

Department of Legislative Services
Maryland General Assembly
2004 Session

FISCAL AND POLICY NOTE
Revised

House Bill 446

(Chairman, Appropriations Committee)

(By Request – Departmental – Budget and Management)

Appropriations

Finance

State Personnel - Duties of Department and Secretary of Budget and Management

This departmental bill requires the Secretary of Budget and Management, at least once every three years, to conduct position classification audits, conduct operational audits of classification practices and records, and review and audit recruitment and hiring practices of appointing authorities.

Fiscal Summary

State Effect: None. The bill would not substantively change State procedures.

Local Effect: None.

Small Business Effect: The Department of Budget and Management (DBM) has determined that this bill has minimal or no effect on small business (attached). Legislative Services concurs with this assessment. (The attached assessment does not reflect amendments to the bill.)

Analysis

Current Law: The State Personnel Management System classifies Executive Branch employees in one of four categories – skilled, professional, executive, and management service. DBM is responsible for developing and enforcing the rules that govern the administration of this system, which applies to approximately 46,962 employees.

To ensure that positions are classified properly, the Secretary of Budget and Management must conduct position classification audits, as well as operational audits of classification practices and records in units as necessary. The Secretary is also responsible for ensuring compliance with State and federal employment laws and consistency in recruiting and hiring practices and must periodically review and audit recruitment and hiring practices of all appointing authorities.

The Secretary is required to audit contractual employment in various units to determine whether State guidelines were followed and whether justification still exists for the employment. If the Secretary determines that services should be performed by a permanent employee, the Secretary must refuse to review the contractual employee's certification and recommend that a permanent position be established. If the unit did not follow guidelines, the Secretary must advise the unit and suggest alternate criteria or methods that would have complied.

Background: The Office of Legislative Audits (OLA) concluded in its July 2002 audit of DBM that the agency had not periodically audited the recruitment and hiring practices of State agencies with appointment authority as required by law. According to OLA, the Office of Personnel Services and Benefits had not audited contractual employment contracts since 1996 and recommended that DBM conduct a biennial audit beginning in fiscal 2002. The department conducted its last position classification audit in fiscal 2003, which consisted of 356 randomly selected positions in 37 agencies.

DBM completed an audit of agency contractual hiring practices in October 2002 (for calendar 2001) and began another one in 2003. Based on a random sample of 437 contracts, the auditors concluded in 2002 that the majority of the contracts (57%) fully complied with recruitment and selection guidelines. Another 25% were considered partially compliant, which included contracts (33) for which there was no evidence of a reasonable effort to publicly solicit applicants, as well as contracts (77) for which there was no documentation that the agency conducted interviews for the position. The remaining 18% did not have adequate documentation or did not follow guidelines.

The audit also revealed that 29% of the sample contracts were not properly authorized. In calendar 2001, Maryland paid \$25 million for 1,950 employment contracts that were subject to verification by DBM.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Budget and Management, Department of Legislative Services

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