filed timely, and if THRC findings were taken on agencies. Below are staff and board member demographics, as well as a summary of the information in the latest THRC report for the Department of Human Resources.

Neither the department's executive administration nor the Strategic Learning Solutions Division received any federal funding. For fiscal year 2014, the department filed its Title VI Implemetation Plan on October 1, 2013, which was considered to be timely by THRC. THRC received no complaints about the deparment and had no findings based on its review of the department's implementation plan.

The following table details department staff by job title, gender, and ethnicity as of July 2015.

	Gender		Ethnicity			
Title	**Male**	**Female**	**Asian**	**Black**	**Hispanic**	**White**
Accounting Technician 2	0	1	0	0	0	1
Administrative Assistant 1	0	1	0	0	0	1
Administrative Services Assistant 2	1	3	0	4	0	0
Administrative Services Assistant 3	0	3	0	3	0	0
Administrative Services Assistant 4	0	3	0	0	0	3
Assistant Commissioner 1	1	0	0	1	0	0
Assistant Commissioner 2	0	3	0	0	0	3
Attorney 3	1	0	0	0	0	1
Board Member	5	7	0	4	0	8
Clerk 1	1	0	0	1	0	0
Clerk 2	0	1	0	0	0	1
Clerk 3	0	3	0	0	2	1
Commissioner 1	0	1	0	0	0	1
Deputy Commissioner 2	0	1	0	1	0	0
Executive Administrative Assistant 1	0	2	0	1	0	1
Executive Administrative Assistant 2	0	3	0	0	0	3
Fiscal Director 2	0	1	0	0	0	1

	Gender		Ethnicity			
Title	**Male**	**Female**	**Asian**	**Black**	**Hispanic**	**White**
Human Resources Analyst 3	0	2	0	2	0	0
Human Resources Program Analyst - Technical Services	0	2	0	0	0	2
Human Resources Program Consultant 3	4	3	0	3	0	4
Human Resources Program Consultant Supervisor	1	1	0	0	0	2
Human Resources Program Director 2	3	1	0	2	0	2
Human Resources Program Director 3	1	3	0	0	0	4
Human Resources Program Director 4	1	0	0	0	0	1
Human Resources Program Manager	0	5	0	0	0	5
Human Resources Program Specialist	1	6	0	1	0	6
Human Resources Program Specialist - Recruiting Management Services	3	8	0	4	1	6
Human Resources Program Specialist - Technical Services	1	3	0	1	0	3
Human Resources Program Supervisor - Recruiting Management Services	0	4	0	1	0	3
Human Resources Program Supervisor - Technical Services	1	3	0	1	0	3
Human Resources Program Technician - Recruiting Management Services	0	5	0	2	1	2
Human Resources Program Technician - Technical Services	1	0	0	0	0	1
Information Resource Support Specialist 4	1	0	0	0	0	1
Information Systems Consultant	0	1	0	0	0	1
Learning Facilitator 2	1	3	0	3	1	0
Learning Facilitator Supervisor	5	5	0	5	0	5
Legal Services Director	0	1	0	1	0	0
Office Automation Specialist	0	1	0	0	0	1
Procurement Officer 1	1	0	0	0	0	1
Sick Leave Bank Administrator	0	1	0	1	0	0
Sick Leave Bank Specialist	0	1	0	1	0	0
Software Developer-Advanced	0	1	1	0	0	0
Statistical Analyst 2	0	1	0	0	0	1
Total	**34**	**94**	**1**	**43**	**5**	**79**

Performance Measures Information

As stated in the Tennessee Governmental Accountability Act, "accountability in program performance is vital to effective and efficient delivery of government services, and to maintain public confidence and trust in government." In accordance with this Act, all executive-branch state agencies are required to annually submit strategic plan and program performance measures to the Department of Finance and Administration. The Department of Human Resources' (DOHR) priority goals, as reported in November 2015 on the Governor's Customer Focused Government Monthly Results website (http://tn.gov/transparenttn/article/human-resources-goals-fiscal) are presented below.

Auditor Note: We did not audit, sample, or test this information, the procedures used to determine the information, or the controls over the validity of the information.

Performance Standard 1: By June 2016, utilizing the statewide learning and development model, implement a learning track for supervisors in the following levels: Level I Fundamental Management Skills; Level II Advanced Management Skills; and Level III Fundamental Leadership Skills.

Purpose of the Goal: Improve Customer Service: Organizations that invest in their supervisors by providing ongoing learning and development opportunities create a culture that results in higher levels of engagement and performance. Supervisors who are more engaged with their work create higher expectations of employees, resulting in improvement in customer service. Lower Operating Costs: When supervisors are provided opportunities to enhance their skills, it results in a more efficient government by providing the tools to become effective people leaders and to make good, sound business decisions.

Measuring the Goal:

	Baseline	**Target**	**Current**	**Status**
1) Of the 8,400 supervisors, there are three targets based on percentage (%) for completing the Level I Certificate for Fundamental Management Skills	0%	25%	_	_
2) Of the 8,400 supervisors, there are three targets based on percentage (%) for completing the Level II Certification for Advanced Management Skills	0%	5%	_	_
3) Of the 8,400 supervisors, there are three targets based on percentage (%) for completing Level III Certification for Fundamental Leadership Skills	0%	3%	_	_

Performance Standard 2: By June 2016 offer to a minimum of 4 appointing authorities and their leadership T.E.A.M.s the state's workforce and succession planning model that consists of 10 talent management practices designed to recruit and retain top talent.

Purpose of the Goal: Improve Customer Service: Workforce development and succession planning are mission-critical for developing future leaders and creating a high performing culture. Talent Management provides appointing authorities and their leadership T.E.A.M.s the tools to assess their organizations from a systemic "bird's eye" view, enabling them to make decisions on how to provide the needed services to citizens. Lower Operating Costs: Appointing authorities and their leadership T.E.A.M.s are provided the tools necessary for creating an organizational development strategy around recruitment, retention, leadership development, workforce and succession planning, performance management, etc., that align with the Governor's priorities and the agency's mission, vision and values, resulting in lower recruitment and retention costs.

Measuring the Goal:

	Baseline	Target	Current	Status
Number of executive branch executives and leadership groups participating in workforce development and succession planning	16	20	_	_

Performance Standard 3: By January 2016, establish and implement a standardized procedural framework which will provide prompt and consistent fulfillment and enable managers to utilize automated tools designed to streamline vital elements of the HR Transaction process. Also, create an organizational structure which will provide employee and agencies direct interaction with DOHR Professionals including consistent communication and problem resolution.

Purpose of Goal: Improve Customer Service: All DOHR support functions are driven directly by customer defined business values. DOHR's customers have consistently requested a more automated mechanism for processing transactions. The forms automation project addresses those requests. Providing a multi-channel mechanism for customers to ask questions/get information that is based on a standardized help library will allow for faster service and more correct answers. Lower Operating Costs: Increasing the efficiency of business processes helps lower operating costs by increasing productivity and reducing rework. This goal implements two of the cost saving strategies recommended by Oracle in 2013.

Measuring the Goal:

	Frequency	Completion Date	Current	Status
HR Forms Automation and Workflow	Calendar Quarterly	09/01/15	–	–
HR Operational Procedures – updated and implemented	Calendar Quarterly	10/01/15	–	–
HR Service Center - online	Calendar Quarterly	01/01/16	–	–

Under the Tennessee Governmental Accountability Act, Section 9-4-5609, *Tennessee Code Annotated*, each state agency is required to submit the agency's programs chosen for the program performance measures to the General Assembly and the Governor no later than September 30 of each year. The report should include the outcomes or outputs produced by each program. Based on the information obtained from the Governor's Customer Focused Government Monthly Results website, the department is not submitting the outcomes or outputs produced by each program.

APPENDIX 3
Financial Information

Revenues by Source
For the Fiscal Year Ended June 30, 2014

Source	*Amount*	*% of Total*
State	$0	0%
Federal	$0	0%
Others*	$11,730,400	100%
Total Revenue	**$11,730,400**	**100%**

Source: *The Budget 2014 – 2015.*
* Other funds include revenues received for services provided to other state agencies.

Expenditures by Account
For the Fiscal Year Ended June 30, 2014

Account	*Amount*	*% of Total*
Administration	$2,452,600	21%
Human Resource Development	$2,190,500	19%
Technical Services	$5,447,700	46%
Employee Relations	$1,639,600	14%
Total Expenses	**$11,730,400**	**100.00%**

Source: *The Budget 2014 – 2015.*

Appendix 4
Management and Leadership Learning Pyramid
Four Level Certificate Program

*Learning Modules Offered at No Cost:
- Becoming a Leader of Influence
- Developing the Art of Collaboration
- Developing Organizational Agility
- Developing the Mindset of a Lifelong Learner
- Creating a Culture of Continuous Improvement

Level 4 Certificate Advanced Leadership Skills

Level 4 Agency/Position Mastery Technical Training

*Learning Modules Offered at No Cost:
- Leadership Theory and Practice
- 5 Practices of Exemplary Leadership
- Effective Presentation Skills
- Conflict Management
- Managing Up

Leadership Series
- Module 1 – The 4 Imperatives of Great Leaders
- Module 2 – Inspiring Trust
- Module 3 – Clarifying Your Team's Purpose & Strategy
- Module 4 – Unleashing Talent
- *Optional – Cost to agency*

Level 3 Certificate Fundamental Leadership Skills

Level 3 Agency/Position Advanced Technical Training

*Learning Modules Offered at No Cost:
- Building Effective Teams
- Change Management
- Competency and Behavioral Based Interviewing
- Effective Communication
- Managing Virtual Teams
- Self-Management

7 Habits of Highly Effective People
Optional – Cost to Agency

Level 2 Certificate Advanced Management Skills

Level 2 Agency/Position Intermediate Technical Training

*Learning Modules Offered at No Cost:
- Respectful Workplace for Managers
- Sexual Harassment Training – On-line
- G.R.E.A.T. Customer Service
- STAR Principles of Customer Service – On-Line
- Navigating Practices and Policies for Supervisors – On-line
- S.M.A.R.T. Performance Planning
- Get S.M.A.R.T.er in Performance Management
- Performance Management – On-line
- Performance Coaching
- Quality Decision Making
- Planning and Priority Setting
- Proactive On-Boarding – On-line

Level 1 Certificate Fundamental Supervisor Skills

Level 1 Agency /Position Fundamental Technical Training

*Learning Module Offered at No Cost:

Pre-Supervisory Training: Is this for me?

Supervisor and Manager Development
Baldrige Category 5: Workforce Focus
SLS Statewide Responsibility

Agency Technical Training
Baldrige Category 6: Operational Focus
Agency Responsibility

Appendix 5
2013 Performance Management Workflow

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