

**DEPARTMENT OF ADMINISTRATIVE SERVICES
HR AUDIT REPORT
DIRECT APPOINTMENT AUDIT – 2007**



**HR Audit Program
Human Resource Services Division**

**Report No. 2007-01
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SUMMARY

The HR Audit Program of the Human Resource Services Division (HRSD) issues its audit report on state agencies' use of direct appointments. The audit used a sample of 188 of the total direct appointments made by state agencies in calendar year 2006. Affected agencies were asked to send documentation on file for each of the appointments selected for audit. This documentation was then reviewed to determine if the appointment met the criteria in Oregon Administrative Rule (OAR) 105-040-0050 "Direct Appointment," HRSD State Policy 40.055.01 "Appointment to the Unclassified Executive Service," or collective bargaining agreements (CBA). The documentation was also reviewed to determine if it contained all of the components required under OAR 105-040-0050(1) (b), HRSD State Policy 40.055.01, or applicable CBA.

Ninety-four (94) or 50% of the audited 188 appointments were made for reasons allowed under the OAR or as provided for in state policy. The documentation for these appointments also included all of the required components. Forty-four (44) or 23% of the audited appointments were made following a standard recruitment method or within provisions of policies governing the type of appointment, but were miscoded as a direct appointment. Twenty-seven (27) or 14% of the audited appointments were made in compliance with the OAR, but the documentation did not include one or more of the required components. Twenty-four (24) or 13% of the audited appointments were made outside of OAR provisions.

BACKGROUND

State agency directors have the authority to make direct appointments to classified unrepresented and management service positions, and initial appointment to all classified positions consistent with OAR 105-040-0050. HRSD State Policy 40.055.01 authorizes agencies to make appointments to the unclassified executive service. Agency directors can make direct appointments under the criteria in this policy when filling certain unclassified positions. CBAs allow for noncompetitive selection and appointment for unskilled or semi-skilled positions, or where job-related ranking measures are not practical or appropriate, or if there is no appropriate list available and establishing a list could cause an undue delay in filling the position, or affirmative action appointments.

AUDIT SCOPE

This audit reviewed the use of direct appointments and the supporting documentation maintained by state agencies. Randomly

selected appointments coded as a direct appointment were reviewed to determine whether: 1) the direct appointment was made consistent with OAR 105-040-0050, HRSD State Policy 40.055.01, or applicable CBA; and 2) the required documentation was maintained.

AUDIT METHODOLOGY

The HR Audit Team scheduled the audit of agencies' use and documentation of direct appointments based on the level of risk associated with using alternative methods to fill vacant positions. The risk analysis identified direct appointments as a "Priority 2," indicating this practice has the potential for a moderate monetary, legal and/or public perception impact.

Data used in this audit was obtained from the Position and Personnel Data Base (PPDB) administered and maintained by the HR Systems and Services Section of HRSD. The data identified all appointments made by state agencies between January 1, 2006, and December 31, 2006. The following methods and processes were then applied:

- A random sample of 197 was drawn from the 211 direct appointments made by state agencies in 2006. Of that sample, 188 were selected for review. Nine were removed from the audit because they were made by agencies not subject to ORS Chapter 240.
- Initial letters were sent to agencies being audited requesting documentation for the selected appointments.
- Documentation provided by each agency was reviewed to determine if the appointment met the criteria specified in OAR 105-040-0050, HRSD State Policy 40.055.01, or applicable CBA. The documentation was also reviewed to determine if it contained the required information. If the documentation was not available, agencies provided the reason for the direct appointment, or an explanation of how the appointment was made.
- The following preliminary findings were sent to 38 agencies:
 - Fifteen (15) agencies (39%) were informed that all of the reviewed direct appointments in the agency complied with OAR, state policy, or CBA provisions and the documentation included the required components.
 - Twenty-three (23) agencies (61%) were informed that, based on the information provided, one or more of the appointments reviewed did not appear to meet the criteria and/or the documentation was not sufficient.
- After evaluating additional information provided by agencies in response to the preliminary findings, final determinations were made. Individual reports of findings were sent to the appropriate agencies. The final findings included: 1) instructions on how to correct coding errors to accurately reflect the appointment type in the PPDB; and 2) recommendations on how to bring the documentation into compliance with the OAR, state policy, or applicable CBA provisions.

There were a number of instances where an agency's documentation did not state whether the appointee met the minimum qualifications. Agencies were advised that documentation of

direct appointments should include whether the appointee meets the minimum qualifications for the position.

SUMMARY OF FINDINGS

Following are the final findings on the 188 direct appointments reviewed from 38 agencies:

- Ninety-four (94) of the audited appointments (50%) complied with OAR 105-040-0050, HRSD State Policy 40.055.01, or applicable CBA, and the documentation included all of the required components.
- Thirty-eight (38) of the audited appointments (20%) were made within provisions of an applicable rule or policy, but were coded incorrectly as a direct appointment in the Personnel and Position Data Base (PPDB).
- Twenty-seven (27) of the audited appointments (14%) complied with OAR 105-040-0050, HRSD State Policy 40.055.01, or applicable CBAs, but the documentation did not include one or more of the required components.
- Twenty-four (24) of the audited appointments (13%) did not comply with the criteria or documentation requirements found in OAR 105-040-0050, HRSD State Policy 40.055.01, or applicable CBAs.
- Five (5) of the audited appointments (3%) were statutory appointments of board members or agency directors and complied with the Governor's appointment authority.

Individual reports of the final findings and any specific recommendations were sent to the appropriate agencies.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion: State agencies are generally making appointments to positions in compliance with governing rule, policy, or CBA, but some are miscoding the appointment type in the statewide Position and Personnel Data Base (PPDB) as direct appointments.

Recommendation: Agencies should incorporate into their practices a mechanism to ensure that

the appointment method code correctly reflects the type of appointment.

A list of all appointments coded as direct appointments between January 1 and December 31, 2006, was sent to each state agency after the conclusion of the audit. The list can be used by the agency to review each appointment coded as a direct appointment to determine if it is coded accurately and, if not, to correct any coding errors. It can also be used by the agency to perform an internal review to determine if all required documentation is on file to support the type of appointment.

Conclusion: Agencies are not including all of the required components when documenting some direct appointments or appointments to unclassified executive service positions.

Recommendation: Agencies should establish internal procedures to ensure each direct appointment to classified or management service includes at least the following components:

- A statement of how the appointment meets the rule and/or policy criteria.
- The results of any open competitive recruitment; and if a recruitment did not occur, this is documented by the agency.
- A determination of whether the appointee meets the minimum qualifications for the position.
- The appointing authority's signature.

Unclassified executive service appointments should include documentation in accordance with the criteria in HRSD State Policy 40.055.01 under which the non-competitive appointment was made: Appointments made to unclassified executive service should also use the form included in HRSD State Policy 40.055.01.

This audit was conducted by staff of the HR Audit Program of the Human Resource Services Division (HRSD) in the Department of Administrative Services (DAS) in accordance with the requirements of ORS 240.311 (1) and HRSD State Policy 10.025.01