

PERFORMANCE AUDIT
OF
PERFORMANCE PAY PROGRAMS

March 2001

EXECUTIVE DIGEST

PERFORMANCE PAY PROGRAMS

INTRODUCTION	This report, issued in March 2001, contains the results of our performance audit* of Performance Pay Programs.
AUDIT PURPOSE	This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.
BACKGROUND	<p>Performance pay is generally defined as a compensation system that rewards employees either individually or as a group for work effort towards the achievement of certain goals or behaviors. Typically, salary increases and/or bonuses are based on appraisals of employee performance. The primary purpose of a performance pay program is to reward employees for their efforts, the quality of their work, and the results they achieve. Objectives of performance pay programs can include: recognizing the efforts and contributions of employees, rewarding employees with compensation directly linked to performance, motivating employees to be more effective, and attracting and retaining high performing employees.</p> <p>The State's performance pay programs are designed to establish and maintain appropriate relationships among individual and group performance, individual competencies, departmental objectives, departmental</p>

* See glossary at end of report for definition.

budget, and pay. Eligibility for a performance pay award* is based upon evaluation of the performance of an individual, a team of eligible individuals, or an entire agency. The department's ability to pay may be considered in setting performance pay award amounts.

As of May 15, 1999, there were 2,087 employees participating in the performance pay programs with the following distribution:

<u>Performance Pay Programs</u>	<u>Number of Employees</u>
Senior Executive Service	92
Senior Executive Management Assistant Service	88
Group 4	1,148
Groups 1, 2, and 3	469
Attorneys	290

AUDIT OBJECTIVE,
CONCLUSION, AND
NOTEWORTHY
ACCOMPLISHMENTS

Audit Objective: To assess the effectiveness of the State's performance pay programs in achieving the purpose and objectives for which they were established.

Conclusion: We concluded that the State's performance pay programs were generally effective in achieving the purpose and objectives for which they were established. However, our assessment disclosed reportable conditions* relating to performance pay awards, performance management plans, pay increases for performance pay employees, and performance management (Findings 1 through 4).

Noteworthy Accomplishments: The Department of Civil Service (DCS) contracted with PricewaterhouseCoopers in the fall of 1998 to evaluate the performance pay programs for Group 4 and Senior Executive Service employees.

* See glossary at end of report for definition.

PricewaterhouseCoopers issued its report in May 1999. DCS has put an action plan in place to address the issues noted in that report.

AUDIT SCOPE AND METHODOLOGY	<p>Our audit scope was to examine the program and other records relating to the Performance Pay Programs. Our audit was conducted in accordance with <i>Government Auditing Standards</i> issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.</p> <p>We examined the program records and activities primarily for the period October 1, 1997 through September 30, 1999.</p> <p>To accomplish our objective, we interviewed staff involved in administering the performance pay programs at DCS and at each department. We analyzed data from DCS's performance pay program database. We tested selected performance management plans and performance appraisals. We surveyed employees in performance pay positions and appointing authorities*.</p>
AGENCY RESPONSES AND PRIOR AUDIT FOLLOW-UP	<p>Our audit report contains 4 findings and 5 related recommendations. DCS agreed with our recommendations.</p>

* See glossary at end of report for definition.

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March 9, 2001

Ms. Susan Grimes Munsell, Chairperson
Civil Service Commission
and
Mr. John F. Lopez, State Personnel Director
Department of Civil Service
Capitol Commons Center
Lansing, Michigan

Dear Ms. Munsell and Mr. Lopez:

This is our report on the performance audit of Performance Pay Programs. Our report letter is addressed to the Department of Civil Service because it is responsible for the Statewide administration of performance pay. Our report will also be distributed to the other State agencies that were included in the scope of our audit.

This report contains our executive digest; description of program; audit objective, scope, and methodology and agency responses; comment, findings, recommendations, and agency preliminary responses; a description of surveys and summaries of survey responses, presented as supplemental information; and a glossary of acronyms and terms.

The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL

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Description of Program

The State began implementing performance pay with the approval of the Classified Executive Service (CES) in 1980. CES included the top executives of State departments and agencies, affecting approximately 400 employees.

In 1990, the State began implementing its current job evaluation and classification system, known as the Equitable Classification Plan (ECP). ECP classifies positions into four major job groups as follows:

Group	Occupations	Effective Date
Group 1	Technical, office, paraprofessional, and service occupations. Classes are nonsupervisory. Includes Senior Executive Management Assistant Service (SEMAS) positions.	1990
Group 2	Business, human services, scientific, and engineering occupations. Classes are nonsupervisory and professional and require a bachelor's degree.	1993
Group 3	Supervisory and managerial classes.	1996
Group 4	Top executives and their assistants and division, office, and bureau directors and their deputies. Includes Senior Executive Service (SES) positions.	1994 for SES 1996 for all others

In 1994, the Civil Service Commission abolished CES and established SES. SES includes the highest level management positions in State departments and agencies. SES positions typically (a) report directly to State department directors or boards and commissions heading principal departments, (b) formulate and implement major policy, or (c) influence major programs and policies relating to the critical mission of each State department. SES employees sign an agreement that provides for a limited-term appointment, not to exceed two years. SES employees may be reappointed to additional terms. SES positions are a part of Group 4, but are covered by specific rules and regulations addressing conditions of employment unique to SES.

CES positions that were not included in SES (bureau and office directors and their deputies) continued in the performance pay programs as a part of Group 4, which

includes executives and administrators. In 1996, a new Group 4 rule was approved by the Civil Service Commission. Under this rule, division directors, deputy division directors, and other equivalent positions were added to the performance pay programs.

Also in 1996, the Civil Service Commission approved the inclusion of Group 3 employees and nonexclusively represented Group 2 employees in the performance pay programs upon the request of an appointing authority and approval of DCS. Two departments (the Michigan Department of State Police and the Family Independence Agency) have established pilot programs for Groups 2 and 3.

In 1997, the Civil Service Commission created SEMAS, which includes the highest level executive secretaries. SEMAS is similar to SES in that SEMAS employees must sign an agreement that includes a limited-term appointment, not to exceed two years. SEMAS employees may be reappointed to additional terms.

In 1998, the Civil Service Commission approved a new Group 1 rule allowing for the inclusion of nonexclusively represented Group 1 employees in the performance pay programs. Group 1 includes nonsupervisory technical, office, paraprofessional, and service positions.

In 1995, the Civil Service Commission approved the establishment of the Department of Attorney General's performance pay program to include all assistant attorneys general. During our audit, staff attorney 15's were removed from the performance pay program at the request of the Attorney General.

The Civil Service Commission and the Department of Civil Service (DCS) perform Statewide oversight and approval functions for the performance pay programs. The programs are designed to provide flexibility to allow each department to customize the programs to meet its individual needs. The Civil Service Commission develops the classification and pay structure. Each department selects and appoints employees to positions and sets initial salaries, subject to DCS approval. Each department establishes a performance and pay review process and is responsible for conducting annual performance appraisals and pay reviews for each employee in the performance pay programs. Performance pay awards must be approved by DCS and documentation of performance appraisals and pay reviews is subject to audit by DCS's Office of Compliance.

As of May 15, 1999, there were 2,087 employees participating in the performance pay programs with the following distribution:

Performance Pay Programs	Number of Employees
SES	92
SEMAS	88
Group 4	1,148
Groups 1, 2, and 3	469
Attorneys	290

Audit Objective, Scope, and Methodology and Agency Responses

Audit Objective

The objective of our performance audit of Performance Pay Programs was to assess the effectiveness of the State's performance pay programs in achieving the purpose and objectives for which they were established.

Audit Scope

Our audit scope was to examine the program and other records relating to the Performance Pay Programs. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures were conducted from April 1999 through January 2000 and included examinations of program records and activities primarily for the period October 1, 1997 through September 30, 1999.

To accomplish our objective, we studied Department of Civil Service (DCS) regulatory information relating to the performance pay programs and we researched performance pay programs used by other states and the federal government. We interviewed staff involved in administering the performance pay programs at DCS and at each department.

We obtained data from DCS's performance pay programs database for the period October 1, 1996 through December 31, 1998 and analyzed performance pay awards and ratings.

We tested selected performance management plans and performance appraisals to determine if they were prepared timely and included appropriate attributes.

In August 1999, we surveyed 315 employees who occupied a performance pay position at any time during fiscal year 1998-99. We received 160 responses. We also surveyed

21 appointing authorities in January 2000. We received 21 responses. Summaries of the survey responses are included as supplemental information.

Agency Responses

Our audit report contains 4 findings and 5 related recommendations. DCS agreed with our recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require DCS to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.

COMMENT, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

EFFECTIVENESS OF PERFORMANCE PAY PROGRAMS

COMMENT

Background: Performance pay is generally defined as a compensation system that rewards employees either individually or as a group for work effort towards the achievement of certain goals or behaviors. Typically, salary increases and/or bonuses are based on appraisals of employee performance. The primary purpose of a performance pay program is to reward employees for their efforts, the quality of their work, and the results they achieve. Objectives of performance pay programs can include: recognizing the efforts and contributions of employees, rewarding employees with compensation directly linked to performance, motivating employees to be more effective, and attracting and retaining high performing employees.

The State's performance pay programs are designed to establish and maintain appropriate relationships among individual and group performance, individual competencies, departmental objectives, departmental budget, and pay. Eligibility for a performance pay award is based upon evaluation of the performance of an individual, a team of eligible individuals, or an entire agency. The department's ability to pay may be considered in setting performance pay award amounts.

The Civil Service Commission Rules establish multiple objectives for the performance pay programs. Those objectives include: establishing an appropriate relationship between performance and pay, providing management the tools necessary to carry out their agency missions and programmatic responsibilities in the most effective and efficient manner, and providing management with flexibility to create an accountable and responsive executive staff dedicated to achieving department objectives.

Salary ranges for Senior Executive Service (SES), Senior Executive Management Assistance Service (SEMAS), Attorneys, and Group 4 consist of a fixed minimum point, a fixed control point, and a fixed maximum point. Groups 2 and 3 have minimum and maximum rates with a maximum of 5% of annual salary that can be awarded as a base

salary increase or lump sum. Appointing authorities may, with Department of Civil Service (DCS) approval, establish lower control points within a salary range based on relevant job-related departmental considerations. An employee's base salary cannot exceed the fixed control point or an approved lower control point.

Employees who receive ratings of at least "meets expectations," "fully competent," or the equivalent are eligible to receive a performance pay award. A performance pay award can consist of a base salary increase, a lump sum award*, or a combination of the two but cannot exceed the annual merit pay maximum established in the DCS regulations for the particular program. An employee whose base salary is below the fixed control point for the class, or an approved lower control point, may receive base salary increases up to his or her control point. A lump sum award may not exceed the difference between the fixed control point and the maximum. An employee's total compensation (base salary plus lump sum award) cannot exceed the maximum for the class.

The maximum combined merit percentage increases for employee performance base increases and lump sum awards for the various groups during any one fiscal year were:

Groups 2 and 3	5%
Group 4, SES, and SEMAS	8%
Attorneys	8%

Employees who receive ratings of less than "meets expectations," "fully competent," or the equivalent are not eligible to receive any general pay increase and may have their base salaries reduced.

Audit Objective: To assess the effectiveness of the State's performance pay programs in achieving the purpose and objectives for which they were established.

Conclusion: We concluded that the State's performance pay programs were generally effective in achieving the purpose and objectives for which they were established. However, our assessment disclosed reportable conditions relating to performance pay awards, performance management plans, pay increases for performance pay employees, and performance management.

* See glossary at end of report for definition.

Noteworthy Accomplishments: DCS contracted with PricewaterhouseCoopers in the fall of 1998 to evaluate the performance pay programs for Group 4 and SES employees. PricewaterhouseCoopers issued its report in May 1999. DCS has put an action plan in place to address the issues noted in that report.

FINDING

1. Performance Pay Awards

Some departments awarded performance pay in a manner that resulted in the appearance that there was not always a clear and direct relationship between performance and pay.

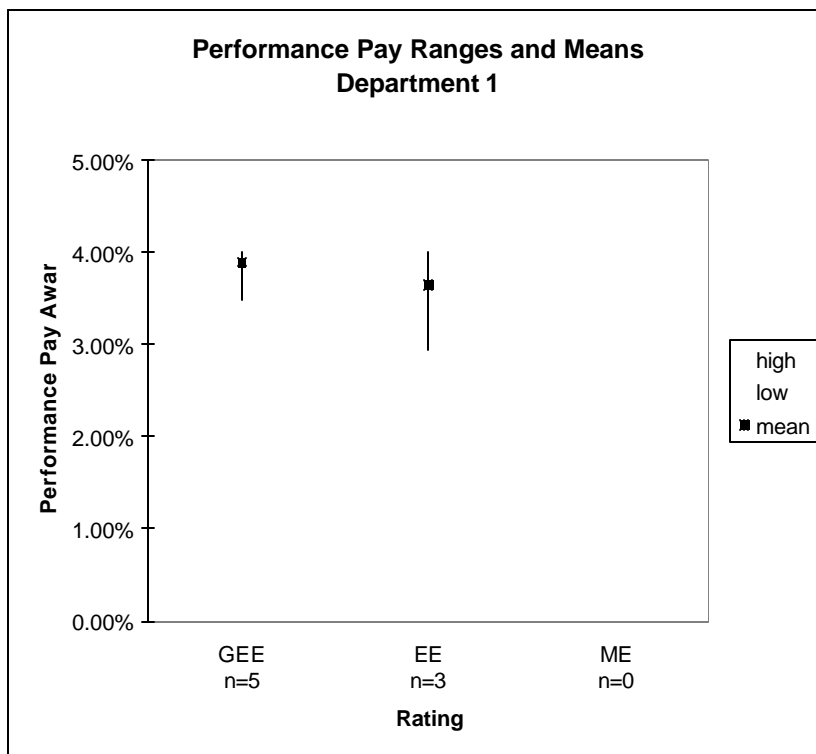
One of the key concepts of a performance pay program is the relationship between performance and pay. The program provides an incentive for employees to attain high achievements with the expectation that the employees who perform at the highest level will receive the highest rewards. Thus, when employees who are high performers do not receive the highest rewards, employees may perceive the program to be unfair.

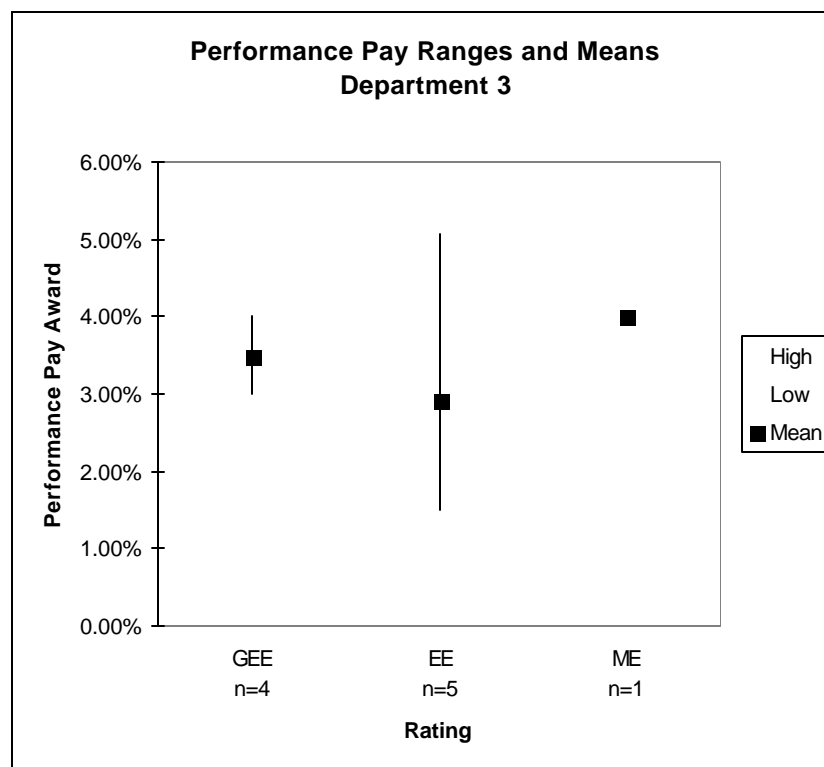
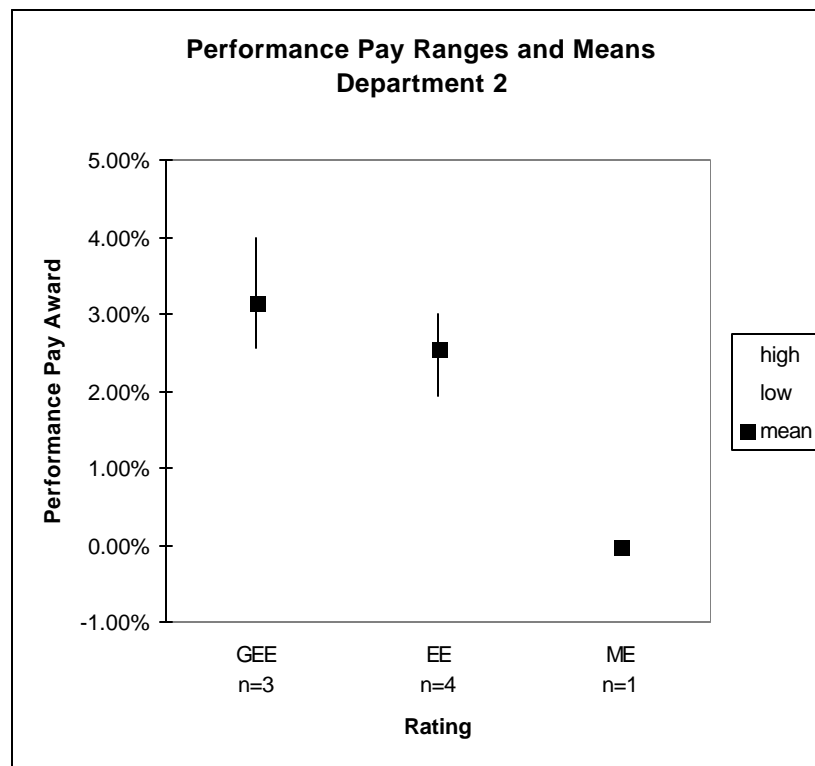
We found examples of practices which could help increase employee satisfaction and reduce perceptions of unfairness:

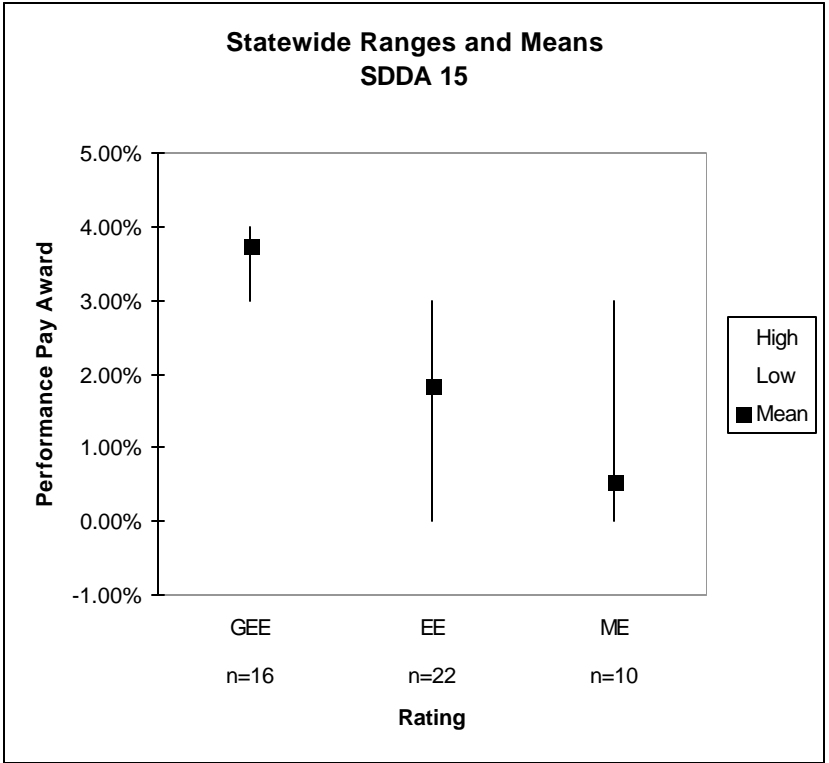
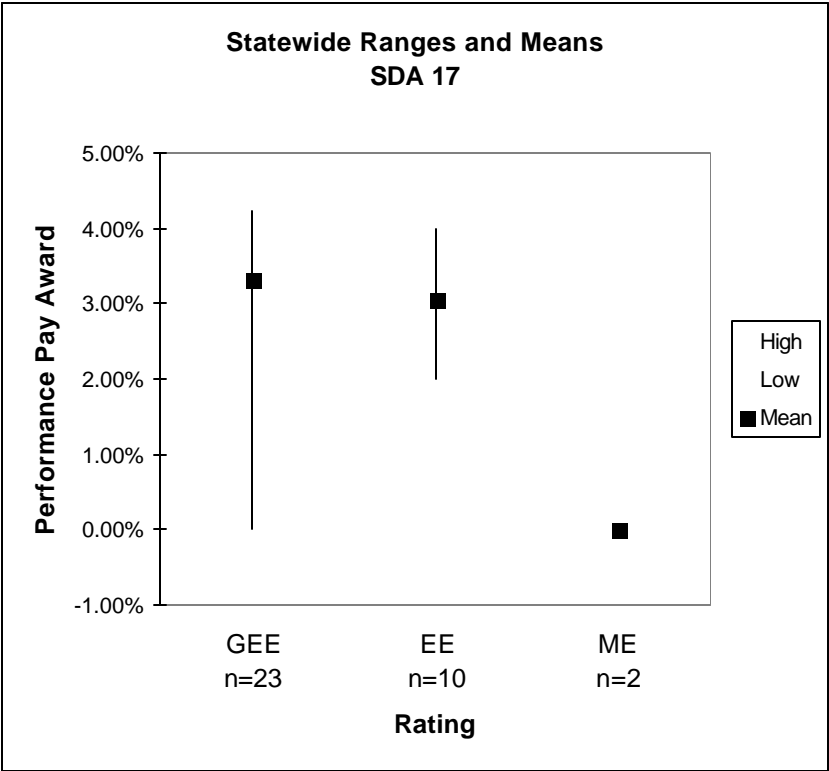
- a. Several departments have established matrices which tie performance pay awards to specific ratings. Typically, a range of awards is available for each rating, thus allowing some flexibility in awarding performance pay. One employee of a department which has not established a matrix responded to our survey with a suggestion ". . . tie the raise/bonus percentage directly to ratings, i.e., meets standards 0-2%, exceeds standards 4%, greatly exceeds standards 6%."
- b. Several departments have developed strategies for dealing with positions within a single classification which have varying levels of responsibility. For example, the Family Independence Agency (FIA) has county director, deputy director, and district manager positions which are all classified as Social Services Division Director 17's. However, county director functions and responsibilities can vary because of the variations in county size and programs provided. FIA has established a system for rating the county director positions based on functions and responsibilities. The rating establishes a maximum

base pay for each county director. Because the base pay reflects the variations in functions and responsibilities, performance pay is based only upon performance.

We analyzed performance pay awards focusing on only those employees at the fixed control point. We selected this group for analysis because performance pay awards to these employees would not be affected by where they are in the pay range. Our analysis showed the mean award for greatly exceeding expectations was consistently higher than the mean for exceeding expectations. However, our analysis of performance pay ranges disclosed that some employees received lower performance ratings but higher performance awards than employees receiving higher performance ratings. This occurred in several departments and in certain classes Statewide. For example:







Differences in performance pay awards to employees with the same rating can result in employee dissatisfaction with pay for performance or employee belief that the system is unfair.

We noted that 60% of employees who responded to question 23 on our survey agreed with the statement "The change in my base pay and lump sum award amount, if any, was consistent with my rating." However, in the broader questions regarding program effectiveness, we noted a difference of opinion. Fifty-nine percent of the employees responding to question 24 disagreed or strongly disagreed with the statement "Team productivity has increased since the performance pay program was implemented." Fifty-seven percent of employees who responded to question 25 disagreed or strongly disagreed with the statement "The performance pay program is designed to establish and maintain an appropriate relationship between performance and pay. The program is accomplishing its objective." Also, many of our survey respondents expressed negative opinions regarding the program's effectiveness.

In September 1999, the Department of Civil Service issued Appointing Authority Letter CS-6906 which required each department to submit a plan detailing steps to ensure consistency in the performance and pay review process.

RECOMMENDATION

We recommend that DCS continue to work with the departments to help maintain a clear and direct relationship between performance and pay.

AGENCY PRELIMINARY RESPONSE

DCS agreed to continue its effort to work with departments in improving the performance pay program and to ensure an appropriate relationship exists between employees' performance ratings and performance pay.

FINDING

2. Performance Management Plans

Several departments could improve their performance management plans.

The performance management plan is the foundation for the performance appraisal and the resulting performance pay award. Good performance management plans

include objectives that are consistent with the department's mission, goals, and objectives; use achievement-oriented action verbs; specify target dates or time periods for each objective; and include action plans that are sufficiently detailed. Our survey included several questions relating to the elements of performance management plans. The questions and responses included:

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable	No Response
8. My performance objectives are:							
a. Stated with specific outcomes and timing to complete those outcomes.	17	60	28	32	4	6	13
b. Measurable and verifiable by my appraisal.	23	62	31	22	5	4	13
c. Challenging but realistic under current job conditions.	21	80	26	15	5	2	11
d. Based on factors that are within my control.	16	56	43	24	5	2	14
9. My individual performance expectations are linked to my department's goals and objectives.	32	71	31	14	4	1	7

Comments of employees who responded to our survey included: "The department has done a very good job of linking department goals with individual performance objectives" and "[The] performance plan is focused on specific, measurable objectives, such as 'Develop an employee travel manual by October 1, 1999.'" However, our review of performance management plans disclosed:

- a. Several departments prepared performance management plans that were not written to be effective and measurable. Of the 169 performance management plans that we reviewed, 104 (62%) did not contain target dates or a time period for accomplishing objectives, 97 (57%) did not contain quantifiable measures, and 78 (50%) of the 156 which required future performance objectives contained objectives that were not measurable or verifiable.
- b. One department required employees to complete a special project in order to earn a rating above "meets expectations." However, this requirement was not spelled out in performance management plans. Our review of 169 performance appraisals disclosed 2 (1%) instances in which ratings were changed to "meets expectations" from a higher rating because this unwritten requirement had not been fulfilled. While expecting performance beyond the completion of normal job duties for ratings of "exceeds expectations" or

"greatly exceeds expectations" is reasonable, all expectations should be clearly spelled out in performance management plans. One employee of this department who responded to our survey commented, "This special project clause was not part of the management plan as explained to me." We interpreted this to be a general practice of this department, which had approximately 150 employees in performance pay programs.

- c. One department used identical performance objectives for all employees within a classification. Our review of the objectives and comments from survey respondents indicated that there are significant differences in the responsibilities of employees within a classification. While the use of identical performance objectives for functions that all employees perform is reasonable, using only identical performance objectives fails to recognize the differences in functions and responsibilities that may exist between employees within a classification. In addition, because the affected employees were not involved in developing the objectives, the employees may be less invested in the objectives. Comments of employees of this department who responded to our survey included: "No individual plan. Broad criteria for all [in my classification]" and "It would be helpful to have a role in formulating division-specific criteria rather than general Departmental criteria." When employees have been involved in the development of their objectives, they are more likely to consider them to be fair. Sixty-three percent of the employees who responded to survey question 11 agreed or strongly agreed with the statement: "I am more motivated to work toward objectives I helped develop." One employee commented, "Personal ownership of the objectives makes the outcomes much more realistic."

A lack of good performance management plans can reduce the effectiveness of the performance pay programs.

RECOMMENDATION

We recommend that DCS continue to work with the departments to improve their performance management plans.

AGENCY PRELIMINARY RESPONSE

The employees' performance management plans generally included the employee's critical performance objectives, responsibilities, and essential job tasks, only 9 to 11% of the employees responding to our survey disagreed or strongly disagreed that these performance elements were included in their plans. DCS agreed to continue to work with departments in improving their performance management plans.

FINDING

3. Pay Increases for Performance Pay Employees

DCS and personnel offices Statewide did not always monitor proposed base pay increases and lump sum awards to performance pay employees to ensure that employees were paid within the pay ranges for their classifications. Also, the DCS regulation on the recovery of overcompensation does not address overpayments resulting from lump sum awards.

Our review of all performance pay employee compensation for fiscal years 1996-97 and 1997-98 disclosed:

- a. Five employees were awarded lump sum awards that resulted in their total compensation exceeding the maximum for their classes. The overpayments ranged from \$527 to \$2,921. Section 5-4.5 of the *Rules of the Civil Service Commission* states that in performance pay programs, "The maximum point shall be the maximum total salary, including both base salary and any lump sum awards, payable to an employee in the class during any one fiscal year." DCS staff informed us that the database in use at the time of our audit was not designed to monitor whether total compensation exceeded the maximum.
- b. Regulation 5.01, Procedure of Recovery of Overcompensation, does not give DCS staff the authority to recover an overpayment resulting from the awarding of a lump sum award. DCS informed the employing departments of the overpayments we identified and suggested that they be considered at the time of the next performance pay award.

RECOMMENDATIONS

We recommend that DCS and personnel offices Statewide monitor proposed base pay increases and lump sum awards to performance pay employees to ensure that employees are paid within the pay ranges for their classifications.

We also recommend that DCS revise the regulation on the recovery of overcompensation to address overpayments resulting from performance pay lump sum awards.

AGENCY PRELIMINARY RESPONSE

DCS agreed and informed us that it has implemented a process to monitor all employee performance pay awards.

DCS also agreed to review the need for revising departmental regulations on the Recovery of Overcompensation and will develop and implement changes if required.

FINDING

4. Performance Management

Several departments did not administer the performance pay programs as a year-round, interactive program as identified in the DCS Performance Management Guidebook.

The DCS Performance Management Guidebook provides departments with a framework for performance management that includes the elements of planning, monitoring, evaluation, and development.

Our discussions with human resource directors in the departments and agencies disclosed that though all agreed that the program was intended to be year-round and interactive, many were not certain how much of this actually occurred, as it is left to the individual supervisors to provide monitoring and development.

Sixty-seven percent of the employees who responded to survey question 13 disagreed or strongly disagreed with the statement: "The performance pay process is year-round and interactive (including planning, coaching, evaluation, and

development in a four-phase cycle) rather than once a year." Comments included: "Actual process occurs during a 2 - 3 month period"; "It is a one-time thing. Therefore, not helpful in improving or advising one of their status or progress"; and "The four-phase cycle is in place but is not necessarily year-round but once." In addition, 39% of the employees who responded to survey question 12 disagreed or strongly disagreed with the statement: "There is ongoing monitoring to help ensure that my objectives and responsibilities are being met." Comments included: "We have to monitor ourselves and provide documentation that we met the objectives and responsibilities" and "I am not aware of any monitoring."

Managing performance is an ongoing process, beginning when the performance management plan is established. The supervisor should monitor employee performance throughout the period. If an employee is to perform at the desired level, the supervisor should communicate regularly with the employee about actual performance and how it relates to the performance objectives. When an employee meets or exceeds expectations, regular feedback (in this case, praise) reinforces the behavior. Research indicates that frequent feedback increases motivation and job satisfaction. If an employee is not meeting expectations, ongoing monitoring allows the deficiencies to be identified early so that development activities, such as coaching and training, can begin on a timely basis.

RECOMMENDATION

We recommend that DCS continue to work with the departments to help ensure that they administer the performance pay programs as a year-round, interactive program as identified in the DCS Performance Management Guidebook.

AGENCY PRELIMINARY RESPONSE

DCS agreed to continue to work with departments in providing the necessary administrative tools agencies can use to enhance its abilities to administer performance pay programs as a year-round, interactive program. DCS will continue to provide the necessary guidelines to assist employees as well as offer supervisory and managerial training opportunities to maximize employee performance.

SUPPLEMENTAL INFORMATION

Description of Surveys

We developed two surveys (Exhibits A and B) requesting feedback on the State's performance pay programs:

1. Employee Survey (Exhibit A)

We mailed copies of this survey to 315 employees who occupied a performance pay position at any time in fiscal year 1998-99. We received 160 responses (a 51% response rate), with the following distribution:

Performance Pay Programs	Employees Surveyed	Responses
Senior Executive Service	25	11
Senior Executive Management Assistant Service	50	24
Group 4	100	57
Groups 1, 2, and 3	70	36
Attorneys	70	31
Unknown		1

The total number of responses for each item may exceed the number of responses reported above because some items provided for more than one response.

Overall, responses were positive for most items; however, there were negative responses for some items. As noted in Finding 1, respondents expressed concern about inconsistencies in performance pay awards and the appearance of favoritism. Also, as noted in Finding 4, a majority of respondents did not feel that the performance pay process was year-round and interactive.

The respondents provided comments on a variety of topics related to the performance pay programs. All comments were summarized and provided to the Department of Civil Service.

2. Appointing Authority Survey (Exhibit B)

We sent this survey to the appointing authority for each State department and three State agencies that administer their own performance pay programs (a total of 21). We received 19 responses, a 90% response rate.

A review of these responses indicated that most respondents felt that SES and SEMAS programs have provided them with more flexibility in hiring executive staff and more opportunities to attract individuals with experience and expertise from within and outside the classified service for executive staff positions. Respondents also felt that the implementation of the performance pay programs have enabled their departments/agencies to carry out their mission and programmatic responsibilities more effectively and efficiently. Respondents felt that the performance pay programs have been effective in establishing and maintaining an appropriate relationship between performance and pay and that the inclusion of Groups 1, 2, and 3 positions in the performance pay programs would be beneficial.

Although the respondents appeared satisfied with the performance pay programs, they did identify some factors that they felt inhibited the effectiveness of the programs. We provided a summary of those factors and all other comments to the Department of Civil Service.

**Performance Pay Programs
Employee Survey Summary**

For the first five survey items, please indicate the most appropriate response(s).

1. The department developed your performance management plan using the following method(s):	
a. Performance objectives (statements of a specific desired end result/output).	33
b. Responsibilities (expected actions and modes of behavior critical to carry out job duties and tasks).	13
c. A combination of performance objectives and responsibilities.	72
d. Competencies (knowledge, skills, and attributes required by staff to achieve the organization's desired performance outcomes).	8
e. A combination of performance objectives and competencies.	26
No response	12
2. The specific objectives and/or job responsibilities for my position were:	
a. Developed by my supervisor.	46
b. Developed by me.	15
c. Developed jointly by my supervisor and me.	87
No response	12
3. For the last performance period, I received a rating of:	
General Survey:	
a. Greatly exceeds expectations.	29
b. Exceeds expectations.	31
c. Meets expectations.	14
d. Improvement expected.	1
e. I have not yet received a rating. Reason, if known:	3
f. Don't remember and can't find records.	1
No response	3
Attorney General Survey:	
a. 1 Outstanding.	11
b. 1.5 (No narrative description)	10
c. 2 Exceeds expectations.	5
d. 2.5 (No narrative description)	2
e. 3 Meets expectations.	1
f. 4 Improvement necessary.	1
g. Unsatisfactory.	0
h. I have not yet received a rating. Reason, if known:	0
i. Don't remember and can't find records.	0
No response	3
Michigan State Police Survey:	
a. Exceeds expectation.	10
b. Fully competent.	19
c. Improvement expected.	1
d. I have not yet received a rating.	0
e. Don't remember and can't find records.	1
Family Independence Agency Survey:	
a. Consistently exceeded expectations.	2
b. Frequently exceeded expectations.	6
c. Met expectations.	4
d. Minimally met expectations.	0

e. Improvement expected.	0
f. I have not yet received a rating.	0
g. Don't remember and can't find records.	0
No response	1
Department of State Survey:	
a. Excellent.	0
b. Good.	1
c. Met expectation.	0
d. Needing Improvement.	0
e. I have not yet received a rating.	0
f. Don't remember and can't find records.	0
4. Based upon my performance during the last performance period, I:	
a. Had no change in pay.	19
b. Received a lump sum payment.	76
c. Received a base pay increase.	40
d. Received a lump sum payment and a base pay increase.	15
e. Had a reduction in pay.	0
No response	10
5. Management communicated to me:	
a. The performance pay program details.	70
b. My performance management plan.	37
c. My progress in meeting the performance management plan.	37
No response	24

For the remainder of the survey, please place a check mark in the box that you believe is the most accurate for each statement.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable	No Response
6. My performance plan included the following elements:							
a. Essential job tasks.	41	66	20	14	4	3	12
b. Responsibilities.	40	78	17	10	5	2	8
c. Critical performance objectives.	40	60	32	14	1	3	10
7. My performance standards are:							
a. Stated positively.	41	86	17	4	2	0	10
b. Reasonable to follow.	36	89	20	1	3	0	11
8. My performance objectives are:							
a. Stated with specific outcomes and timing to complete those outcomes.	17	60	28	32	4	6	13
b. Measurable and verifiable by my appraisal.	23	62	31	22	5	4	13
c. Challenging but realistic under current job conditions.	21	80	26	15	5	2	11
d. Based on factors that are within my control.	16	56	43	24	5	2	14
9. My individual performance expectations are linked to my department's goals and objectives.	32	71	31	14	4	1	7
10. The performance evaluation criteria for my position are changed when warranted by circumstances.	16	52	43	26	11	6	6

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable	No Response
11. I am more motivated to work toward objectives that I have helped to develop during performance planning.	37	61	21	19	9	9	4
12. There is ongoing monitoring to help ensure that my objectives and responsibilities are being met.	14	41	37	36	23	3	6
13. The performance pay process is year-round and interactive (including planning, coaching, evaluation, and development in a four-phase cycle) rather than once a year.	9	17	23	68	33	6	4
14. My performance appraisal was fair and accurate.	38	61	18	22	12	3	6
15. I was given feedback in a timely manner to correct performance issues before my performance appraisal.	12	26	44	24	23	25	6
16. I completed a self-assessment prior to the appraisal conference and provided it to my supervisor for consideration.	35	55	12	25	11	15	7
17. My appraisal conference was held shortly after I turned in my self-assessment and my supervisor drafted my performance appraisal.	31	48	14	21	14	27	5
18. My supervisor explained his/her observations on my performance and the rationale for my rating.	33	75	14	13	14	7	4
19. During the appraisal conference, I discussed and reached a consensus with my supervisor about my overall performance.	28	51	24	22	17	12	6
20. My appraisal conference was positive.	40	61	23	13	6	11	6
21. My appraisal conference was conducted to include:							
a. Progress.	27	61	23	13	6	16	14
b. Favorable results.	33	67	22	6	6	7	19
c. Performance issues/problems.	14	55	30	14	6	21	20
d. Solutions to performance issues/problems.	13	36	31	25	10	21	24
e. My commitments.	21	52	26	15	8	12	26
22. The feedback I received was:							
a. Nonevaluative.	8	28	32	37	12	17	26
b. Problem-solving.	6	34	40	29	7	14	30
c. Empathetic.	8	33	43	19	9	15	33
d. Flexible (i.e., supervisor was open to my opinion).	25	64	21	12	11	9	18

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Not Applicable	No Response
23. The change in my base pay and lump sum award amount, if any, was consistent with my rating.	22	62	21	14	21	9	11
24. Team productivity has increased since the performance pay program was implemented.	3	14	45	34	56	2	6
25. The performance pay program is designed to establish and maintain an appropriate relationship between performance and pay. The Program is accomplishing its objective.	10	21	34	23	63	1	8

Please include any other comments or suggestions you have about the State's Performance Pay Program. You may use the back pages to respond to this and any other question.

Comments have been summarized and provided to the Department of Civil Service.

Performance Pay Programs
Appointing Authority Survey Summary

1. To what extent have the Senior Executive Service (SES) and Senior Executive Management Assistant Service (SEMAS) programs provided you with more flexibility in hiring executive staff?

4	a. Much greater flexibility	0	d. Somewhat less flexibility
13	b. Somewhat greater flexibility	0	e. Much less flexibility
2	c. No change		

- What would be the impact on your department/agency if only traditional classified service was available?

Comments have been summarized and provided to the Department of Civil Service.

- Are there factors within the SES and SEMAS programs that inhibit your ability to hire executive staff?

7 Yes 11 No 1 No Response

If yes, please identify the factors.

Comments have been summarized and provided to the Department of Civil Service.

2. To what extent have the SES and SEMAS programs allowed you more opportunities to attract individuals with experience and expertise from within the classified service for executive staff positions?

1	a. Significantly more opportunities	1	d. Somewhat less opportunities
8	b. Somewhat more opportunities	0	e. Significantly less opportunities
9	c. No change		

- Are there factors within the SES and SEMAS programs that inhibit your ability to attract individuals with experience and expertise from within the classified service for executive staff positions?

10 Yes 7 No 2 No Response

If yes, please identify the factors.

Comments have been summarized and provided to the Department of Civil Service.

3. To what extent have the SES and SEMAS programs allowed you more opportunities to attract individuals with experience and expertise from outside the classified service for executive staff positions?

4	a. Significantly more opportunities	0	d. Somewhat less opportunities
12	b. Somewhat more opportunities	0	e. Significantly less opportunities
3	c. No change		

- What would be the impact on your department/agency if only traditional classified service was available?

Comments have been summarized and provided to the Department of Civil Service.

- Are there factors within the SES and SEMAS programs that inhibit your ability to attract individuals with experience and expertise from outside the classified service for executive staff positions?

6 Yes 12 No 1 No Response

If yes, please identify the factors.

Comments have been summarized and provided to the Department of Civil Service.

4. To what extent has the implementation of performance pay enabled your department's/agency's ability to carry out its mission and programmatic responsibilities efficiently and effectively?

<u>3</u>	a. Significantly more efficient and effective	<u>0</u>	d. Somewhat less efficient and effective
<u>13</u>	b. Somewhat more efficient and effective	<u>0</u>	e. Significantly less efficient and effective
<u>3</u>	c. No change		

- Are there factors within the performance pay program that hinder your department/agency in carrying out its mission and programmatic responsibilities more efficiently and effectively?

3 Yes 16 No

If yes, please identify the factors.

Comments have been summarized and provided to the Department of Civil Service.

5. Performance pay is designed to establish and maintain an appropriate relationship between performance and pay. How effective has the program been in meeting its objectives?

<u>6</u>	a. Very effective	<u>0</u>	d. Somewhat ineffective
<u>12</u>	b. Somewhat effective	<u>0</u>	e. Very ineffective
<u>1</u>	c. No effect		

- Are there factors within the performance pay program that prevent the program from meeting its objective?

7 Yes 12 No

If yes, please identify the factors.

Comments have been summarized and provided to the Department of Civil Service.

6. Performance pay has been expanded to include Groups 1, 2, and 3 positions in certain departments. Groups 1, 2, and 3 positions include nonsupervisory positions in technical, office, paraprofessional, and service occupations; nonsupervisory positions in business, human service, scientific, and engineering classes; and supervisors and managers. Do you believe that including Groups 1, 2, and 3 positions in the performance pay program would be beneficial to your department/agency?

14 Yes 4 No 1 No Response

If yes, how would this benefit your department/agency?

Comments have been summarized and provided to the Department of Civil Service.

If no, why would this not benefit your department/agency?

Comments have been summarized and provided to the Department of Civil Service.

Glossary of Acronyms and Terms

appointing authority	A single executive heading a principal department, or the chief executive officer of each principal department headed by a board or commission, or the person designated by either of the preceding as being responsible for administering the personnel functions of the department, board, or commission.
CES	Classified Executive Service.
DCS	Department of Civil Service.
ECP	Equitable Classification Plan.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
lump sum award	A portion of an employee's compensation award under a performance pay program that is (1) in addition to the employee's base salary, (2) is paid in a single payment, and (3) is not rolled into the employee's base salary.
performance audit	An economy and efficiency audit or a program audit that is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating correction action.

performance pay award	An increase in base pay or a lump sum award, or both, that may be awarded to an employee included in a performance pay program if the employee's performance is rated satisfactory.
reportable condition	A matter coming to the auditor's attention that, in the auditor's judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in operation of the internal control structure or in management's ability to operate a program in an effective and efficient manner.
SEMAS	Senior Executive Management Assistant Service.
SES	Senior Executive Service.