Civil Service Commission

July 1, 2012 to May 31, 2014

Stephen M. Eells
State Auditor
The Honorable Chris Christie  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Vincent Prieto  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Civil Service Commission for the period of July 1, 2012 to May 31, 2014. If you would like a personal briefing, please call me at (609) 847-3470.

Stephen M. Eells  
State Auditor  
August 7, 2014
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Scope

We have completed an audit of the Civil Service Commission for the period July 1, 2012 to May 31, 2014. Our audit included financial activities accounted for in the state’s General Fund.

There are currently 70,000 state and 120,000 local employees in the civil service system under the commission. Average annual expenditures of the commission were $20 million during our audit period. The prime responsibility of the Civil Service Commission is to ensure that the public employment system operates effectively for the benefit of government and employees. Annual revenues of the commission were approximately $3.7 million comprised mostly of training registration and examination fees.

Objectives

The objectives of our audit were to determine whether financial transactions were related to the commission’s programs, were reasonable, and were recorded properly in the accounting systems. In addition, we reviewed the commission’s processes for efficiencies. We also tested for resolution of the significant conditions noted in our prior report dated August 21, 2006.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circular letters promulgated by the Department of the Treasury, and policies of the commission. Provisions we considered significant were documented and compliance with those requirements were verified by interview, observation, and through our testing of financial transactions. We also read the budget messages, reviewed financial trends, and interviewed Civil Service Commission personnel to obtain an understanding of the programs and the internal controls.

A nonstatistical sampling approach was used. Our samples of transactions were designed to provide conclusions on our audit objectives, as well as internal control and compliance. Transactions were judgmentally selected for testing. To ascertain the status of findings in our prior report, we identified corrective action, if any, taken by the commission and determined if the corrective action was effective.
Conclusions

We found that the financial transactions included in our testing were related to the commission’s programs, were reasonable, and were recorded properly in the accounting systems. In making this determination, we noted certain internal control weaknesses meriting management’s attention. We also observed certain civil service processes that were inefficient. In addition, the commission has resolved the significant conditions noted in our prior report.
Internal Controls-Revenue

Controls need to be strengthened over the commission’s revenue processes.

The Civil Service Commission’s revenue includes exam application, training, employee advisory, and appeal fees. In addition, the commission is responsible for collecting appeal fees and fines from the appointing authorities. Revenue collected as checks and money orders are processed through the fiscal unit. Commission policy dictates that upon receipt, all checks and money orders are to be physically safeguarded, properly recorded in the financial records, and deposited according to the established workflow processes.

During our review of the commission’s revenue processes, we noted the following weaknesses where internal controls should be strengthened.

- Checks for exam application, training, employee advisory, and appeal fees take an average of seven days to deposit, which exceeds the one day required in the Department of the Treasury’s Circular Letter 12-02-OMB. Commission workflow processes dictate holding checks until related documentation is complete.

- In addition to untimely deposit, the checks received by the Division of Appeals and Regulatory Affairs (DARA) are not properly safeguarded and are not regularly maintained in a lock box or safe. A cash count disclosed all checks on hand were neither restrictively endorsed nor recorded in a check log when received.

- Our review of the DARA’s accounts receivables disclosed $19,096 in fees and fines that were unrecorded. The DARA could not provide detailed policies and procedures to clarify how the appeal fees and fines are to be handled.

- Fees for exam and appeal applications are waived by the commission for those on public assistance as per New Jersey Administrative Code. We noted that identification cards used to verify public assistance did not contain expiration dates. There were 2,341 waivers granted totaling $60,970.

- Our review of the employee counseling services account disclosed $17,815 in services not billed because employee sessions were posted subsequent to the monthly billings. In addition, we found $7,740 of the $25,640 accounts receivable balance was owed from two appointing authorities that have not made a payment since July 2012.

- Agencies may choose to be charged an annual per employee fee ($10 state/$15 local) for employee advisory services based on the number of employees on their payroll. Our test of the six state agencies choosing this option (4,082 employees) found three agencies that were under billed a total $3,230.
Recommendation

We recommend:

- The commission should deposit all checks in accordance with the circular letter.

- The DARA implement a policy to properly safeguard checks including maintaining a check log, restrictively endorsing checks, and having a lockbox or safe available.

- The DARA also develop a policy regarding the manner in which fees and fines are to be processed and recorded.

- The commission seek access to the Department of Human Services eligibility system to verify public assistance for waiving fees.

- The commission ensure that counseling services rendered subsequent to the monthly billings appear on the next month’s bill and the commission seek payment for aged receivables.

- The commission utilize the state’s Personnel Management Information System to calculate the bill for agencies that pay for counseling services per employee.

It should be noted that upon identification of these weaknesses, management took immediate action to strengthen their internal controls.

CAMPS and Wage Data Match

The commission should improve monitoring of the appointing authorities to ensure rule compliance.

The commission utilizes the County and Municipal Personnel System (CAMPS) to monitor employee actions performed by the appointing authorities and ensure they are in compliance with New Jersey statutes and administrative codes. We matched 100 percent of the data in CAMPS to the Department of Labor and Workforce Development’s wage reporting database and found 2,093 employees are working for the counties and municipalities, but are not on the CAMPS database. Upon further review, explanations exist for 1,523 of these matches including: the appointing authorities experienced a backlog because of staffing shortages in their human resource departments, some positions were exempt and the appointing authority believed it was not necessary to enter them, and there were issues regarding the certification of the appointment which the commission is currently working on. By not including all employees in CAMPS, the commission’s ability to monitor for rule compliance is limited.
Recommendation

We recommend the commission obtain access to the Department of Labor and Workforce Development’s wage reporting database to match on a periodic basis to the CAMPS.

Provisional Appointments

Provisional employees remain in their positions in excess of the 12-month limit and may be unqualified for the position.

New Jersey statutes require that for provisional appointments the appointing authority certifies that in each individual case the appointee meets the minimum qualifications for the title, and in no case shall any provisional appointment exceed a period of 12 months. Our analysis of provisional positions disclosed that as of March, 2014 there were 2,522 provisional positions statewide of which 1,291 have been in a provisional status for over 12 months, 522 of which exceeded two years. The extended period in provisional status may be partly because of the time it takes to fill a position in the civil service process.

We reviewed 20 of the 92 employees with over five years in a provisional title and noted 8 instances in which an appointing authority did not properly request a job announcement to fill a provisional position. The test also disclosed that four provisional appointed employees failed to meet the required experience/education qualification to hold the provisional position. In addition, another five employees failed the civil service test numerous times, yet the employee still remained in the provisional position.

Recommendation

We recommend the commission improve communication and work routinely with the appointing authorities to assist them with recruitment needs and expedite the job posting process. In addition, the commission should monitor that appointing authorities enforce the code and only appoint qualified individuals who meet the minimum requirements to hold a provisional position.
Observation

Operational Efficiencies

In 1908, New Jersey adopted a civil service system. The rationales were to assure fairness in the hiring, promotion, demotion, and firing of government employees; minimize nepotism; evaluate whether potential employees could perform the duties of the job title through formal testing; and protect employees from the effects of shifts in political administrations.

We surveyed several civil service jurisdictions to obtain an understanding of their opinion of the process. It was the consensus that the process safeguards against nepotism, offers job security, and the rules are fair and equitable. Additionally, they commented that the commission’s professional staff is accessible and immensely helpful in the process. However, they felt the hiring process is archaic and slow. Several commented the supervisory exam was not an accurate measure of one’s performance because the test is not job specific. They also commented they were forced to hire candidates not best suited for the position. Finally, they had concerns over why certain titles are open competitive and require testing. Our review of the various tests showed that numerous unrelated trainee positions are tested using the same generic exam, when education requirements such as a college degree could measure aptitude as well as an exam. For example, Agricultural Products Agent Trainee, Financial Examiner Trainee, and Personnel Trainee are all given the same exam.

A similar survey was taken of municipalities who do not participate under the civil service process. While testing was also given for select positions, they commented they had better budgetary control over their expenditures. Additionally, they have the ability to cross-train individuals without issues regarding the employee working “out of title”.

The commission processed approximately 3,100 non-public safety eligibility lists in fiscal year 2013. A list can be generated by exams, waivers, or rating candidates by quantifying their education and experience. Seventy-three percent of the lists were generated using the evaluation of education and experience. Exams were only administered for 22 percent of the non-public safety lists. Our review of the appointing process disclosed, on average, a position that requires testing takes 278 days for a list to be promulgated. If the position does not require a test, the average is 151 days. Additionally, we found 120 positions with only one eligible applicant for which a test was still administered.

Currently, the Civil Service Commission has an initiative to reduce the number of titles and is converting open competitive to noncompetitive titles. In an effort to streamline the process, they have reduced the number of titles from approximately 7,430 to 4,958 over the last four years. They are also proposing job banding which would allow appointing authorities to promote individuals through certain career path titles. The commission should continue to explore all options to make the process more efficient.
Mr. Stephen M. Eells, State Auditor  
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RE: Audit Report – Civil Service Commission

Dear Mr. Eells:

The New Jersey Civil Service Commission provides the following responses for your inclusion with the audit findings to Governor Christie and the Legislature.

Audit Finding/Recommendation

Internal Controls – Revenue
Financial transactions included in the testing were related to the Commissions programs, were reasonable, and were recorded properly in the accounting system. There were certain internal control weaknesses meriting management’s attention.

Audit Recommendation:
The commission should deposit all checks in accordance with the circular letter.

The DARA should implement a policy to properly safeguard checks including maintaining a check log, restrictively endorsing checks, and having a lockbox or safe available.

The DARA should also develop a policy regarding the manner in which fees and fines are handled and properly record them when a fee is incurred fine is levied.

The commission should seek access to the Department of Human Services eligibility system to verify public assistance for waiving fees.

The commission should bill agencies the proper amount for counseling services as well as seek payment for aged receivables.

The commission should utilize the state’s Personnel Management Information System to calculate the bill for agencies that pay for counseling services per employee.
Civil Service Commission Response

The Civil Service Commission took immediate action during the Audit process to resolve all of the weaknesses identified, and to incorporate the recommendations of the Audit staff into daily operations as noted:

The Civil Service Commission Fiscal Unit immediately implemented procedures to adhere to OMB Circular 12-02 to ensure the daily deposits of revenue collected.

The Civil Service Commission Fiscal Unit took immediate steps to safeguard checks, by providing bank bags for the secure transport of checks from operational units to the responsible fiscal staff. The Division of Appeals and Regulatory Affairs (DARA) have instituted a written procedure to secure checks and restrictively endorse checks.

The Division of Appeals and Regulatory Affairs has instituted a written procedure to record and age fines when issued. This procedure includes all appropriate communications and oversight.

The primary responsibility for billing Employee Assistance Services (counseling) has been transferred to the Civil Service Commission Fiscal Unit to ensure accurate and timely billing. The fiscal component of software in use has also been expanded to add additional controls and oversight.

The Civil Service Commission is communicating with the Department of Human Services regarding the availability of access to a limited set of data to assure status for public assistance fee and application waivers.

Beginning in fiscal year 2015 all Civil Service Commission contracts for Employee Assistance Services utilized the Office of Management and Budget fulltime employee numerical counts for contracts. The option (as suggested by audit staff) of using the Personnel Management Information System was researched but may artificially inflate counts.

Audit Finding/Recommendation

CAMPS and WAGE Data Match
The commission should better monitor the appointing authorities to ensure rule compliance.

Audit Recommendation
We recommend the commission obtain access to the Department of Labor and Workforce Development’s wage reporting database and match on a periodic basis to CAMPS.
Civil Service Commission Response

A written procedure has been developed to assure that an annual compliance audit of local jurisdictions will be conducted the first quarter of each calendar year. The Civil Service Commission in cooperation with the Office of Information Technology and the Department of Labor will capture the same wage data utilized by the Audit team. This information will allow the Civil Service Commission to conduct an annual audit of the CAMPS database. Communications and compliance assistance will be provided to local Appointing Authorities to resolve any discrepancies.

Audit Finding/Recommendation

Provisional Appointments
Provisional employees remain in their positions in excess of the 12-month limit and may be unqualified for the position.

Audit Recommendation
We recommend the commission improves communication and works routinely with the appointing authorities to assist them with recruitment needs and to expedite the job posting process. In addition, the commission should monitor that appointing authorities enforce the code and only appoint qualified individuals who meet the minimum requirements to hold a provisional appointment.

Civil Service Commission Response

There has been a procedure in place at the Civil Service Commission to produce a quarterly aging report of all provisional appointments by Appointing Authority. Those reports and compliance procedures are communicated to the jurisdictions, and either announcements are issued, records corrected, appointments/titles converted, appointments/titles terminated or compliance recommendations are made to the Division of Appeals and Regulatory Affairs. In addressing certain Operational Efficiencies noted in this report, the Civil Service Commission will reduce the number of instances in which provisional appointments exceed the 12-month limit.

Civil Service Commission Response to Observation
Operational Efficiencies

The Civil Service Commission as required by the constitution assures that merit and fitness are at the heart of all the solutions it has established and will continue to act to address operational efficiencies. As noted in the report some very carefully tested and considered solutions are currently in place, and additional solutions are being considered and researched for implementation. All of the efforts noted below will provide for a legal, fair and equitable result while improving speed, efficiency and quality of service to the State and Local Appointing Authorities:
As of this report date the number of job titles has been reduced by 2,474 or one third, providing employees and Appointing Authorities with more appropriate and modern job classifications. These efforts have and will continue to improve eligibility and career mobility.

The Civil Service Commission has moved and continues to evaluate for movement titles that are appropriate for reallocation from the competitive to the noncompetitive class of service. These titles are identified for reallocation based upon the criteria defined in NJAC 4A:3-1.2(c)1 which states, “A job title may be placed in the noncompetitive division on an ongoing or interim basis when it is determined by the Commissioner that ... competitive testing is not practical due to the nature of the knowledge, skills and abilities associated with the job.” The targeted titles have either been identified as highly skilled/regulated, licensed, require education but no experience, and titles requiring no education or experience therefore testing for these titles is not practical. As of this report 243 titles have been converted from the competitive to the noncompetitive.

As noted in your operational efficiencies we are initiating Job Banding because Job Banding benefits both the employee and organization while adhering to the requirements of the constitution and the Civil Service Act. Job Banding increases productivity and improves competency levels by providing opportunities for advancement which are tied to measurable performance. The experience through pilot and through over 15 years of Judiciary practice has been a positive, modern, motivating and efficient method of advancement for both employee and management.

The Civil Service Commission has also initiated a policy of not requiring formal examinations when doing so would not be “practicable” under the constitution: when there are fewer applicants than there are position vacancies. Examinations are still administered as requested by the Appointing Authority.

The Civil Service Commission is continuing efforts to examine systems and strategic staffing plans to organize work so that the necessary expertise will be available to efficiently address the issues of eligibility and selection utility/linkage. This staffing plan and system modernization will also include the development and support of the Job Banding solution and the continued updates to the classification plans. All of these initiatives and solutions will lead to a more efficient, meritorious, fair, cohesive and functionally relevant workplace for both State and Local Appointing Authorities.

We believe that our responses should address the findings and observations raised in the audit report. Should you require any further information, please do not hesitate to contact this office.

Sincerely

Robert M. Czech  
Chair & Chief Executive Officer