

Report 2015-608

High Risk

State Departments Need to Improve Their Workforce
and Succession Planning Efforts to Mitigate the Risks of
Increasing Retirements

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May 5, 2015

2015-608

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

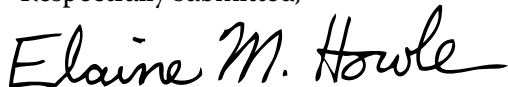
This report presents the results of our high risk audit concerning the status of workforce and succession planning in the State. Specifically, our audit assessed guidance that the California Department of Human Resources (CalHR) provides state departments to develop workforce and succession plans and the status of three departments' workforce and succession plans: the California Governor's Office of Emergency Services (Cal OES), the California Department of Transportation (Caltrans), and the California Department of Social Services (Social Services).

Workforce and succession plans provide departments the ability to forecast future workforce needs and develop strategies to ensure that they have a talented, competent workforce, and to mitigate the loss of institutional knowledge through attrition. It is particularly critical to engage in workforce and succession planning when large proportions of an organization are eligible to retire at roughly the same time, which continues to be a concern for California state government. The proportion of state employees age 50 or older has increased from 23 percent in 1988 to nearly 41 percent in 2015. Data from CalHR indicates that the average retirement age for state employees is 59 with spikes of retirements occurring at ages 50, 55, and 62. The loss of institutional knowledge is a real concern for the State, and particularly for the three departments we reviewed.

Although CalHR does not have express authority and responsibility for overseeing workforce and succession planning across state government, it has developed resources to aid state departments in their planning efforts. However, it has missed opportunities to provide consistent guidance to strengthen departments' workforce and succession plans. Specifically, in its evaluations of five departments, CalHR provided incomplete and inconsistent recommendations by not always completely or consistently identifying best practices missing from the departments' plans. Furthermore, CalHR has not adequately assessed the usefulness of the guidance it offers state departments to aid them in their planning efforts.

Finally, the three departments we reviewed, Cal OES, Caltrans, and Social Services have each initiated activities to address the risk posed by upcoming retirements; however, all three must do more to assess the departmentwide effect of their workforce and succession planning activities, such as measuring indicators including retirement patterns and staff movement into leadership positions. As the State continues to face the loss of institutional knowledge as more state employees retire, the Legislature should amend state law expressly authorizing CalHR to oversee efforts across state departments for workforce and succession planning, and to compel departments to provide it with information concerning such planning. In addition, the Legislature should require CalHR to provide annual updates beginning in fiscal year 2016–17 on the status of the workforce and succession planning efforts at state departments.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

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Summary

Results in Brief

Although it does not have express statutory authority and responsibility for overseeing such planning across state government, the California Department of Human Resources (CalHR) has developed resources to aid state departments in their workforce and succession planning efforts and has taken some steps to work with departments to improve these efforts. However, CalHR can do more to help departments prepare for staff retirements and needs to better assess the value of the guidance it provides to departments. Similarly, although departments we identified in our 2009 report as needing to take additional steps in workforce and succession planning have developed plans and initiated related activities, opportunities exist for further improvements.¹ Specifically, the California Governor's Office of Emergency Services (Cal OES), the California Department of Transportation (Caltrans), and the California Department of Social Services (Social Services) have each initiated many activities to address the risk posed by upcoming retirements; however, the departments' planning and evaluative efforts could be strengthened to help ensure that the departments are prepared to address these risks.

CalHR Has Missed Opportunities to Strengthen High Risk Departments' Workforce and Succession Planning Efforts

CalHR recently performed an evaluation of workforce and succession plans of the five departments identified in our 2009 report as being at risk in this area to provide them with recommendations to strengthen their plans. However, we found that CalHR provided incomplete and inconsistent recommendations to the five departments in its evaluations by not always completely or consistently identifying best practices missing from the departments' plans. By conducting incomplete analyses or making inconsistent recommendations, CalHR missed opportunities to provide consistent guidance to strengthen departments' workforce and succession plans.

Audit Highlights . . .

Our audit of the workforce and succession planning at the California Department of Human Resources (CalHR) and three other departments—California Governor's Office of Emergency Services (Cal OES), the California Department of Transportation (Caltrans), and the California Department of Social Services (Social Services)—highlighted the following:

- » *Although CalHR recently evaluated the departments' workforce and succession plans, CalHR provided the departments with incomplete and inconsistent recommendations.*
- » *CalHR has not adequately assessed and measured the effectiveness of the guidance and resources it provided to state departments to aid them in their planning efforts.*
- » *Neither Social Services nor Caltrans have a dedicated resource who tracks the departmentwide status of initiated activities.*
- » *Cal OES, Caltrans, and Social Services could do more to assess the departmentwide effect of their workforce and succession planning activities such as by measuring key indicators.*

¹ We discussed workforce and succession planning in *High Risk Update—Human Resources Management: A Significant Number of State Employees Are Beginning to Retire, While Certain Departments That Provide Critical State Services Lack Workforce and Succession Plans* (Report 2008-605, March 2009).

CalHR Cannot Demonstrate That Its Guidance Has Improved Departments' Workforce and Succession Planning

CalHR has not adequately assessed the usefulness of the guidance it offers to state departments to aid them in their planning efforts. Specifically, the evaluations CalHR receives from departments on its guidance provide limited insight into how its efforts have aided departments in developing and refining their workforce and succession plans. As an example, only 21 of the 80 departments CalHR surveyed in July 2014 responded, and the survey lacked follow-up questions to determine why some departments did not have a workforce or succession plan and why they had not reported using CalHR's tools. As a result of the limited information CalHR has obtained from state departments, it cannot adequately assess and measure the effectiveness of the assistance and resources it provided to state departments for their development and implementation of workforce and succession planning.

The Departments Have Not Determined the Effectiveness of the Activities They Have Initiated

Although all three departments we reviewed have initiated many of their workforce and succession planning efforts, neither Social Services nor Caltrans has designated a key resource, such as a unit, that is tracking the departmentwide status of initiated activities. In addition, all three departments could do more to assess the departmentwide effect of their workforce and succession planning activities, such as by measuring key indicators, including changes in retirement patterns and staff movement into leadership positions. Until the departments fully and regularly assess the departmentwide effectiveness of the activities they have initiated to meet their workforce and succession planning goals, they are limited in their ability to determine whether the activities are working as intended and adjust their strategies as necessary.

Recommendations

Legislature

The Legislature should consider amending state law to expressly authorize CalHR to oversee efforts across state departments for workforce and succession planning, such as by monitoring the development and implementation of plans, and to compel departments to provide it with information concerning such planning. Further, the

Legislature should consider requiring that CalHR update it on an annual basis, beginning in fiscal year 2016–17, on the status of the workforce and succession planning at state departments.

CalHR

To ensure that CalHR’s reviews of departments’ workforce and succession plans are consistent and reflect all best practices it recommends on its website, CalHR should revise its evaluation process by June 2015 to include all of these best practices and other best practices it subsequently identifies.

To better enable CalHR to provide assistance to departments that is tailored to their needs, CalHR should survey state departments at least biannually to determine how the departments perceive the effectiveness of the resources and tools CalHR makes available to them.

Cal OES, Caltrans, and Social Services

Cal OES, Caltrans, and Social Services should develop a process by December 2015 to measure and evaluate their workforce and succession planning activities at least annually, and update their plans as necessary, to ensure that these activities are effective. This process should include evaluating the trends in retirements for leadership and technical positions.

Caltrans and Social Services should each identify a key resource by June 30, 2015, to track the results of workforce and succession planning activities across their respective department to ensure that certain activities are monitored on a departmentwide level.

Agency Comments

All four departments we reviewed generally concur with our recommendations and have either started implementing them or plan to implement them.

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Introduction

Background on Our State High Risk Audit Program

State law authorizes the California State Auditor (state auditor) to establish a state high risk audit program and to issue reports with recommendations for improving state agencies or statewide issues it identifies as high risk. State law also authorizes the state auditor to require state agencies identified as high risk and those responsible for high-risk issues to report periodically to the state auditor on the status of the implementation of recommendations made by the state auditor. Programs and functions that are high risk include not only those particularly vulnerable to fraud, waste, abuse, and mismanagement, but also those that have major challenges associated with their economy, efficiency, or effectiveness.

Workforce and Succession Planning in State Departments

California state departments are not required to develop workforce and succession plans, and no state department has express statutory authority and responsibility for overseeing such planning across state government. Nevertheless, according to its website, the California Department of Human Resources (CalHR) works collaboratively with departments to develop and implement successful workforce planning and succession planning strategies. Although California does not require departments to develop workforce and succession plans, other states such as Texas and Georgia do require these plans. Workforce and succession plans provide departments the ability to forecast future workforce needs and develop strategies to ensure that they have a talented, competent workforce, and to mitigate the loss of institutional knowledge through attrition. Workforce and succession planning are defined in the text box.

Definitions of Workforce and Succession Planning

Workforce planning: The business process that aligns staffing with the strategic missions and critical needs of the department. Workforce planning is having the right number of people with the right skills in the right jobs at the right time.

Succession planning: Supports workforce planning by calling attention to internal resources of a department. The process involves identifying and developing the potential of current employees to fill key leadership positions, identifying competency gaps, and developing strategies to address those needs.

Source: The California Department of Human Resources' Statewide Workforce Planning and Recruitment Unit's website.

Workforce and succession planning have different best practices associated with them, but they share a common goal of organizations having skilled staff to carry out their missions. To identify a variety of best practices that apply to workforce and succession planning, we conducted an Internet search for publications and other documents that highlight workforce and succession planning best practices. Based on this review, we identified a broad array of best practices; those that we believe are key are in the text box on the following page. These best practices are not intended to be all encompassing; other best practices exist and still others may be identified in the future.

Summary of Selected Workforce and Succession Planning Best Practices

Workforce Planning

- Integrate workforce planning activities with strategic and business planning.
- Evaluate and identify current and future workforce needs based on data analysis.
- Establish a key resource to monitor and deliver workforce data analyses.
- Obtain senior leadership support and commitment.
- Maintain a long-term strategy to address the gap between the talent demand and talent supply.
- Implement pilot programs and roll out successful programs throughout the organization.
- Continuously monitor, review, and refine the workforce planning process.

Succession Planning

- Establish a regular planning process that is closely integrated with strategic plans and focused on long-term goals.
- Obtain senior leadership support and commitment.
- Identify leadership candidates.
- Offer leadership development training or programs.
- Track progress in employee development.
- In compliance with state and federal law, address human capital challenges, such as the demographic makeup and diversity of senior leadership.
- Continuously evaluate the succession planning process.

Source: California State Auditor's analysis of various documents describing workforce and succession planning best practices.

Note: We summarized the best practices identified in various documents describing workforce and succession planning best practices and selected those that we determined are most pertinent to the State.

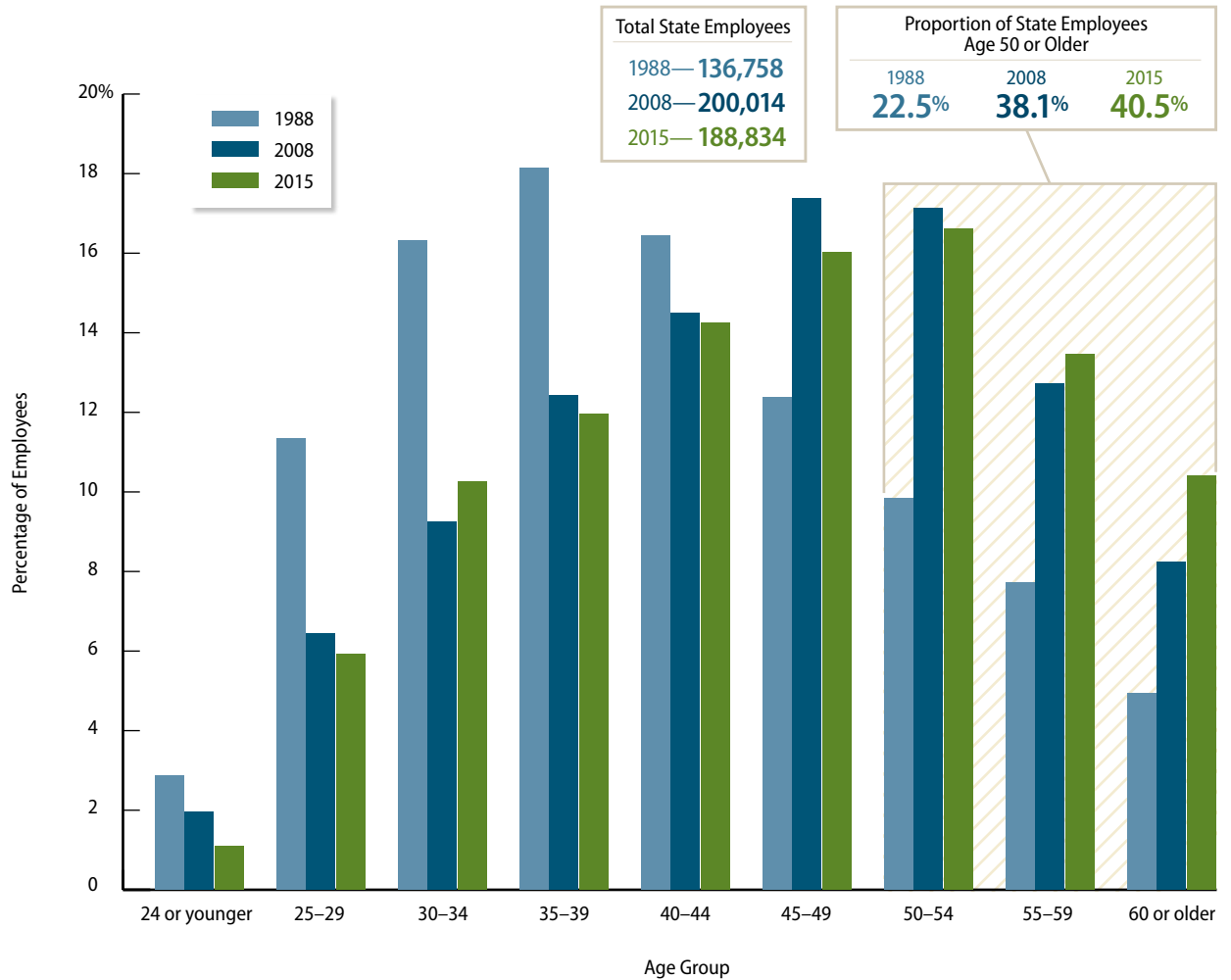
Workforce and succession planning are particularly critical when large proportions of an organization are eligible to retire at roughly the same time, which continues to be a concern for California. As shown in Figure 1, the proportion of state employees age 50 or older has increased from approximately 23 percent in 1988, to 38 percent in 2008, and to nearly 41 percent in 2015.²

In addition, Figure 2 on page 8 shows that the average retirement age for state employees between June 2013 and June 2014 was 59, with spikes of retirement occurring at ages 50, 55, and 62. Two of the three departments we focused on for this audit—the California Department of Transportation (Caltrans) and the California Governor's Office of Emergency Services (Cal OES)—acknowledged that the majority of their workforce is over the age of 50. The third department—the California Department of Social Services (Social Services)—indicated that almost half of its workforce is over the age of 50.

Further, as shown in Table 1 on page 9, the number of employees that retired in a recent one-year period from the three departments we reviewed ranged from 2.4 percent to 6.3 percent of each department's workforce. Of these departments, Cal OES had the highest overall percentage of its employees retire. This also held true for the department's rank and file employee retirements, with 7.5 percent of Cal OES's rank and file employees retiring during the one-year period. However, for those employees in leadership positions retiring, Social Services lost the most, with 6.2 percent of its leadership ranks retiring, followed by Caltrans, who lost 2.8 percent of its leaders to retirement. Therefore, the loss of institutional knowledge remains a real concern for the State, and particularly for the three departments we reviewed.

² We discussed workforce and succession planning in *High Risk Update—Human Resources Management: A Significant Number of State Employees Are Beginning to Retire, While Certain Departments That Provide Critical State Services Lack Workforce and Succession Plans* (Report 2008-605, March 2009).

Figure 1
Comparison of the Average Ages of State Employees in 1988, 2008, and 2015

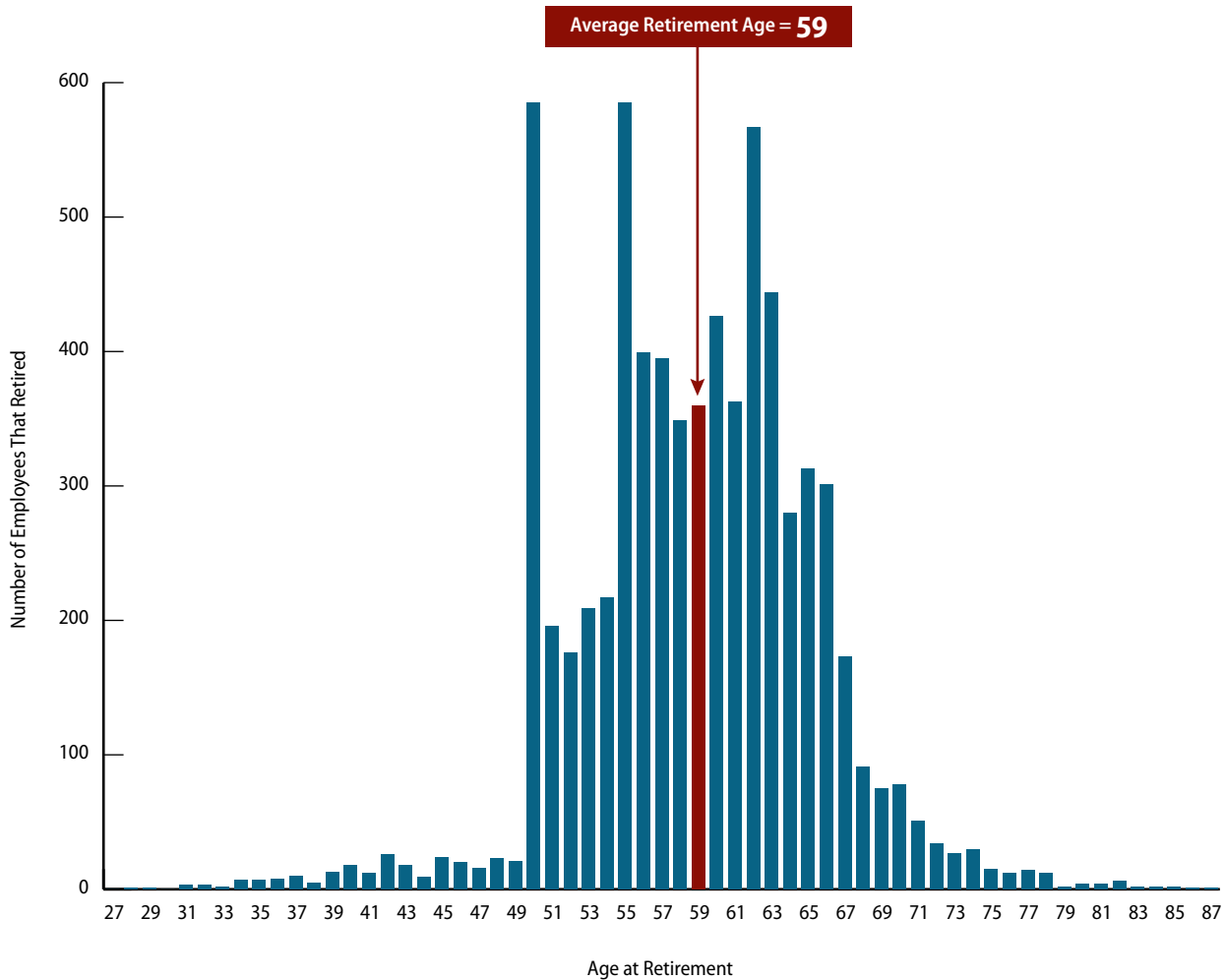


Source: California State Auditor's (state auditor) analysis of data as of June 30 for the years 1988 and 2008 provided to the state auditor previously by the State Personnel Board (personnel board). In 2012 many functions previously performed by the personnel board were transferred to the Department of Personnel Administration, which was renamed the California Department of Human Resources (CalHR), and data as of January 2015 was provided by CalHR's Statewide Workforce Planning and Recruitment Unit.

Note: The data presented above only include civil service employees who are full-time and permanent employees, or are serving in career executive assignment positions. According to CalHR and the personnel board, the data presented in this figure excludes certain state employees, including those working for the judicial branch, the legislative branch, and the California State University. We did not assess the reliability of the background data presented in this figure.

Figure 2

Average Retirement Age for State Employees From June 2013 Through June 2014



Source: California State Auditor's analysis of data provided by the California Department of Human Resources' (CalHR) Workforce Development Programs and Special Projects Division.

Note: According to CalHR's Statewide Workforce Planning and Recruitment Unit's manager, the data presented in this figure includes state employees of all time bases, including those that are part-time. According to CalHR, the data presented in this figure excludes certain state employees, including those working for the judicial branch, the legislative branch, and the California State University. We did not assess the reliability of the background data presented in this figure.

Table 1
Reported Retirement Rates for Three Selected Departments

	CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES (CAL OES) FISCAL YEAR 2013-14	CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS) FISCAL YEAR 2013-14	CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (SOCIAL SERVICES)* CALENDAR YEAR 2014
Employees in Leadership Positions			
Number of employees as of the beginning of the year	105	3,044	578
Number of employees that retired	2	86	36
Percentage of all that retired	1.9%	2.8%	6.2%
Employees in Rank and File Positions			
Number of employees as of the beginning of the year	374	16,348	3,053
Number of employees that retired	28	386	137
Percentage of all that retired	7.5%	2.4%	4.5%
Total percentage of all employees that retired	6.3%	2.4%	4.8%

Sources: Cal OES, Social Services, and Caltrans staff.

* According to a Social Services research program specialist, Social Services could provide retirement data only for calendar year 2014 and the total number of employees as of January 1, 2014, because it does not have data by fiscal year readily available.

Scope and Methodology

This report focuses on Cal OES, Caltrans, and Social Services—three of the five departments that the state auditor identified in its 2009 report as providing critical public health and safety services, but that had not completed workforce and succession plans addressing all of the steps in the former Department of Personnel Administration's workforce planning model.³ Thus, these departments had a high risk with regard to their workforce and succession planning. In addition, we also focused on CalHR because it provides departments with assistance in developing workforce and succession plans. During the audit we obtained and reviewed workforce and succession plans and related documentation from the departments. We also interviewed the departments' staff to gain an understanding of the relevant processes, programs, or activities the departments have initiated.

³ In addition to the three departments that are the focus of this report, our 2009 report also identified the California Department of Health Care Services and the California Department of Public Health as providing critical services to the State but not having workforce or succession plans. We most recently reported on the progress of these departments' planning efforts in our September 2013 high risk update report—*High Risk: The California State Auditor's Updated Assessment of High-Risk Issues the State and Select State Agencies Face* (Report 2013-601, September 2013).

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Audit Results

The California Department of Human Resources Has Missed Opportunities to Strengthen Certain Departments' Workforce and Succession Planning Efforts

The California Department of Human Resources (CalHR) recently performed an evaluation of workforce and succession plans of the five departments identified in our 2009 report to provide them with recommendations to strengthen their plans.⁴ According to the manager of CalHR's Statewide Workforce Planning and Recruitment Unit (unit), the unit compared the content of each department's workforce and succession plans to CalHR's Workforce Planning Evaluation Assessment Tool (evaluation tool), which includes elements of several of the best practices we identified.⁵ In the July 2014 memoranda that communicated the unit's resulting analysis and recommendations to the five departments, the unit's manager explained that CalHR wanted each to consider the analysis and recommendations as the departments continue to make progress in workforce and succession planning.

However, we found that the unit provided incomplete and inconsistent recommendations to the five departments in its evaluations by not always completely or consistently identifying best practices missing from the departments' plans. According to the unit's manager, the unit created its evaluation tool in May 2014 by identifying best practices within California state entities' existing workforce plans, as well as within federal and international workforce planning resources. We used the unit's evaluation tool to assess its analysis of the five departments' workforce and succession plans, and we present our results in Table 2 on the following page. As shown in the table, we found six instances, involving three of the five departments, where the unit did not identify a missing best practice and make a related recommendation. For example, in two of the six instances, the unit missed an opportunity to identify that the best practice of *tracking the progress in employee development* was omitted from both the California Governor's Office of Emergency Services' (Cal OES) and the California Department of Transportation's (Caltrans) succession plans. For the remaining two departments—the California Department of Social Services (Social Services) and the California Department of Health Care Services (Health Care Services)—we found that the unit properly identified missing best practices and made the appropriate recommendations, if needed.

⁴ We discussed workforce and succession planning in *High Risk Update—Human Resources Management: A Significant Number of State Employees Are Beginning to Retire, While Certain Departments That Provide Critical State Services Lack Workforce and Succession Plans* (Report 2008-605, March 2009).

⁵ Although Cal OES did not have a workforce or succession plan at the time of CalHR's review, the unit manager indicated that her unit reviewed Cal OES's Workforce Plan Project Charter.

Table 2**Identification of Whether the California Department of Human Resources Made Recommendations When a Department's Workforce or Succession Plans Did Not Contain a Best Practice Included in Its Workforce Planning Evaluation Assessment Tool**

BEST PRACTICES IN THE CALIFORNIA DEPARTMENT OF HUMAN RESOURCES' (CALHR) WORKFORCE PLANNING EVALUATION ASSESSMENT TOOL (EVALUATION TOOL)*	CALIFORNIA DEPARTMENT OF PUBLIC HEALTH	CALIFORNIA DEPARTMENT OF TRANSPORTATION	CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES (CAL OES)†	CALIFORNIA DEPARTMENT OF SOCIAL SERVICES	CALIFORNIA DEPARTMENT OF HEALTH CARE SERVICES
Obtain senior leadership support and commitment	✗	●	●	●	●
Identify leadership candidates	●	✗	●	●	●
Offer leadership development training or programs	●	●	●	●	●
Track progress in employee development	●	✗	✗	✓	●
In compliance with state and federal law, address human capital challenges, such as the demographic makeup and diversity of senior leadership	●	●	✗	●	●
Integrate workforce planning activities with strategic and business planning	●	✗	●	●	✓
Evaluate current workforce and identify future needs based on data analysis	✓	✓	✓	✓	●

Sources: California State Auditor's analysis of CalHR's evaluation tool, each department's workforce and succession plans, and the Statewide Workforce Planning and Recruitment Unit's (unit) evaluation of these plans.

Key—If a department's workforce and succession plans did not include the best practice, did CalHR make a recommendation?

✓ = Yes

✗ = No

● = Recommendation not needed because the department's plan already incorporated the best practice.

* We use descriptions we identified in our review of best practices to also describe best practices in CalHR's evaluation tool.

† Although Cal OES did not have a workforce or succession plan at the time of CalHR's review, the unit manager stated that her unit reviewed Cal OES's Workforce Plan Project Charter.

In addition, CalHR was inconsistent in some of the recommendations it made. For example, even though both Caltrans' and Health Care Services' plans lacked the best practice of *integrating workforce planning activities with strategic and business planning*, CalHR made the appropriate recommendation regarding this best practice to Health Care Services but not to Caltrans. According to the unit's manager, CalHR's failure to provide these recommendations was an oversight by her unit. By conducting incomplete analyses or making inconsistent recommendations, CalHR missed opportunities to provide consistent guidance to strengthen departments' workforce and succession plans.

To further improve its evaluations of state departments, CalHR could enhance its evaluation tool by including additional best practices. CalHR could have recommended more improvements to the departments' plans if it had included in its evaluation tool all of the best practices it has on its website. In particular, four of the best practices included on its website were omitted from its

evaluation tool; these best practices are listed in the text box. The unit's manager acknowledged that these best practices should have been included in the evaluation tool but were omitted due to oversight. Further, during our audit work, we noted that the planning resources CalHR included on its website did not include two of the best practices we identified. Specifically, the website did not include the best practice of *implementing pilot programs and rolling out successful programs throughout the organization* and the best practice of *establishing a key resource to monitor and deliver workforce data analyses*. However, after we shared various documents related to workforce and succession planning with CalHR that we used to identify best practices, the unit added the best practice documents to CalHR's website. Additionally, according to the unit's manager, the unit will update its evaluation tool to include the missing best practices we identified once our report is published. Although recently adding the best practice resources we identified to its website and planning to update its evaluation tool will strengthen CalHR's analysis of workforce and succession plans in the future, CalHR should also regularly review best practices and update its website and evaluation tool as necessary to enable it to provide the best guidance and assistance possible to departments.

Summary of Selected Best Practices on the California Department of Human Resources' Website That Are Not Included in Its Workforce Planning Evaluation Assessment Tool

- Establish a regular planning process that is closely integrated with strategic plans and focused on long-term goals.
- Continuously evaluate the succession planning process.
- Maintain a long-term strategy to address the gap between the talent demand and talent supply.
- Continuously monitor, review, and refine the workforce planning process.

Sources: California State Auditor's analysis of various documents describing workforce and succession planning best practices and the California Department of Human Resources' Workforce Planning Evaluation Assessment Tool.

CalHR Cannot Demonstrate That Its Guidance Has Improved Departments' Workforce and Succession Planning

Although the unit was founded in 2013, it has not adequately assessed the usefulness of the guidance it offers to state departments to aid them in their planning efforts. According to CalHR's website, the purpose of the unit is to assist and empower state departments in planning and implementing effective workforce planning, succession planning, and recruitment strategies. When we asked the unit's manager whether CalHR has evaluated the effectiveness of its assistance to departments other than the five high-risk departments we identified, she stated that CalHR gathers evaluations on all trainings, workforce planning meetings, and tools it provides to departments. However, the unit's evaluation of the trainings and tools it offers has not been robust enough to enable CalHR to determine whether the unit's guidance has assisted departments in developing plans, and CalHR has not determined whether or how the departments it has directly assisted have benefited from its one-on-one guidance.

The evaluations CalHR receives from departments on its guidance provide limited insight into how the unit's efforts have aided departments in developing and refining their workforce and succession plans. For example, of the evaluations CalHR provided us for training sessions held from April 2014 through February 2015, the participants' feedback focused on the quality of the training sessions, such as the quality of the instructor's delivery of information. In addition, the unit conducted a survey of 80 departments in July 2014, and it received responses from only 21 departments. The survey included questions concerning the status of departments' workforce and succession plan development and the departments' use of and opinion of the usefulness of CalHR's tools and resources. Several of the respondents stated that their departments did not have a workforce or succession plan and that they had not used CalHR's tools. However, for those departments that gave these responses, the unit did not include questions in its survey to determine why that was the case. As a result of the limited number of department responses and lack of follow-up questions for certain responses to the survey questions, the unit has not obtained the information necessary to adequately assess and measure the effectiveness of the assistance and resources CalHR has provided to state departments for their development and implementation of workforce and succession planning.

Further, CalHR has not assessed the effectiveness of the one-on-one guidance it has provided to certain departments in developing and implementing their workforce and succession plans. According to the unit's manager, it has provided assistance with such plans to eight departments that have sought its help since 2013, but she is aware of only one department that used all of the unit's tools to develop its workforce plan. CalHR has not received feedback from the other seven departments concerning the efficacy of its guidance. According to the unit manager, as of early April 2015, CalHR was developing a consultation evaluation form that it will use to gather feedback from departments to which it provides one-on-one guidance. It is important that CalHR begin asking for feedback on the assistance it provides to departments to help ensure that the assistance is useful and to highlight areas where CalHR needs to improve its services.

CalHR should begin asking for feedback on the assistance it provides to departments to help ensure that the assistance is useful and to highlight areas where CalHR needs to improve its services.

The unit also has not evaluated the effectiveness of the guidance it provided to the five departments whose plans it analyzed. We expected that CalHR would have followed up with these departments to seek their feedback regarding the benefits of the recommendations it made to them, and consider the feedback in its efforts to improve its analysis of plans in the future. Although CalHR provided recommendations to the departments in July 2014, the unit's manager explained that it has not yet evaluated the effectiveness of the assistance it provided to the departments. She explained that as of March 2015, the departments had not fully implemented the unit's recommendations and, thus, the

unit does not have a basis for evaluation. However, although we agree that getting feedback from departments after they fully implement CalHR's recommendations makes sense, we believe there is useful information CalHR can gain from the departments to better inform its future assistance before the recommendations have been fully implemented—specifically the departments' opinions on the value of the recommendations.

In addition, although CalHR's unit manager explained that the unit has a goal of assessing all state departments' workforce and succession plans, as of February 2015 it had contacted less than a third of the departments to obtain their plans. While CalHR does not have explicit statutory authority to require state departments to develop workforce and succession plans, the unit's manager explained that in July 2013 CalHR began gathering workforce and succession plans from all state departments to determine whether there are consistent weaknesses or flaws in the plans. She stated that if the unit identifies such weaknesses or flaws, CalHR will then move to address such weaknesses on a statewide level. However, based on the tracking document CalHR uses to monitor the status of its contacting departments for their workforce and succession plans, as of February 2015 the unit had contacted only 25 of the 88 departments it intends to contact and had collected workforce and succession plans from only eight of those 25 departments. Consequently, almost two years after it started collecting plans, the unit is unaware of whether almost three quarters of the departments it planned to contact have prepared workforce and succession plans. The manager explained that her unit has been unable to complete the process of contacting all state departments because it has a large workload and limited resources. Further, the unit's manager stated that it sometimes must shift priorities due to departments' requests for service, developing the recently formed unit and website, and addressing strategic initiatives. Nevertheless, the manager believes her unit will complete contacting the departments and collecting their workforce plans by June 2015. However, judging by the progress the unit has made over nearly two years and considering it has only two staff members who focus on workforce and succession planning, we question whether the unit will be able to complete this task as scheduled.

CalHR Is Not Adequately Promoting Succession Planning or Its Planning Resources to Departments

Although CalHR has a large quantity of information related to workforce planning on its website and has recently increased the amount of succession planning resources it provides, it does not provide comprehensive succession planning information on its website to aid departments in developing succession plans. Rather, the website contains some resources that describe best practices

CalHR does not provide comprehensive succession planning information on its website to aid departments in developing succession plans.

that departments can use while developing and implementing succession plans. In addition, even though CalHR identifies within its Workforce Plan Template, which can be accessed on its website, the need for departments to include succession planning gaps and risks in their workforce plans, the template does not provide specific guidance on how to develop initiatives to address any identified gaps or risks. Further, the Workforce Plan Template provides no additional information or guidance related specifically to succession planning. Moreover, rather than including a succession planning template on its website, CalHR offers only an example of a succession planning guide developed by a California department. However, this guide is specific to the succession planning process for executives at the respective department and is not a general guide that all departments could follow when developing a succession plan. Without comprehensive guidance and resources to aid departments in their succession planning, CalHR lacks assurance that departments have the information necessary to mitigate the risks of losing the institutional knowledge of their experienced employees through retirements.

CalHR has not provided a training session dedicated to succession planning since January 2014.

In addition, according to the unit manager, CalHR has not provided a training session dedicated to succession planning since January 2014. Although CalHR has recently conducted a training session concerning one aspect of succession planning, the description of the course indicated that it focused on mentoring employees, rather than providing general guidance on succession planning and implementation. Specifically, the unit conducted a training session focused on mentorship in February 2015. According to the unit manager, because of high registration numbers for the February training, the unit scheduled another two mentorship training sessions to occur in April and May 2015. We acknowledge that providing training on mentorship addresses a component of succession planning; however, we believe that informing departments on how to develop and implement succession plans is of greater importance. The unit manager stated that her unit will have more succession planning training sessions after its succession planning model is approved. Specifically, this model will describe a process for identifying and developing employees with the potential to fill key business and leadership positions in organizations, and for providing succession planning assistance to departments. Although the approval of this model is scheduled to occur in October 2015, according to the unit's manager, CalHR does not have any training sessions scheduled after the one on mentorship in May 2015.

Further, CalHR is missing opportunities to present more meaningful information to departments about the training it offers and other resources for workforce and succession planning through its email communications to the departments. Some of the emails we reviewed did not contain adequate descriptions of planned training sessions or

clearly inform departments on how to use the tools available on the unit's website. As examples of the communication CalHR has with departments, the manager provided us with 17 emails the unit sent between July 2013 and February 2015, which she claimed represent the content CalHR sends to departments about trainings, quarterly workforce planning meetings, and new tools. For example, CalHR sent out an email in 2014 notifying departments of the availability of its new online workforce planning toolkit, explaining that it contains various workforce and succession planning resources, but in other email correspondence CalHR promoted only new workshops, tools, and meetings, and did not mention the other resources available from CalHR. To be most effective in promoting its available tools and resources, the emails CalHR sends to highlight a new tool for entities to use should also include information to remind recipients of the variety of resources available on its website. Thus, there is an opportunity for CalHR to strengthen the content of the emails it distributes to better promote its resources and tools.

Cal OES's and Caltrans' Workforce and Succession Plans Do Not Follow CalHR's Guidance

CalHR's guidance and standards for workforce and succession planning suggest that departments should create either one workforce plan or a master plan, which should include succession planning, depending on the department's size. However, we found that although Social Services does have a comprehensive workforce plan, as of late March 2015, Cal OES and Caltrans did not. While Social Services has a plan for 2010 through 2015, it has contracted with a consultant to develop a new comprehensive workforce plan. However, according to the Social Services' chief of the Workforce Management and Professional Development Bureau, the new plan does not have a specific completion date, but the goal is to have the plan developed by the end of the year. CalHR's Workforce Plan Template recommends that small- to small/medium-sized departments create one workforce plan for the entire department; medium/large to large departments should create separate workforce plans for each district, division, or geographical area, and produce a master plan combining all plans. The master plan should contain an additional overview section detailing how all the plans align with one another and with the department's overall strategic plan. Based on CalHR guidance and our review of the number of employees within each department, we determined that Cal OES is a small/medium-sized department and Caltrans is a large department. This means that Cal OES should have one plan for the entire department, and Caltrans should have various plans with one master plan combining the individual ones.

Although Social Services does have a comprehensive workforce plan, as of late March 2015, Cal OES and Caltrans did not.

The Cal OES manager of the human resources branch attributed the delay in its planning efforts to limited staff availability since 2009 as a result of organizational change.

Although Cal OES has initiated several workforce and succession planning activities during the last year, it had only completed its workforce and succession plan during our audit work in April 2015. Cal OES was a department we identified in our 2009 high risk report as not having either a workforce or a succession plan. Further, in our September 2013 update report, we described that Cal OES indicated that the death of a key contractor had slowed its workforce and succession planning.⁶ Despite this obstacle, we expected that the department would have completed the development of its workforce and succession plan before 2015 given that, according to Cal OES's manager of the human resources branch, it started developing workforce and succession planning documents in 2009. According to the special advisor on Cal OES's executive team, since September 2014 Cal OES has ramped up its workforce and succession planning efforts as a result of a recent change in management that led to workforce planning becoming a high priority for the department. The Cal OES manager of the human resources branch attributed the delay in its planning efforts to limited staff availability since 2009 as a result of organizational change.

While Cal OES has made significant progress in its workforce and succession planning in the last year, its delay in creating its plans may have hindered the department's ability to forecast its future needs and ensure that it will continue to have a talented workforce, experienced leadership, and the ability to deliver critical services. This is particularly true in light of the fact that Cal OES reported that 6.3 percent of its total workforce retired in fiscal year 2013–14, including 7.5 percent of its rank and file employees.

In contrast, Caltrans has created separate workforce and succession plans for different organizational groups in the department, but according to the chief risk and ethics officer of Caltrans' Office of Enterprise Risk Management (risk management office), it has not developed a comprehensive workforce plan since 2010. When we requested Caltrans' current workforce and succession plans, including documentation demonstrating the plans had been implemented, we expected to receive one or two planning documents. Instead, Caltrans provided us with numerous workforce and succession planning-related documents, such as a workforce planning update PowerPoint presentation, a matrix displaying issues and activities for a particular organizational group, and training program fact sheets. Caltrans' chief risk and ethics officer explained that as its workforce planning process has evolved since 2010, Caltrans has found it more efficient and timely to condense workforce plans into individual PowerPoint presentations

⁶ *High Risk: The California State Auditor's Updated Assessment of High-Risk Issues the State and Select State Agencies Face* (Report 2013-601, September 2013).

and that by keeping the plans separate, it allows users the ability to access only those occupational series that impact or interest them. However, these various documents do not constitute an official plan or provide a means for Caltrans' senior leadership to easily assess workforce and succession planning activities departmentwide.

Also, although Caltrans created a workforce plan in 2010 that lists the workforce plans for selected occupational groups in the department, that plan does not identify all the groups. Further, this report does not detail how the different plans align with one another or whether they link to the department's overall strategic plan. Without having an updated master plan, as recommended by CalHR, Caltrans is limited in its ability to effectively assess its overall progress in meeting its workforce and succession planning needs.

Although the Departments Could Improve Their Plans to Include All Best Practices We Identified, Each Has Undertaken Activities That Address Many Best Practices

The three departments we reviewed have initiated activities to address workforce and succession planning, but opportunities exist to improve their efforts. We determined that each department has conducted some assessment of the age demographics of their workforce and has initiated many activities to address the risks posed by the prospect of impending retirements. Nevertheless, the departments' planning efforts and activities could be strengthened to help ensure that they are prepared to address these risks.

The departments' workforce and succession plans do not identify all the activities they have initiated. Although as indicated in Table 3 on the following page, most of the best practices we identified are included in the plans or activities for the three departments we reviewed; Caltrans and Social Services have initiated some activities that are not included in their plans. For example, Caltrans' plans do not include the best practice of *identifying leadership candidates* even though it has initiated this activity as part of its management training program. As also shown in Table 3, the mismatch between plans and activities occurred most frequently at Caltrans, where Caltrans has initiated activities for 13 best practices but included only five in its plans. Unless the workforce and succession plans accurately reflect the various activities departments are undertaking to address their workforce needs, the departments risk not adequately monitoring and evaluating their progress. Further, without accurate plans, CalHR's ability to assess the quality of the departments' plans is limited.

The departments' planning efforts and activities could be strengthened to help ensure that they are prepared to address the risks posed by the prospect of impending retirements.

Table 3**Comparison of Three Departments' Workforce and Succession Plans and Related Activities as of April 2015 to Selected Best Practices**

		CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES (CAL OES)		CALIFORNIA DEPARTMENT OF TRANSPORTATION (CALTRANS)*		CALIFORNIA DEPARTMENT OF SOCIAL SERVICES (SOCIAL SERVICES)	
		IS THE BEST PRACTICE IDENTIFIED IN THE DEPARTMENT'S WORKFORCE AND SUCCESSION PLANS?	HAS THE DEPARTMENT INITIATED ACTIVITIES THAT ADDRESS THE BEST PRACTICE?	IS THE BEST PRACTICE IDENTIFIED IN THE DEPARTMENT'S WORKFORCE AND SUCCESSION PLANS?	HAS THE DEPARTMENT INITIATED ACTIVITIES THAT ADDRESS THE BEST PRACTICE?	IS THE BEST PRACTICE IDENTIFIED IN THE DEPARTMENT'S WORKFORCE AND SUCCESSION PLANS?	HAS THE DEPARTMENT INITIATED ACTIVITIES THAT ADDRESS THE BEST PRACTICE?
SUMMARY OF SELECTED BEST PRACTICES†							
Workforce Planning Best Practices	Integrate workforce planning activities with strategic and business planning	✓	✓	✗	✓	✓	✓
	Evaluate and identify current and future workforce needs based on data analysis	✓	✓	✓	✓	✗	✗
	Establish a key resource to monitor and deliver workforce data analyses	✓	✓	✗	✗	✗	✗
	Obtain senior leadership support and commitment	✓	✓	✓	✓	✓	✓
	Maintain a long-term strategy to address the gap between the talent demand and talent supply	✓	✗	✓	✓	✓	✓
	Implement pilot programs and roll out successful programs throughout the organization	✓	✓	✗	✓	✗	✓
	Continuously monitor, review, and refine the workforce planning process	✓	✓	✗	✓	✗	✗
Succession Planning Best Practices	Establish a regular planning process that is closely integrated with strategic plans and focused on long-term goals	✓	✓	✗	✓	✓	✓
	Obtain senior leadership support and commitment	✓	✓	✗	✓	✓	✓
	Identify leadership candidates	✓	✓	✗	✓	✓	✓
	Offer leadership development training or programs	✓	✓	✓	✓	✓	✓
	Track progress in employee development	✓	✓	✗	✓	✗	✗
	In compliance with state and federal law, address human capital challenges, such as the demographic makeup and diversity of senior leadership	✓	✓	✓	✓	✓	✓
	Continuously evaluate the succession planning process	✓	✓	✗	✓	✓	✓

Sources: California State Auditor's (state auditor) analysis of workforce and succession plans and related documentation provided by officials from Cal OES, Caltrans, and Social Services. In addition, the state auditor's analysis of various documents describing workforce and succession planning best practices.

✓ = Yes

✗ = No

* We reviewed Caltrans' Transportation/Civil Engineer Workforce Plan, its Transportation/Civil/Bridge Engineer Occupational Series Workforce Planning Update, and its Career Executive Assignment Succession Plan. According to Caltrans' documents related to workforce and succession planning, these plans represent Caltrans' largest occupational group of its workforce and largest segment of its executive leadership.

† We summarized the best practices identified in various documents describing workforce and succession planning best practices and selected those best practices that we determined are most pertinent to the State.

The Departments Have Not Determined the Effectiveness of the Activities They Have Initiated

Although all three departments we reviewed have initiated many of their workforce and succession planning efforts, neither Social Services nor Caltrans has a key resource, such as a unit, that is tracking the departmentwide status of initiated activities. We determined that having such a key resource is a best practice for workforce and succession planning. Not having a centralized monitoring group may lead to a lack of accountability and uneven implementation of activities. For example, the key resource within Social Services that we would expect to monitor workforce and succession planning efforts is the Workforce Management and Professional Development Bureau (bureau). According to information on Social Services' website, the bureau's mission includes providing personal enrichment to employees and promoting career achievement while planning the workforce of the future. Based on this mission, we would expect the bureau's planning role to include monitoring the status and results of the activities the department initiates for workforce and succession planning. However, according to the bureau chief, the bureau, which consists of seven staff, leaves the monitoring of programs to management in each of the departments' divisions. By not having a unit to collect information about and to track the status of its workforce and succession planning programs across the department, Social Services lacks assurance that its workforce and succession planning programs are achieving the desired results.

Similarly, Caltrans' risk management office's efforts in monitoring the status of workforce and succession planning activities are not sufficient to identify gaps or weaknesses in the activities. While Caltrans' chief risk and ethics officer indicated that her unit periodically follows up with each occupational group in Caltrans, such as the transportation/civil engineer occupational group, to gauge the status of the groups' implementation of workforce planning activities, the risk management office relies on the groups to perform the day-to-day implementation and monitoring of workforce and succession planning activities or programs. Caltrans' occupational groups are tasked with the monitoring, according to the chief risk and ethics officer, because these groups have their own workforce plans and corresponding activities that executive staff, among other staff, from the groups develop and implement. Further, the risk management office tracks the overall status of the occupational groups' workforce planning efforts but does not track the status of the individual activities the occupational groups choose to implement. Although the occupational groups may be tracking their group's workforce and succession planning activities, we saw no evidence of departmentwide tracking of these activities. Unless Caltrans tracks the individual activities the

Caltrans' risk management office's efforts in monitoring the status of workforce and succession planning activities are not sufficient to identify gaps or weaknesses in the activities.

Cal OES does have a centralized group whose responsibilities include monitoring of certain workforce and succession planning-related activities, but the volunteer nature of this group may pose a risk to its potential effectiveness.

occupational groups initiate, it cannot readily identify weaknesses in the activities and effectively advise the occupational groups on how to strengthen those activities. In addition, without such tracking, Caltrans is limited in its ability to identify gaps in such activities across the department.

In contrast, Cal OES does have a centralized group whose responsibilities include monitoring of certain workforce and succession planning-related activities, but the volunteer nature of this group may pose a risk to its potential effectiveness. According to the manager of the office of performance management in Cal OES, the centralized group, which is known as the Idea Ambassador Corps, was created in 2013. According to the group's charter, it implements and monitors improvements related to workforce and succession planning throughout the department. However, the group is composed of volunteers, whose participation, according to the group's chair, is intermittent because of other workload, among other factors. Thus, there is the potential that members may change throughout the year, and this could hinder Cal OES's consistency in evaluating its activities. The special advisor on the executive team at Cal OES agreed that there is a risk of the group being composed primarily of volunteers, but stated that the department believes it has mitigated the risk by including executive sponsors in the group. In addition, one member of the group is an employee whose job responsibilities include the development and implementation of workforce and succession planning, which we acknowledge reduces the risk that the department will inadequately monitor the status of workforce and succession planning activities. However, to ensure the effectiveness of the Idea Ambassador Corps going forward, it will be important for Cal OES to ensure that executive sponsorship remains consistent as it implements workforce and succession planning efforts.

In addition, all three departments could do more to assess the departmentwide effect of their workforce and succession planning activities, such as by measuring key indicators, including changes in retirement patterns and staff movement into leadership positions. All three departments need such assessments so that they can communicate the effectiveness of their efforts to senior management and adjust their strategies as necessary. Caltrans does assess and report on the age demographics of its workforce, such as by district or occupational group, but it could do more to evaluate the effectiveness of its workforce and succession planning activities. According to Caltrans' chief risk and ethics officer, the department reviews retirement data roughly every other month, identifies retirement patterns by occupational group annually, and follows up with the groups to discuss these patterns. Further, she stated that Caltrans tracks the career development of staff that

participate in two leadership development training programs, and the risk management office annually presents departmentwide updates on workforce and succession planning to Caltrans executives. However, these presentations have focused solely on the retirements in the Career Executive Assignment occupational group and did not include data about retiring employees in the other occupational groups. In addition, Caltrans did not provide us with any evidence of how it uses the data it tracks to evaluate and adjust as necessary its workforce and succession planning activities. Consequently, although Caltrans has taken some important steps to oversee its workforce and succession planning activities, without additional assessment of the departmentwide effectiveness of these activities, Caltrans may not be addressing its most critical workforce needs.

While Cal OES and Social Services track the effectiveness of some of their respective individual programs, they do not have established processes to assess the departmentwide effectiveness of their planning activities. Both departments assert that they will take steps to assess the effects of their programs going forward. According to the Cal OES manager of the human resources branch, the department plans to track retirements and employee development in the future. In particular, she explained that Cal OES will track its annual retirements as part of its workforce planning efforts, starting in December 2015 with fiscal year 2014–15. According to Cal OES's strategic documents, the human resources branch also plans to evaluate annually other employee demographic data beginning in fiscal year 2015–16. Cal OES does have mechanisms, such as surveys, in place to evaluate the short-term impact of certain workforce and succession programs. Similarly, Social Services' workforce plan indicates that it has processes to evaluate the effectiveness of some individual programs, and according to the bureau chief, the bureau will be reviewing trends in the future, such as retirement patterns. Management from Caltrans, Cal OES, and Social Services all agreed that their departments should explore additional options for assessing the effectiveness of their plans. Until the departments fully and regularly assess the departmentwide effectiveness of the activities they have initiated to meet their workforce and succession planning goals, they are limited in their ability to determine whether the activities presented in Table 3 on page 20 are working as intended.

While Cal OES and Social Services track the effectiveness of some of their respective individual programs, they do not have established processes to assess the departmentwide effectiveness of their planning activities.

The California State Auditor Will Continue to Monitor Workforce and Succession Planning

Although CalHR and the three departments we reviewed have increased their workforce and succession planning efforts, there is room for further improvement. The need for workforce and

succession plans, as well as monitoring of the effectiveness of these plans, is crucial as the proportion of state employees age 50 or older continues to increase. Further, as presented in Table 1 on page 9, in a one-year period, Cal OES, Caltrans, and Social Services had employee retirements ranging from 2.4 percent to 6.3 percent of their workforce. As a result of these combined risks and their potential impact on the departments' ability to perform their missions, workforce and succession planning remains on our high risk list.

Recommendations

Legislature

The Legislature should consider amending state law to expressly authorize CalHR to oversee efforts across state departments for workforce and succession planning, such as by monitoring the development and implementation of plans, and to compel departments to provide it with information concerning such planning. Further, the Legislature should consider requiring that CalHR update it on an annual basis, beginning in fiscal year 2016–17, on the status of the workforce and succession planning at state departments.

CalHR

To improve the guidance that CalHR provides departments on how to mitigate the challenges of an aging workforce that will result in the retirement of many highly experienced employees, CalHR should develop a process by December 2015 to periodically evaluate and update its workforce and succession planning materials.

To ensure that CalHR's reviews of departments' workforce and succession plans are consistent and reflect all best practices it recommends on its website, CalHR should revise its evaluation tool by June 2015 to include all of these best practices and other best practices it subsequently identifies.

To better enable CalHR to provide assistance to departments that is tailored to their needs, CalHR should survey state departments at least biannually to determine how the departments perceive the effectiveness of the resources and tools CalHR makes available to them.

To help ensure that state departments are prepared to address the loss of highly experienced employees, CalHR should obtain annually workforce and succession plans from all departments by June 30, starting in 2016, as well as any updates to and implementation status of the plans.

To ensure that CalHR can complete its workforce and succession planning workload on a timely basis and address other priorities that may arise, CalHR should develop an annual plan for the workforce planning unit by July 2015, and annually thereafter, that identifies the activities it plans to accomplish in the following fiscal year and the necessary resources. The plan should include, but not be limited to, activities such as evaluating the effectiveness of its guidance to departments, offering training sessions, conducting reviews of department workforce and succession plans, and addressing strategic initiatives.

To more adequately promote succession planning, CalHR should develop additional resources for departments to follow in developing succession plans by December 2015 and post the information on its website.

To improve state departments' knowledge of CalHR's resources and tools, CalHR should expand the content of its outreach emails to promote all its resources and tools.

Cal OES, Caltrans, and Social Services

Cal OES, Caltrans, and Social Services should develop a process by December 2015 to measure and evaluate their workforce and succession planning activities at least annually, and update their plans as necessary, to ensure that these activities are effective. This process should include evaluating the trends in retirements for leadership and technical positions.

Caltrans and Social Services should each identify a key resource, such as a unit, by June 30, 2015, to track the results of workforce and succession planning activities across the department to ensure that the workforce and succession planning activities the department implements are monitored on a departmentwide level.

Caltrans should develop a comprehensive workforce and succession master plan by December 2015 to ensure that it is adequately prepared for the retirement of a significant number of its highly experienced employees. The plan should include current best practices that meet its organizational needs.

Social Services should update its existing workforce and succession plan by December 2015 to ensure that the department is adequately prepared for the retirement of a significant number of its highly experienced employees. The plan should include current best practices that meet its organizational needs.

Cal OES should develop a process by June 30, 2015, to ensure that the executive membership of its Idea Ambassador Corps remains stable to help ensure that Cal OES can perform consistent monitoring of the results of the workforce and succession planning activities across the department.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to 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. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions.

Respectfully submitted,



ELAINE M. HOWLE, CPA
State Auditor

Date: May 5, 2015

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For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

May 2015



DATE: April 21, 2015

TO: Elaine M. Howle, State Auditor *

FROM: Marybel Batjer, Secretary

SUBJECT: California State Auditor's Report 2015-608 – High Risk – Succession Planning

Pursuant to the above audit report, enclosed are the California Department of Human Resources' (CalHR) comments pertaining to the results of the audit.

The Government Operations Agency would like to thank the California State Auditor for its comprehensive review. The results provide us with the opportunity to better serve our clients and protect the public.

Enclosures

* California State Auditor's comments appear on page 33.



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April 21, 2015

Elaine M. Howle, State Auditor
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Re: Response to California State Auditor's Draft Report:
High Risk Update: State Agencies Status of Workforce and Succession Planning

The California Department of Human Resources (CalHR) would like to thank you for the opportunity to review the California State Auditor's (CSA) draft report (Report) addressing concerns in state departments' workforce and succession planning efforts. We also appreciate the recommendations provided as we continuously strive to enhance the services we provide to state departments. CalHR's response to the Report's findings and recommendations are discussed in detail below.

The Report's findings are generally summarized as follows:

1. CalHR has missed opportunities to strengthen high-risk departments' workforce and succession planning efforts;
2. CalHR cannot demonstrate that its guidance has improved departments' workforce and succession planning; and
3. CalHR is not adequately promoting succession planning or its planning resources to departments.

Response to Finding No. 1:

The Statewide Workforce Planning Unit (Unit) is a relatively new program starting with the hire of the Unit manager in April 2013 and fully staffed in July 2013. In the two-year period since its inception, the Unit has developed a website with a number of tools and resources to aid state departments in workforce and succession planning. In addition, the Unit has conducted training, created an online forum to facilitate information sharing and collaboration, facilitated quarterly meetings, and analyzed and consulted with a variety of departments, including those that are considered high-risk.

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In May 2014, the Unit created its new Workforce Evaluation Assessment Tool, which serves to guide the process of evaluating departments' workforce plans. This new comprehensive evaluation tool was used for the first time in July 2014, when we evaluated the five departments referred to in the Report. As with all of our tools, we will continually seek to improve this new evaluation tool through use, refinement, and best practice research.

As the Report points out, there were circumstances where CalHR missed opportunities to maximize the full benefit of its new evaluation process to make recommendations to improve department workforce plans. The report also identified other circumstances where CalHR avoided making specific best practice recommendations when a department lacked an entire workforce plan. For instance, the Report refers to missed opportunities to recommend two best practices for the California Governor's Office of Emergency Services. In that particular evaluation, rather than provide specific best practice recommendations, CalHR provided very broad recommendations and offered assistance to the department as it began work on the initial steps towards developing a workforce plan.

Response to Finding No. 2:

Concurrent with creating new workforce planning tools, resources, training and services, CalHR has worked diligently to create the corresponding evaluation processes necessary to ensure the effectiveness of workforce planning products. For instance, as the Report states, CalHR conducts training evaluations to assess the quality of its workforce planning training.

In the first year of having a fully staffed program, CalHR released a statewide survey to collect feedback on its tools and resources, as well as to begin to understand where departments were with their workforce planning processes. While the survey response was low, CalHR was able to gather valuable information from our first statewide survey on this topic. The scope of that survey was not intended to address why some departments did not have workforce plans, however, that question, as well as others, will be addressed as CalHR continues to collect and evaluate department workforce planning data. ①

While we agree that our evaluation processes could be more robust, the Unit is tracking examples that demonstrate where and how the programs guidance has improved departments' workforce and succession planning. For instance, in less than two years: two departments have developed and implemented entirely new workforce plans with the guidance and assistance of CalHR; two additional departments have completed a classification risk assessment and are in the early stages of developing new workforce plans; and at least two other departments have implemented succession plans and mentorship programs as a result of the Unit's outreach and guidance. In addition, we have received consistent positive feedback from workforce planning coordinators and other HR professionals for the many valuable tools and resources available on our website.

Finally, as the Report states, CalHR is in the process of contacting and collecting all department workforce plans by June 2015. To date, we have now been in contact with all 88 departments that we had planned to reach. We are continuing to work with these departments to collect their completed plans. In those cases where departments have incomplete or no plan at all, we are documenting the status of efforts to create complete plans and offering our assistance in this regard.

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Response to Finding No. 3:

CalHR has placed significant emphasis on workforce planning marketing, education, and outreach. The Unit quickly established a new website, created an email account, and created multiple email distribution lists. Quarterly forums were also established in order to facilitate both virtual and in-person collaboration and sharing of news, and best practice workforce planning information and resources. CalHR has also gone to great lengths to involve its stakeholders in the development of new workforce planning tools by creating joint task forces and steering committees to support and oversee the development of our statewide products. This direct interaction with our stakeholders results in greater buy-in, better products, and more opportunities to spread the word about our new tools.

The Report points out that more work can be done in the area of succession planning and we concur. Our succession planning tools and practices have largely been built into our workforce planning practices, however, as our program has matured we have begun to develop a distinct new comprehensive succession planning model. That new model is in the early stages of review and will be going through a similar process whereby our stakeholders will have the opportunity to provide feedback on that product before it goes live on our website. A robust marketing plan for our new succession planning model, incorporating the Report's recommendations, will be developed to ensure a successful launch of these new statewide resources.

The following specifically addresses our response to the Report's recommendations.

Report Recommendation – CalHR No. 1:

"To improve the guidance that CalHR provides departments on how to mitigate the challenges of an aging workforce that will result in the retirement of many highly-experienced employees, CalHR should develop a process by December 2015 to periodically evaluate and update its workforce and succession planning materials."

By December 2015, CalHR will reexamine its internal processes for evaluating and updating workforce and succession planning materials, taking into consideration the findings in this Report, in order to develop more effective periodic evaluations.

Report Recommendation – CalHR No. 2:

"To ensure that CalHR's reviews of departments' workforce and succession plans reflect all best practices it recommends on its website, it should revise its evaluation tools by June 2015 to include all of these best practices and other best practices it subsequently identifies."

By June 2015, CalHR will revise its evaluation tool to ensure that it includes all the best practices recommended on the website, and new best practices will be added to the evaluation tool as identified in the future.

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Report Recommendation – CalHR No. 3:

“To better enable CalHR to provide assistance to departments that is tailored to their needs, it should survey state departments at least biannually to determine how departments perceive the effectiveness of the resources and tools CalHR makes available to them.”

CalHR will seek to collect feedback regarding the effectiveness of our tools and resources throughout the process of our workforce and succession planning consulting engagements, as well as after our recommendations have been fully implemented by departments.

Report Recommendation – CalHR No. 4:

“To help ensure that state departments are prepared to address the loss of highly-experienced employees, CalHR should obtain from all departments by June 30 annually starting in 2016 their workforce and succession plans, as well as any updates to and the implementation status of their plans.”

By June 30, 2016, CalHR will have in place an annual process whereby all departments are asked to submit new workforce or succession plans. This process will also have departments provide updates on the status of their existing workforce and succession plans, as well as any plans that are in development.

②

Report Recommendation – CalHR No. 5:

“To ensure that CalHR can complete its workforce and succession planning workload on a timely basis and address other priorities that may arise, it should develop an annual plan for the workforce planning unit by July 2015, and annually thereafter, that identifies unit activities it plans to accomplish in the following fiscal year and the necessary resources. The plan should include, but not be limited to, activities such as evaluating the effectiveness of its guidance to departments, offering training sessions, conducting reviews of department workforce and succession plans, and addressing strategic initiatives.”

By July 2015, and annually thereafter, CalHR will have a fiscal year plan that addresses Statewide Workforce and Succession Planning Unit goals.

Report Recommendation – CalHR No. 6:

“To more adequately promote succession planning, CalHR should develop additional resources for departments to follow in developing succession plans by December 2015 and post this information on its website.”

By December 2015, CalHR will develop additional resources for departments to follow in developing succession plans and this information will be posted to the website.

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Report Recommendation – CalHR No. 7:

“To improve state departments’ knowledge of CalHR’s resources and tools, CalHR should expand the content outreach of its emails to promote all of its tools and resources.”

CalHR will seek to expand the content of its emails to promote tools and resources.

Thank you again for the opportunity to review the Report. Should you have any further questions or concerns, please feel free to contact me.

Sincerely,



Richard Gillihan
Director

Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CALIFORNIA DEPARTMENT OF HUMAN RESOURCES

To provide clarity and perspective, we are commenting on the response to our audit report from the California Department of Human Resources (CalHR). The numbers below correspond to the numbers we placed in the margin of CalHR's response.

Even if not intended by the scope of CalHR's survey of departments, we would have expected it to follow up on why some departments did not have workforce plans, so it would have the information necessary to adequately assess and measure the effectiveness of the assistance and resources CalHR provides state departments. However, as we point out on page 14, CalHR did not follow up.

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It is unclear by its response whether CalHR plans by June 30, 2016, to have asked for the plans or to have finished collecting them. Our recommendation on page 25 is for CalHR to collect state departments' workforce and succession plans on an annual basis with the first collection being complete by June 30, 2016. We look forward to CalHR's 60-day, six-month, and one-year responses to provide additional details.

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EDMUND G. BROWN, JR.
GOVERNOR

MARK S. GHILARDUCCI
DIRECTOR



April 21, 2015

Elaine M. Howle, CPA*
California State Auditor
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Dear Ms. Howle:

The California Governor's Office of Emergency Services (Cal OES) is submitting the response to the findings and recommendations provided in Report 2015-608, Workforce and Succession Planning. We would like to thank you for the opportunity to respond to your recommendations as we continue to strive for improvements and best practices in our workforce and succession planning efforts.

Our responses to the recommendations identified in the report are as follows:

Recommendation #1

Cal OES should develop a process by December 2015 to measure and evaluate their workforce and succession planning activities at least annually, and update their plans as necessary, to ensure that these activities are effective. This process should include evaluating the trends in retirements for leadership and technical positions.

Cal OES Response to #1

Cal OES concurs with the recommendation. All of the workforce and succession planning programs have strategic objectives that are measured quarterly or annually and reviewed and evaluated by executive management. These measures are Specific, Measurable, Achievable, Realistic, and Time-Sensitive (SMART objectives). Cal OES also has developed a strategic objective requiring an annual review of the workforce plan beginning June 2016, which includes evaluating trends and making any necessary updates.

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Recommendation #2

Cal OES should develop a process by June 30, 2015 to ensure that the executive membership of its Idea Ambassador Corps remains stable to help ensure that the Cal OES

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* California State Auditor's comments appear on page 37.

Ms. Elaine M. Howle, CPA
April 21, 2015
Page 2

can perform consistent monitoring of the results of the workforce and succession planning activities across the department.

Cal OES Response to #2

Cal OES concurs with the recommendation. Cal OES has an analyst position in Human Resources whose responsibilities include monitoring the workforce plan and tracking the results. This position reports directly to the Chief of Human Resources, who ultimately is responsible for ensuring the plan and programs are monitored. In addition, the Special Advisor to the Cal OES Director is the executive member of the workforce plan. In that role, the Special Advisor ensures the stability of the program and consistent tracking and monitoring of the results of the workforce and succession planning programs.

On behalf of Cal OES, we appreciate the work performed by the California State Auditor and the opportunity to continuously improve our practices. If you have additional questions or concerns, please contact my Audit Chief, Anne Marie Nielsen at (916) 845-8437 or at Anne.Marie.Nielsen@caloes.ca.gov.

Sincerely,



MARK S. GHILARDUCCI
Director

Comments

CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE CALIFORNIA GOVERNOR'S OFFICE OF EMERGENCY SERVICES

To provide clarity and perspective, we are commenting on the response to our audit report from the California Governor's Office of Emergency Services (Cal OES). The numbers below correspond to the numbers we placed in the margin of Cal OES's response.

Cal OES's response implies that its SMART objectives and planned strategic objectives (objectives) address our recommendation on page 25 that indicates Cal OES should develop a process to measure and evaluate workforce and succession planning activities at least annually. We reviewed these objectives during the audit, and as we discuss on page 23, although Cal OES tracks the effectiveness of some individual programs, it has not established a process to assess the departmentwide effectiveness of its workforce and succession planning practices. We look forward to Cal OES's 60-day, six-month, and one-year responses to determine how it will implement our recommendation.

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Although Cal OES's response indicates that its Idea Ambassador Corps currently has stable executive membership, as we state on page 22, it will be important for the department to ensure stability moving forward, which the response does not address. As we discuss on page 18, Cal OES staff attributed the delays the department has had since 2009 in developing its workforce and succession planning documents and activities to limited staff availability as a result of organizational change. Further, the special advisor on Cal OES's executive team stated that since September 2014 the department has ramped up its workforce and succession planning efforts as a result of change in management that led to workforce planning becoming a high priority for Cal OES. Consequently, the changes in Cal OES's staff availability and priorities over the past several years have not demonstrated that the current Ambassador Corps executive membership will remain stable. We expect that Cal OES will provide additional details in its 60-day, six-month, and one-year responses explaining how it will implement our recommendation.

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May 2015



CALIFORNIA STATE TRANSPORTATION AGENCY

Edmund G. Brown Jr.
Governor

Brian P. Kelly
Secretary

915 Capitol Mall, Suite 350B
Sacramento, CA 95814
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April 21, 2015

Elaine M. Howle, California State Auditor*
California State Auditor's Office
621 Capitol Mall, Suite 1200
Sacramento, CA 95814

Dear Ms. Howle:

Attached please find a response from the California Department of Transportation (Department) to your redacted draft audit report on the high-risk issue of workforce and succession planning (#2015-608). Thank you for allowing the Department and the California State Transportation Agency (Agency) the opportunity to respond to the report.

As noted in its response, the Department concurs with the recommendations in the report and already has begun implementing corrective action. Additionally, we appreciate your acknowledgement that the Department already has initiated activities to address workforce and succession planning, and your identification of opportunities for improvement. The Department and Agency have keenly focused on these areas in the ongoing Caltrans Improvement Project.

If you need additional information regarding the Department's response, please do not hesitate to contact Michael Tritz, Agency Deputy Secretary for Audits and Performance Improvement, at (916) 324-7517.

Sincerely,


BRIAN P. KELLY
Secretary

Attachment

cc: Malcolm Dougherty, Director, California Department of Transportation

California Transportation Commission • Board of Pilot Commissioners • California Highway Patrol • Department of Motor Vehicles
Department of Transportation • High Speed Rail Authority • Office of Traffic Safety • New Motor Vehicle Board

* California State Auditor's comment appears on page 43.

STATE OF CALIFORNIA—CALIFORNIA STATE TRANSPORTATION AGENCY

EDMUND G. BROWN Jr., Governor

DEPARTMENT OF TRANSPORTATION

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*Serious drought.
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April 20, 2015

Mr. Brian P. Kelly
Secretary
California State Transportation Agency
915 Capitol Mall, Suite 350B
Sacramento, CA 95814

Dear Secretary Kelly:

Thank you for the opportunity to review and comment on the California State Auditor's (CSA) draft report on Workforce and Succession Planning. As portions of the draft report were redacted, the California Department of Transportation (Caltrans) limits its response to the portions relevant only to Caltrans.

The CSA conducted the audit to determine the status of workforce and succession planning in the State. The CSA assessed workforce and succession planning in three State departments, including Caltrans. In the draft report, the CSA asserted that Caltrans has not adequately monitored the status and effectiveness of its workforce and succession planning activities to determine whether these activities are meeting their intended goals. Specifically, the draft audit report stated that:

- Caltrans' workforce and succession plans do not follow the California Department of Human Resources' guidance with respect to having a cohesive workforce plan.
- Although Caltrans could improve its plans to include all best practices identified by the CSA, it has undertaken activities that address many best practices.
- Caltrans has not determined the effectiveness of the activities it has initiated.

The CSA's recommendations and Caltrans responses are listed below:

Recommendation:

Caltrans should develop a process by December 2015 to measure and evaluate its workforce and succession planning activities at least annually, and update its plans as necessary, to ensure that these activities are effective. This process should include evaluating the trends in retirements for leadership and technical positions.

Brian P. Kelley
April 20, 2015
Page 2

Caltrans Response:

Caltrans concurs with this recommendation and has been working to fully implement all aspects identified in this report. For example, strategies that support the Organizational Excellence Goal in Caltrans Strategic Management Plan for 2015-2020 include:

- Performance metrics for workforce and succession planning.
- At least one workforce planning solution strategy for each occupational series/group.
- Annual employee surveys to determine the effectiveness of workforce and succession planning activities. The first survey is in the final stages of preparation and is scheduled to be disseminated throughout Caltrans by the end of April 2015.

Further, Caltrans will update workforce plans as necessary based on any new activities or solutions that are undertaken during the annual measurement cycles.

Recommendation:

Caltrans should identify a key resource, such as a unit, by June 30, 2015, to track the results of workforce and succession planning activities across the department to ensure that the workforce and succession planning activities it implements are monitored on a departmentwide level.

Caltrans Response:

Caltrans concurs with this recommendation and already has established its Office of Enterprise Risk Management (OERM) as the key resource to track results of the succession planning program, and tasks the Workforce Planning Unit within OERM with this responsibility.

Further, Caltrans will identify a methodology to ensure its OERM is empowered and able to track workforce planning activities undertaken at both the departmental level and by individual groups, by June 30, 2015.

Recommendation:

Caltrans should develop a comprehensive workforce and succession planning master plan by December 2015 to ensure that it is adequately prepared for the retirement of a significant number of its experienced employees. The plan should include current best practices that meet its organizational needs.

Caltrans Response:

Caltrans concurs and has already begun implementing this recommendation. A draft 2015 Annual Workforce Plan was provided to CSA, and a final version will be published by the end of April 2015. An update to this plan will be produced at least annually. In consideration of the CSA's recommendation, Caltrans will publish two reports in 2015, one in April, and an update in fall 2015. Thereafter, Caltrans will provide a single "master plan" on an annual basis.

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Brian P. Kelley
April 20, 2015
Page 3

Caltrans has also implemented quarterly internal workforce planning forums to better inform, engage, and coordinate with various partners and stakeholders. The first such forum was held in January 2015, and the second is scheduled in May 2015.

Caltrans appreciates the opportunity to provide a response to the relevant portions of the draft audit report. If you have any questions, or require further information, please contact Michelle Tucker, Chief, Office of Enterprise Risk Management, at (916) 651-8649, or William E. Lewis, Assistant Director, Audits and Investigations, at (916) 323-7122.

Sincerely,

A handwritten signature in black ink, appearing to read "Malcolm Dougherty".

MALCOLM DOUGHERTY
Director

Comment

CALIFORNIA STATE AUDITOR'S COMMENT ON THE RESPONSE FROM THE CALIFORNIA DEPARTMENT OF TRANSPORTATION

To provide clarity and perspective, we are commenting on the response to our audit report from the California Department of Transportation (Caltrans). The number below corresponds to the number we placed in the margin of Caltrans' response.

Although Caltrans implies that its Annual Workforce Plan will address our recommendation to create a comprehensive workforce and succession planning master plan, the draft annual plan we were provided contains high-level information only and lacks adequate details to address our recommendation, such as the activities its occupational groups initiated in support of its workforce planning efforts. We expect that Caltrans' 60-day, six-month, and one-year responses will provide such details regarding its implementation of the recommendation.

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May 2015



WILL LIGHTBOURNE
DIRECTOR

STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES
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EDMUND G. BROWN JR.
GOVERNOR

April 24, 2015

Ms. Elaine M. Howle, State Auditor
California State Auditor
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Dear Ms. Howle:

SUBJECT: HIGH RISK WORKFORCE AND SUCCESSION PLANNING 2015-608

This letter provides the California Department of Social Services' (CDSS) initial response to the California State Auditor's Office draft report concerning *High Risk Workforce and Succession Planning Report 2015-608*.

If you have any questions concerning the enclosed CDSS response, please contact me at (916) 657-2598 or Cynthia Fair, Audits Bureau Chief, at (916) 651-9923.

Sincerely,

Original Signed By
Will Lightbourne

WILL LIGHTBOURNE
Director

Enclosure

California Department of Social Services (CDSS)
RESPONSES TO AUDIT RECOMMENDATIONS

California State Auditor
Audit Report: 2015-608

Audit Title: ***High Risk Workforce and Succession Planning***

Recommendation for Social Services:

Recommendation:

Social Services should develop a process by December 2015 to measure and evaluate their workforce and succession planning activities at least annually, and update their plans as necessary, to ensure that these activities are effective. The process should include evaluating the trends in retirements for leadership and technical positions.

CDSS Response:

By December 2015, CDSS plans to develop measurement and evaluation strategies for inclusion in a comprehensive master plan for workforce and succession planning.

Recommendation:

Social Services should identify a key resource, such as a unit, by June 30, 2015 to track the results of workforce and succession planning activities across the department to ensure that the workforce and succession planning activities the department implements are monitored on a department-wide level.

CDSS Response:

The Department of Social Services is in agreement with the Auditor's recommendation to identify a key resource to track the results of workforce and succession planning activities across the Department. The Department has identified the Training and Development Unit within Human Resources Branch to perform this critical function. Additionally, the Department recognizes the need for better department-wide monitoring processes to be put in place and has initiated a Strategic Succession Planning effort with expected deliverables by 2016.

Recommendation:

Social Services should update its existing workforce and succession plan by December 2015 to ensure that the department is adequately prepared for the retirement of a significant number of its experienced employees. The plan should include current best practices that meet its organizational needs.

CDSS Response:

The CDSS is in agreement with the recommendation and has secured a contract with Cooperative Personnel Services to assist with the development of a comprehensive master plan for workforce and succession planning. Although CDSS will begin implementation of the plan by December, the Department will require until January 2016 to complete the plan. Upon completion of the plan, CDSS will monitor and track progress annually to ensure goals are met.