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December 3, 1982

Letter Report 247

Honorable Walter M. Ingalls  
Chairman, and Members of the  
Joint Legislative Audit Committee  
925 L Street, Suite 750  
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to a request by the Joint Legislative Audit Committee and to Item 1880-001-001 of the Budget Act of 1982, we have examined the functions, staff, and associated resources transferred to the Department of Personnel Administration by the State Personnel Board, the Department of General Services, the State Board of Control, the Department of Finance, and the Office of Employee Relations. We conducted our review under the authority vested in the Auditor General by Section 10500 et seq. of the Government Code. Further, we conducted our review in accordance with generally accepted governmental auditing standards necessary to accomplish the work requested by the Legislature.

This report discusses the functions transferred to the Department of Personnel Administration (DPA) by agencies contributing to the reorganization. We found that the DPA was performing all the functions transferred to it except for those returned to the State Personnel Board by subsequent legislation or by mutual agreement. We also describe the process that agencies used to determine the authorized positions, budgetary resources, and equipment to be transferred, and we assess the effect that transferring positions had on the management-to-staff ratios in the contributing agencies. We found that the ratios had changed only slightly after the reorganization.

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In addition to providing the information requested, we also report on problems that the DPA experienced in its first year of operation. The advent of collective bargaining increased the complexity of the functions performed by the DPA. The DPA also experienced fiscal problems in the wake of the reorganization. As a result of these fiscal problems, the DPA had to request additional funds to augment its budget for fiscal year 1981-82. It also had to redirect its resources to stay within its budget for that fiscal year.

#### BACKGROUND

The Governor's Reorganization Plan Number 1 of 1981 (Chapter 230, Statutes of 1981) created the Department of Personnel Administration. The reorganization plan eliminated the Office of Employee Relations, which had represented the administration in all matters involving state employer-employee relations, and transferred its functions to the DPA. In addition, the reorganization plan also transferred to the DPA some of the functions of the State Personnel Board, the State Board of Control, the Department of General Services, and the Department of Finance. As a result of the reorganization, the new department assumed responsibility for representing the State in collective bargaining with state employees and for managing the components of the state personnel system subject to collective bargaining. The DPA is also responsible for the compensation, terms, and conditions of employment for state employees who are excluded from collective bargaining, such as managers and supervisors.

Collective bargaining for most state employees was initiated by the State Employer-Employee Relations Act (Chapter 1159, Statutes of 1977). Pursuant to this act, state employees were divided into 20 bargaining units. The DPA is responsible for reviewing existing terms and conditions of employment subject to negotiation, developing management's negotiating positions, representing management in collective bargaining, and administering the negotiated memoranda of understanding.\* The DPA is to perform these collective bargaining functions in cooperation with other state agencies.

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\* A negotiated memorandum of understanding is a written agreement between the Governor and a recognized employee organization.

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### SCOPE AND METHODOLOGY

From the Governor's Reorganization Plan Number 1 of 1981, we identified all the functions that the DPA is required to conduct. We then interviewed DPA branch chiefs to verify that these functions were being performed and to determine if the workload associated with these functions had changed since the reorganization. We did not, however, assess the efficiency or effectiveness of the DPA's operations or the adequacy of its staffing level.

To describe the process that agencies used in identifying the positions and resources to be transferred to the DPA, we interviewed staff in the contributing agencies and reviewed related documents. We also compared the management-to-staff ratios for the agencies before and after the reorganization to determine if the ratios had changed significantly.

Finally, we reviewed the fiscal problems that the DPA experienced in fiscal year 1981-82 as a result of both the reorganization and the State's financial problems, and we examined the effect of these fiscal problems on the operations of the DPA.

### AUDIT RESULTS

In the following sections, we report on the functions transferred to the Department of Personnel Administration, the process that agencies used to identify the positions and associated resources to be transferred, the effect of the reorganization on the management-to-staff ratios in the contributing agencies, and the fiscal problems that the DPA faced in its first year of operation.

#### Functions Transferred to the DPA

The Governor's Reorganization Plan Number 1 of 1981 transferred to the DPA several components of the State's personnel system. The DPA is performing all the functions required by the reorganization plan except for those returned to the State Personnel Board by mutual agreement or by subsequent legislation that becomes effective January 1, 1983. This legislation will also transfer some additional responsibilities to the DPA.

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Some of the functions transferred to the DPA have increased in complexity due to collective bargaining. As a result, the DPA has had to increase the number of staff hours allotted to handling requests for information from state agencies. Additionally, because of increased workload, DPA attorneys are unable to litigate some cases.

Agencies Transferring  
Functions to the DPA

Five agencies transferred various personnel duties to the DPA. First, the DPA received all functions pertaining to state employer-employee relations from the Office of Employee Relations. The DPA became the administration's designated bargaining representative and also assumed the responsibility for representing employees not covered by collective bargaining.

From the State Personnel Board (board), the DPA received responsibilities for salary administration, administration of working hours, statewide training policies, departmental training, labor relations training, performance evaluations, and layoff and grievance procedures. Salary administration includes conducting surveys of salaries for jobs in the public and the private sectors, defining and adjusting civil service salary steps and ranges, and approving departmental salary rates. Administration of working hours includes interpreting and administering regulations governing sick leaves, holidays, and leaves of absence. The DPA's training function consists of planning and coordinating departmental training activities and providing training classes for state employees. The DPA also trains some labor relations officers and departmental staff who interpret and help implement departmental collective bargaining agreements. Performance evaluation by the DPA includes helping state agencies establish performance standards and providing a performance rating system for state employees. The DPA's layoff and grievance function includes determining seniority credits for persons who have been laid off in order to place them on reemployment lists. This function also involves reviewing the appeals filed by those who have been laid off. The State Personnel Board continues to maintain the civil service classification system, conducts the majority of

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the State's recruitment efforts, develops examining techniques, handles appeals and discrimination complaints, and coordinates the State's affirmative action efforts.

The other agencies contributing to the reorganization transferred fewer functions to the DPA. From the State Board of Control, the DPA received functions related to administering employee reimbursement, such as per diem, travel expenses, uniform and equipment allowances, and awards for employees who distinguish themselves or who make suggestions that save the State money. From the Department of General Services, the DPA received the Deferred Compensation Plan Program, a supplemental retirement plan for state employees that features tax-free deferral of income. Finally, the Department of Finance transferred the administration of salaries for employees who are exempt from the civil service system.

#### Status of the Functions Transferred to the DPA

We have concluded that the DPA is performing all the functions required by the reorganization plan, except for those returned to the State Personnel Board by mutual agreement or by subsequent legislation. However, we did not assess the quantity of work associated with these functions or the quality of the DPA's work.

Subsequent to the reorganization, the DPA returned to the State Personnel Board parts of two functions that had not been assigned to the DPA by the reorganization plan. The returned responsibilities pertained to the State's bilingual pay program and the temporary restriction of agencies' appointments. Under the bilingual pay program, state employees who are designated as using a foreign language in their job at least 10 percent of the time receive a supplemental payment of \$30 per month. The reorganization had split the function between the State Personnel Board, which administered testing and certification of bilingual pay positions, and the DPA, which reviewed agencies' surveys that determine which positions meet bilingual requirements. The DPA believed that the reorganization had fragmented the function. The DPA retains the responsibility for negotiating the amount of compensation for bilingual pay positions and shares with the State Personnel Board the administration of grievances and complaints.

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The DPA also returned to the State Personnel Board partial authority for the temporary restriction of appointments. This procedure is used to place employees who work in departments that are facing or may face a layoff in the future. The DPA returned this function because the DPA believed that the State Personnel Board had more staff available to administer the process. By mutual agreement, the State Personnel Board will administer the temporary restriction of appointments process, maintaining and issuing to agencies lists of eligible state employees. The DPA will retain overall responsibility for policy development and program enforcement, including determining which agencies may use the temporary restriction of appointments process.

Legislation subsequent to the reorganization plan also modified the functions of the DPA. As directed by Senate Bill 1636 (Chapter 1095, Statutes of 1982), two additional functions will be returned to the State Personnel Board effective January 1, 1983. This bill was intended to specify the division of authority and responsibility between the DPA and the State Personnel Board. According to the bill, the State Personnel Board will provide an employee with the right of appeal when that employee has been terminated from a career executive assignment. The State Personnel Board will also have the authority to designate employment classes into which agencies may transfer their employees.

Besides returning some functions to the State Personnel Board, Senate Bill 1636 transferred additional functions from the State Board of Control to the DPA. One provision expands the authority of the DPA to establish the location of headquarters of all state boards and commissions unless otherwise fixed by law. Senate Bill 1636 also requires the DPA to authorize expenditures for meals, lodging, or travel for persons who provide nonsalaried assistance to the State Personnel Board or other state agencies in preparing civil service examinations.

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Effect of Collective Bargaining  
on the Operations of the DPA

As described earlier in this report, the reorganization plan transferred to the DPA all labor relations and collective bargaining functions from the Office of Employee Relations and many related personnel responsibilities from the State Personnel Board. The DPA is now responsible for administering collective bargaining agreements in part through its Contract Administration Division.

Before collective bargaining was initiated, the State Personnel Board administered the civil service system by applying just one set of administrative regulations. Now the DPA must make rules and administer terms and conditions of employment for a personnel system in which each of 20 bargaining units is governed by a separate contract. Five of the contracts are subject to renegotiation once a year, fourteen every two years, and one every three years. Each contract may contain unique provisions relating to salary, benefits, and other terms and conditions of employment. The degree to which contracts vary among collective bargaining units increases the complexity of administering state personnel regulations.

With the advent of collective bargaining agreements on July 1, 1982, the tasks of the two branches in the DPA's Contract Administration Division became more complex. First, the Personnel Services Branch increased the amount of time it assigned to interpreting for agencies those contract provisions regarding sick leave, vacation leave, and leaves of absence. The Employee Compensation Branch also increased the number of staff hours it allotted to handling agencies' questions about per diem and overtime expenses. The Employee Compensation Branch further increased its functions as a result of Executive Order B96-82 on March 4, 1982. As required by 15 of the 20 bargaining contracts, the Executive Order established the State Employee Assistance Program to help state employees prevent or reduce health problems, such as alcoholism or drug abuse, that interfere with their performance on the job. Because the DPA is responsible for coordinating the implementation of the program, the Employee Compensation Branch had to allocate time to aid agencies in preparing statewide guidelines for the program.

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Furthermore, because collective bargaining has increased its workload, the Contract Administration Division has been unable to revise promptly the State Administrative Manual and the Personnel Transactions Manual. The two branch chiefs of this division report that their staffs now respond to agencies' requests for clarification on personnel or compensation requirements on a case-by-case basis. With 20 contracts to administer, the Contract Administration Division is unable to allot sufficient time to update the manuals.

Finally, collective bargaining has also increased the workload of the DPA's attorneys. Specifically, the volume of cases alleging unfair labor practices related to negotiated contract provisions has increased. Because of this increased caseload, DPA attorneys are unable to fulfill all of their responsibilities in litigating charges of unfair labor practices on behalf of state agencies. The DPA's chief counsel reports that the DPA settled many cases that should have been litigated.

#### Positions and Resources Transferred to the DPA

After the agencies had identified the functions to be transferred to the DPA, they identified the number of positions necessary to perform those functions. The contributing agencies also transferred budgetary resources and equipment associated with those positions. In total, 106.5 positions were transferred to the DPA. Table 1 on the following page summarizes the number and types of positions transferred.



TABLE 1

AUTHORIZED POSITIONS TRANSFERRED TO  
 THE DEPARTMENT OF PERSONNEL ADMINISTRATION  
AS OF JULY 1, 1981

<u>Agency</u>	<u>Management</u>	<u>Technical</u>	<u>Clerical</u>	<u>Total</u>
State Personnel Board	13	29	35	77
Department of General Services	0	2	4	6
State Board of Control	1	2	3	6
Department of Finance	0	1	0	1
Office of Employee Relations	<u>6</u>	<u>6.5</u>	<u>4</u>	<u>16.5</u>
Total	<u>20</u>	<u>40.5</u>	<u>46</u>	<u>106.5<sup>a</sup></u>

<sup>a</sup> Because of an increase in staff allocated to the DPA after the reorganization, the current number of DPA positions is 114.

Determining Positions  
 To Be Transferred

When the State Personnel Board began identifying positions to be transferred to the DPA, it considered only entire units whose functions were to be transferred to the DPA. In January 1981, the board proposed transferring 65.5 positions. However, DPA representatives felt that the board, by considering entire units only, had not identified all the positions assigned to functions that the DPA would assume. DPA representatives conducted their own study to determine the amount of staff time

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devoted to the functions to be transferred and proposed that the board transfer 72.9 positions.\* The board did not agree that all those positions were warranted. After negotiating with the DPA, the board transferred 68.5 positions, 3 more than the board had offered initially and 4.4 fewer than the DPA had requested. In addition to the 68.5 positions, the board also agreed to transfer 8.5 positions from the Administrative Services Division to provide clerical and technical support for the positions that the board transferred to the DPA. Thus, the State Personnel Board transferred a total of 77 positions to the DPA.

The agreement between the board and the DPA on the number of positions to be transferred provided for future modifications if agreed to by both parties. In May 1982, the DPA asked that the board provide it with temporary help consisting of one technical position and eight clerical positions. The board had offered to provide temporary help in March 1982, but by the time the DPA requested the positions in May, the board's workload did not permit the loan. Negotiations are currently underway for a permanent position transfer from the board to the DPA to perform the function of determining salaries for new job classes.

The process for identifying the number of positions to be transferred by the other four agencies was relatively simple. These agencies transferred functions staffed by separate units or by easily identified positions. The Department of General Services transferred the Deferred Compensation Plan Program, which consisted of five staff in the Insurance Office and one accountant from the accounting office. The State Board of Control transferred five persons administering the employee merit award program and the person responsible for claims reimbursement issues. The Department of Finance transferred the responsibility for administering the salaries of employees exempt from civil service. At the Department of Finance, this work had been done half-time by a technical staff person and half-time by a clerical staff person. The Department of

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\* This request for 72.9 positions excluded additional positions that would be required from the Administrative Services Division for clerical and the technical support.

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Finance actually transferred one technical position to the DPA. Finally, the entire Office of Employee Relations was transferred from the Governor's Office to the DPA.

Determining Funds  
 to be Transferred

In addition to the positions, the DPA also received \$3.0 million to cover salaries and benefits and \$1.1 million to fund operating expenses. Table 2 below summarizes the amount of funds transferred for personal services and for operating expenses and equipment. The agencies also transferred equipment to the DPA, including dictating machines, typewriters, file cabinets, and calculators.

TABLE 2  
 BUDGETED FUNDS TRANSFERRED TO  
 THE DEPARTMENT OF PERSONNEL ADMINISTRATION  
 BY CONTRIBUTING AGENCIES  
FISCAL YEAR 1981-82

	<u>Board of Control</u>	<u>Department of Finance</u>	<u>Department of General Services</u>	<u>State Personnel Board</u>	<u>Office of Employee Relations</u>	<u>Total Transferred to the DPA</u>
Personal Services	\$144,427	\$27,272	\$117,280	\$2,093,089	\$642,573	\$3,024,641
Operating Expenses and Equipment	<u>24,691</u>	<u>3,026</u>	<u>149,992</u>	<u>749,797</u>	<u>145,430</u>	<u>1,072,936</u>
Total	<u>\$169,118</u>	<u>\$30,298</u>	<u>\$267,272<sup>a</sup></u>	<u>\$2,842,886<sup>b</sup></u>	<u>\$788,003</u>	<u>\$4,097,577</u>

<sup>a</sup> This amount is payable from the Deferred Compensation Plan.

<sup>b</sup> \$1,384,021 of this amount is payable as reimbursements from state agencies primarily for training services provided by the Personnel Development Division of the State Personnel Board.

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All of the agencies transferred those funds that they had budgeted for operating expenses and equipment related to the functions being transferred. For most of the agencies, this was a simple process. However, because most of the units and positions transferred from the State Personnel Board did not have separately identified budgets, operating expenses had to be calculated on a pro-rata basis. For each division losing staff, the State Personnel Board's Budget Officer calculated the average expenses per position for three budget categories: general expense, communications, and in-state travel. This average multiplied by the number of positions to be transferred yielded the dollar amounts transferred. Budgeted amounts for consultative services and equipment related to functions being transferred were also included in the budget transfer.

To cover the cost of facility operation, the board simply transferred the amount of the leases for three of the programs being moved to the DPA. These programs had been located in buildings separate from the State Personnel Board building. The board did not transfer any facility operation funds for those transferred employees who had worked in the main building because the board's facility operation expenses would not decrease simply because it was losing some employees from that building.

#### Effect of the Reorganization on Management-to-Staff Ratios

We compared the ratios of management to staff in the contributing agencies before and after the reorganization to determine if the ratios had been affected by the reorganization. We also calculated the management-to-staff ratio for the DPA. To provide for consistent determination of staffing ratios among agencies, we defined management as any position classified as "Staff Services Manager I" or higher. Table 3 on the next page shows that the ratios within the agencies were not altered significantly by the reorganization. For comparative purposes, we also calculated the ratios of management-to-technical staff, excluding clerical staff, and found that those ratios also did not change significantly.

Although we defined management as any position classified as "Staff Services Manager I" or higher, Table 3 does not necessarily reflect the actual number of staff members with management responsibilities as defined in Section 3513(e) of

the Government Code. For example, in some agencies, some positions classified as "Staff Services Manager I" do not have significant responsibilities formulating or administering agency policies and programs.

TABLE 3  
STAFFING RATIOS  
BEFORE AND AFTER THE REORGANIZATION

<u>Agency</u>	<u>Before Reorganization</u>			<u>After Reorganization<sup>a</sup></u>		
	<u>Management<sup>b</sup></u>	<u>Technical/ Clerical</u>	<u>Ratio</u>	<u>Management<sup>b</sup></u>	<u>Technical/ Clerical</u>	<u>Ratio</u>
State Personnel Board	99	528.8	1:5.3	86	464.8	1:5.4
Department of General Services, Insurance Office <sup>c</sup>	2	23	1:11.0	3	19	1:6.3
Board of Control	4	89	1:22.3	5	91	1:18.2
Department of Finance, Internal Administration Division <sup>c</sup>	8	49	1:6.1	8	48	1:6.0
Office of Employee Relations <sup>d</sup>	6	10.5	1:1.8	0	0	0
Department of Personnel Administration <sup>e</sup>	0	0	0	20	94	1:4.7

<sup>a</sup> Because some agencies reclassified positions or had other staffing changes at the time of the reorganization, figures in these columns do not always reflect a staffing reduction.

<sup>b</sup> Management is defined here as Staff Services Manager I positions or higher. The DPA uses the definition of management specified in Section 3513(e) of the Government Code.

<sup>c</sup> Because only a small portion of these large agencies were affected by the transfer, we limited our analysis to the appropriate unit within the agencies.

<sup>d</sup> The reorganization eliminated this office.

<sup>e</sup> Figures for the DPA represent current staffing, including positions transferred and new positions added after the reorganization.

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The Department of Personnel  
Administration's Fiscal Problems

Since the reorganization, the DPA has experienced fiscal problems, and during our review, we identified budget deficiencies totaling approximately \$604,000. Some budget deficiencies were anticipated during the reorganization because contributing agencies could not transfer funds to cover the cost of starting the DPA or the full amount of the DPA's lease. Additionally, the State's financial crisis during fiscal year 1981-82 and the implementation of collective bargaining in July 1982 further contributed to the DPA's fiscal problems. Consequently, to balance its budget, the DPA had to obtain a supplemental appropriation and reduce its expenditures by reducing certain operating expenses and by not filling vacant positions.

Major budget deficiencies occurred because the reorganization process resulted in additional costs that were not funded. For example, the DPA incurred \$70,000 in costs to move to a new building, to install phones, and to purchase new furniture and equipment. No funds had been allocated for these expenses.

The DPA also experienced increases in its facility operation expenses. Facility operation expenses include the costs of the lease, lease administration, and security. The transferring agencies allocated to the DPA a total of \$142,000 for facility operation expenses, a figure based on that portion of the agencies' rent associated with the positions they were transferring to the DPA. However, because the agencies transferring budget amounts were housed in buildings whose leases were less expensive per square foot than the DPA's new lease, the DPA's facility operation expenses exceeded the amount that it had received. Furthermore, the State Personnel Board did not transfer funds for the facility operation expenses for some of its employees because the loss of positions did not lower the board's lease expense. In total, the DPA spent approximately \$198,000 for its facility operation expenses, exceeding its allocation by \$56,000.

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The reorganization also produced \$139,000 in added personal service costs that were not funded. These costs increased for four reasons. First, the salary for the director of the DPA, which is an exempt position, increased because the reorganization plan set the position's salary at a higher level than it had been at the Office of Employee Relations. Second, salaries for the other exempt positions transferred from the Office of Employee Relations also increased. The Department of Finance, which established salaries for exempt positions, based those salaries on the size of the agency and the importance of the work performed. Because the DPA is larger than the Office of Employee Relations was and because the DPA also assumed additional responsibilities, the Department of Finance increased the salaries for the DPA's exempt positions. Third, the DPA upgraded 18 civil service positions to make them commensurate with increased duties that resulted from the reorganization. Consequently, the salaries for these positions were increased. Last, the DPA did not receive any funds for two positions that it received in the transfer from the State Personnel Board. These two technical positions had been funded by grants that expired. Thus, the DPA received authorization but not funding for these positions.

We attempted to determine why sufficient funds had not been allocated for starting the DPA. Since there are no transcripts of the legislative hearings, we had to rely partly on the recollections of those participating in the reorganization. According to a Department of Finance official, the impression evolved during legislative hearings that the reorganization could be accomplished without any additional costs. The current director of the DPA confirmed that, during legislative hearings, the past director of the DPA may have created that impression by stating that the reorganization could be accomplished without any new staff. Consequently, because the reorganization was to be accomplished without any additional costs, all of the DPA's funds were to come from the other agencies involved with the reorganization. However, these agencies did not have funds available to cover the DPA's additional costs for starting the department, for the lease, and for salaries and benefits.

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In addition to the unexpected costs of the reorganization, there were other causes of the DPA's fiscal deficiencies, such as the State's financial crisis in fiscal year 1981-82. For example, through the reorganization, the DPA assumed responsibility for the Personnel Development Center, which provides training to other state agencies. The Personnel Development Center is supported by reimbursements from the agencies that receive training. To reduce operating costs during the State's financial crisis, many agencies cut back on training during fiscal year 1981-82. Because agencies reduced their training expenditures, the Personnel Development Center received fewer reimbursements than were necessary to offset its costs, and it incurred a budget deficit of approximately \$75,000. The DPA had to use funds intended for other purposes to offset this deficit.

Further, to compensate for the State's budget problems caused by the financial crisis, the Governor required all agencies to reduce their operating budgets by 2 percent and their travel expenses by 10 percent. The DPA budget was reduced by approximately \$66,000.

Finally, collective bargaining also contributed to the DPA's fiscal problems. As discussed earlier in this report, the collective bargaining process resulted in contracts with different terms and conditions of employment for the various bargaining units. Because management and employees must be informed of the various terms and conditions of employment, the DPA must provide copies of the contracts to all managers, new employees, and each of the bargaining units. This requirement increased the DPA's printing costs. In fiscal year 1981-82, printing costs for the DPA exceeded the amount transferred by approximately \$198,000. At least \$90,000 of this increase is attributed to collective bargaining.

To help offset some of these fiscal deficiencies, the Department of Finance approved the DPA's request for an additional \$256,000 to augment its budget for fiscal year 1981-82. According to a Department of Finance official, the additional appropriation was intended to cover the budget deficiencies incurred in starting a new department and the inadequate funding for the facility operation expenses. However, the DPA did not receive any of the additional funds



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until the end of the fiscal year. Due to cost-cutting measures that the DPA implemented during the fiscal year, it required only \$86,000 of the \$256,000 authorized to offset its budget deficiencies.

In addition to receiving these additional funds, the DPA also had to redirect its resources to stay within its budget. For example, it was able to save \$355,000 by reducing such expenses as travel and general office expenses. Furthermore, the DPA was unable to fill three technical positions and two management positions because the salary savings from these positions were needed to pay for budget deficiencies. By not filling these five positions during the entire year, the DPA generated approximately \$163,000 in salary savings. The director of the DPA stated that these vacancies impaired the DPA's ability to handle its workload. Because the DPA is a relatively small agency, it does not have a sufficient staff to offset vacancies when they occur.

Table 4 on the next page summarizes the DPA's budget deficiencies and shows how those deficiencies were offset. This table identifies only the deficiencies that had a significant impact on the DPA's ability to stay within its budget. It does not attempt to identify all items for which costs exceeded the amount transferred. The \$355,000 reduction in operating expenses refers to the amount that operating expenses had to be reduced to offset the deficiencies we identified; it does not refer to all the reductions that the DPA might have made in its budget.

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TABLE 4

THE DEPARTMENT OF PERSONNEL ADMINISTRATION'S  
BUDGET DEFICIENCIES AND THE RESOURCES  
IT USED TO STAY WITHIN ITS BUDGET

Budget Deficiencies

Start-up costs	\$ 70,000
Increased lease costs	56,000
Increased personal service costs	139,000
Personnel Development Center deficit	75,000
Budget reduction order by the Governor	66,000
Increased printing costs	<u>198,000</u>
Total Budget Deficiencies	<u>\$604,000</u>

Resources

Supplemental appropriation	\$ 86,000
Salary savings	163,000
Reduced operating expenses	<u>355,000</u>
Total Resources	<u>\$604,000</u>

CONCLUSION

The Governor's Reorganization Plan Number 1 of 1981 transferred various personnel functions to the Department of Personnel Administration from the State Personnel Board, the Department of General Services, the State Board of Control, the Department of Finance, and the Office of Employee Relations. The DPA also became the State's designated collective bargaining representative and assumed responsibility for administering components of the State's personnel system subject to collective bargaining. The contributing agencies transferred the positions, budgetary resources, and equipment associated with performing the functions that were transferred. Our analysis showed that the reorganization did not significantly affect the management-to-staff ratios in the contributing agencies.

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In carrying out the functions mandated by the reorganization plan, the DPA has encountered some staffing and fiscal problems. The complexity of the functions associated with collective bargaining increased the workload of the DPA's staff. Additionally, the DPA experienced fiscal difficulties in its first year of operation because it incurred expenses not funded by the reorganization and because the State faced a financial crisis. As a result, the DPA had to obtain a supplemental appropriation and had to redirect its resources to remain within its budget for fiscal year 1981-82.

Respectfully submitted,



THOMAS W. HAYES  
Auditor General

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Ann Arneill  
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Attachment: Response to the Auditor General's Report

Director, Department of Personnel Administration  
Executive Officer, State Personnel Board  
Executive Secretary, State Board of Control  
Director, Department of Finance

## DEPARTMENT OF PERSONNEL ADMINISTRATION

OFFICE OF THE DIRECTOR

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November 19, 1982

Mr. Thomas W. Hayes  
Auditor General  
660 J Street, Suite 300  
Sacramento, CA 95814

Dear Mr. Hayes:

This is to transmit my comments regarding the Office of the Auditor General's review of the Governor's Reorganization Plan #1, 1981. I believe the Auditor General's staff has done an admirable job of reviewing a complex situation.

Although your review was limited to the transfers occurring under the reorganization, your staff has identified other key issues. I share the view that other problems have arisen that are not a consequence of any inequity in the actual transfer.

These problems will need to be dealt with in the immediate future or the DPA will have difficulty continuing to function in an efficient, effective manner. The major problems are under funding of start up costs, and more recent changes in the complexity and amount of workload in the functions transferred. In addition, new functions were mandated to the department after the transfer, with no additional staff or funding, thus compounding our fiscal problems.

Despite these difficult circumstances, this department managed, through self-imposed salary savings and restriction of expenditures, to stay within the limits of the budgeted funds. The success of these efforts is demonstrated in the fact that we did not use \$170,000 of the budgeted deficiency appropriation (Report, p.17). However, as reflected in your report, much of these savings can be attributed to unpaid overtime and deferral of projects that would assist other departments in their work (Report, p. 8). I believe that your report will be of assistance to us in discussions of our budget with the Department of Finance.

Sincerely,

A handwritten signature in black ink that reads "Allen Paul Goldstein".

Allen Paul Goldstein  
Director

State of California

# Memorandum

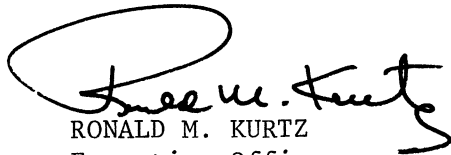
To : Thomas W. Hayes  
Auditor General  
Office of the Auditor General  
Suite 300  
660 J Street

Date : November 19, 1982

From : **State Personnel Board**

Subject : Reorganization Plan #1 - DPA

We have reviewed the draft of your letter report concerning the Governor's Reorganization Plan #1 of 1981 that created the Department of Personnel Administration (DPA). We agree with the report and appreciate the opportunity to comment on it.



RONALD M. KURTZ  
Executive Officer  
445-5291

STATE BOARD OF CONTROL

926 J STREET, SUITE 300  
SACRAMENTO, CALIFORNIA 95814



November 18, 1982

Thomas W. Hayes  
Auditor General  
660 J Street, Suite 300  
Sacramento, CA 95814

Dear Mr. Hayes:

I have reviewed the draft copy of your report concerning the Governor's Reorganization Plan No. 1 of 1981.

From the perspective of the Board of Control, the draft represents an accurate statement of the transfer of resources and functions to the Department of Personnel Administration.

If I can provide any additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary L. Longholm".

GARY L. LONGHOLM  
Executive Secretary  
(916) 445-1540

GLL/mem

State of California

# Memorandum

Date : NOV 19 1982

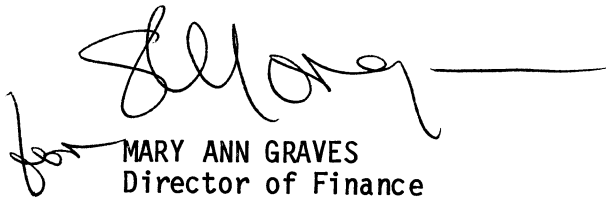
To : Thomas W. Hayes  
Auditor General

Telephone: ATSS ( 8 ) 485-4141  
( 916 ) 445-4141

From : **Department of Finance**  
**DIRECTOR'S OFFICE**

Subject: Auditor General's Report #247

We have received and reviewed your Letter Report #247 relating to the Governor's Reorganization Plan #1 of 1981 that created the Department of Personnel Administration. The Department of Finance has no comments to make at this time.

  
MAY ANN GRAVES  
Director of Finance

8286G