
Recommendations

Recommendation 1. The General Assembly should direct the Office of State Human Resources to take steps to proactively monitor state department spans of control and organizational layers.

As discussed in Finding 4, state departments have broad discretion in structuring their organizations. In addition, neither the Office of State Budget and Management (OSBM) nor the Office of State Human Resources (OSHR) issues standards or have requirements for departments to monitor and evaluate their spans of control and organizational layers. As Finding 1 and Finding 2 discussed, there are wide variations in the structuring of state departments, both in terms of spans of control and the number of organizational layers. The General Assembly should direct OSHR to take the following actions.

- **Develop standards for departments that promote a consistent nomenclature of positions within executive offices and ensure BEACON data is updated in a timely manner.** Executive office members within departments have a variety of position titles, many of which are not equivalent by organizational layer across departments. For example, a Deputy Secretary may be the equivalent of an Assistant Secretary in another department, and the two positions could be at different layers in the two departments. To address this issue, the General Assembly should direct OSHR to develop a standard organizational layer nomenclature, building on the nomenclature specified in N.C. Gen. Stat. §143B-11, which would promote consistency and clarity of responsibilities across departments.

The State's human resources management system (BEACON) contains the information for each position's supervisor and is the basis for any analyses of organizational structure. The primary incentive for departmental human resources staff to update BEACON is to ensure the correct supervisor approves the timesheets of those employees occupying positions they oversee. This evaluation found the supervisors of several positions were not correctly identified in BEACON. For example, BEACON erroneously listed four staff within the Governor's office reporting to one position when they actually report to another. To address this issue, the General Assembly should direct OSHR to develop a policy requiring department human resources representatives to submit any changes in supervisory reporting structures to the Office of the State Controller within five days of the effective date of the change.

- **Develop a formalized organization chart format across state government departments and require state departments to regularly update and publish their organization charts online.** Some departments use the BEACON-provided organization chart functionality, whereas others simply download the data into another software program to produce organization charts. A consistent approach for producing organization charts at a regular interval would promote comparisons across departments. To address this issue, the General Assembly should direct OSHR to develop a

standard organization chart format for departmental executive offices.

Publicly displaying a department's organization chart would provide citizens, department staff, and staff in other state departments with an overview of how the functions and duties of each department are organized. To address this issue, the General Assembly should direct OSHR to require departments to publish the standardized organization charts of their executive offices on their respective websites and update them quarterly. The General Assembly should also direct OSHR to develop a process for departments to submit their executive office organization charts at least semi-annually to be compiled in a single location on the OSHR website for convenient public inspection.

- **Establish formal policies and procedures for staffing and position analyses to include the components of spans of control and organizational layers.** As discussed in Finding 4, OSHR conducts a variety of analyses related to state government personnel; however, none of these analyses requires consideration of a position's span of control or a department's number of organizational layers. As a result, there may be little consideration of the effect of OSHR actions (approving positions, reclassifying positions, approving job duties, etc.) on a department's overall supervisory relationships, the spans of control for positions within the same job classification across departments, or a department's number of layers. Furthermore, as Finding 3 discussed, nearly a quarter of executive office members believe they could supervise more positions without their job responsibilities being negatively affected.

The General Assembly should require OSHR to incorporate spans of control and organizational layers as a component of analyses, which would inform its determinations of whether supervisory work could be performed by existing staff. OSHR's analyses and activities should document circumstances in which OSHR approves actions that would allow a position to not meet the minimum span of control ratio for the position's job classification (as established by OSBM in Recommendation 2), including a justification for the deviation.

In addition, the General Assembly should require OSHR to develop criteria-based technical leadership tracks as an alternative way to reward and retain valuable employees, instead of making them supervisors. OSHR should provide an implementation plan to the General Assembly, including proposed legislation to implement the plan, by June 30, 2017.

Recommendation 2. The General Assembly should direct OSBM to report every five years on each state department's span of control and organizational layers.

As discussed in the Background and Finding 4, no state entity has reported on the spans of control and organizational layers of all executive branch state departments since the 1990s when OSBM recommended a minimum average span of control of 1:8 across departments and a maximum of seven organizational layers. Finding 1 demonstrated there has been improvement in the statewide average span of control (from 5.4 in 1995 to 6.3 in 2016), but only one state department currently meets the statewide goal. Prior to the current Program Evaluation Division study, the General Assembly has not been provided updated data on these topics. Whereas Recommendation 1 would provide systematic approaches for OSHR in using span of control and organizational layer information to inform studies of department staffing, this recommendation would assign OSBM the task of producing statewide data and reporting it to the General Assembly.

To address this issue, the General Assembly should direct OSBM to report by December 1, 2017 and every five years thereafter to the Joint Legislative Commission on Governmental Operations and the Fiscal Research Division on principal departments' spans of control and organizational layers. At a minimum, the required report should include the following components:

- each department's span of control and number of organizational layers
- each department's span of control by organizational layer, and
- the number and percentage of each department's supervisors with narrow spans of control (defined as ratios of 1:3 or fewer).

In the course of producing this report every five years, OSBM should conduct historical analyses and revise its statewide span of control ratio as appropriate based on forthcoming changes to the State's position classification categories. Furthermore, the General Assembly should require OSBM to establish span of control benchmarks for each job classification similar to its 1996 report, based on the upcoming reclassification process to be completed by February 2017. This report would provide historical information to the General Assembly on how the number of supervisors, spans of control, and organizational layers across departments have changed because of Recommendation 1's implementation. This report would also provide information on the spans of control of positions within each of the new job classifications and would provide department leaders with information to benchmark their own performance against other departments' performances. For example, the Department of Labor, a small department, has the most executive office members ($n = 30$), and those members occupy the most organizational layers ($n = 5$). In this report, OSBM should note departments whose overall span of control ratio decreases, departments whose overall number of layers increases, and departments with positions that do not meet the minimum span of control ratio for their respective job classifications. Having this information would give the General Assembly the opportunity to request further information justifying deviations from benchmarks for these specific positions and departments.