

**A SPECIAL PERFORMANCE AUDIT
OF THE
STATE CIVIL SERVICE COMMISSION**

VETERANS' PREFERENCE PROGRAM

NOVEMBER 2008

Bureau of Departmental Audits

November 13, 2008

The Honorable Marwan Kreidie
Chairman
State Civil Service Commission
4th Floor, Bowman-Worth Building
Harrisburg, PA 17108

Dear Chairman Kreidie:

This report contains the results of the Department of the Auditor General's special performance audit of the Veterans' Preference Program administered by the State Civil Service Commission (commission) for the period July 1, 2002 through June 30, 2006. This audit was conducted pursuant to Sections 402 and 403 of the Fiscal Code and in accordance with generally accepted government auditing standards. 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.

Our audit found that the commission's policies and procedures allow Commonwealth agencies to circumvent the hiring of veterans. In addition, we noted instances where veterans' preference may be granted in an untimely manner. We also found inadequate monitoring of agencies' hiring practices, and control weaknesses in the processing of applications, scoring of applicants, and computer security. As a result, the commission has not adequately administered the Veterans' Preference Program to ensure veterans' receive the appropriate credit, and ultimately hiring opportunities, acknowledging the many noteworthy experiences and transferable skills acquired during military training, as well as for their unwavering efforts to safeguard the freedoms on which our country was founded.

We offer 19 recommendations to strengthen the commission's policies, controls and oversight over the Veterans' Preference Program to ensure that veterans receive the employment opportunities they have earned and that the law requires the commission to recognize. In addition, we strongly recommend that at least one of the commission's three appointed members be a veteran to ensure veterans' concerns are appropriately represented.

We are pleased to report that the commission has taken steps to strengthen certain controls we identified as weaknesses during the course of the audit. Additionally, we appreciate the cooperation exhibited by the commission and its willingness to implement 13 of 19 recommendations. However, we are concerned that the recommendations in Finding No. 1 that would prevent the circumvention of hiring veterans will not be made by the commission. It is a disservice to all our men and women, having served their country, to then be faced with the disappointment of being passed over for employment while other applicants receive acceptance into the ranks of Pennsylvania's Civil Service.

We will follow up at the appropriate time to determine whether and to what extent all recommendations have been implemented.

Sincerely,

JACK WAGNER
Auditor General

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EXECUTIVE SUMMARY

Findings of our audit report on the State Civil Service Commission include:

- the commission allowing agencies to circumvent the hiring of veterans;
- the untimely granting of veterans' preferences;
- the inadequate monitoring of agencies' hiring practices; and
- control weaknesses exist in the processing of applications, scoring of applicants, as well as computer security.

These and other Findings are discussed in the main body of this report and encapsulated in the Executive Summary.

State Civil Service Commission The State Civil Service Commission (commission), a bipartisan, independent administrative commission, was created in 1939 to enhance the efficiency and economy of government by attracting qualified employees and by hiring, retaining and promoting them based upon their ability to do the job. The commission consists of three members, not more than two of whom can be of the same political affiliation, and who are appointed by the Governor, with the advice and consent of a majority of the Senate. The Governor designates one member as the chairman. An executive director, who reports to the commission, directs and supervises the daily operations of the commission. The commission is granted the authority and is required to establish and adopt rules as needed.

Veterans' Preference Program The commission is responsible for administering the Veterans' Preference Program as it relates to veterans who take civil service examinations for appointment into public positions within the Commonwealth of Pennsylvania, or within any political subdivision thereof, and the appointment of veterans whose names appear on a civil service list for such a position. Veterans' preference refers to the additional benefits given to qualifying veterans who passed a civil service examination in recognition of their military service. In order to claim veterans' preference, the applicant must submit proper documentation, such as a service discharge form, at the time of application. If the requirements are met and the veteran passes the civil service examination, the veteran will receive ten additional points added to his/her final examination score.

Filling a Position To initiate filling a position, agencies request employment lists from the commission, including Code 11 Lists which include all eligible applicants both seeking employment and current employees, Code 12 Lists which include only current state or local government employees of the hiring agency, and Code 14 Lists which include only current employees from any state agency or local government. The names on these lists are arranged in order of final score. When a veteran's final score is among the top three scores on a list (known as the Rule-of-Three), the hiring agency is required to select the veteran for that position.

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FINDINGS	SUMMARY
<p><i>Finding No. 1 – The Commission Allows Agencies to Circumvent the Hiring of Veterans</i></p>	<p>We found that the commission’s policies and procedures allow agencies to simultaneously request and utilize as many lists necessary to fill the position. As a result, agencies can circumvent the hiring of veterans by utilizing lists that only contain current agency or inter-agency employees. We analyzed commission data and found:</p> <ul style="list-style-type: none"> • 25 agencies had filled at least 569 positions from Code 12 Lists or Code 14 Lists even though they had requested Code 11 Lists that contained at least one veteran in the top three scores for these positions. In each situation the veteran, if available, should have been offered the position. • 26 instances where agencies requested multiple Code 11 Lists for the same position, only changing county work location, and filled the position from a Code 11 List that did not contain a veteran in the top three scores. In each case, the veteran was available and should have been offered the position. • Agencies filled at least 512 positions from Code 12 Lists or Code 14 Lists without requesting Code 11 Lists for these positions at any time during the respective fiscal year. Any veteran that may have been on the Code 11 Lists for these positions was not considered for hire by these agencies. <p>Management stated that this policy gives agencies a wider pool of individuals to choose from when filling positions.</p>
HIGHLIGHTS OF RECOMMENDATIONS	
<p>The commission should:</p> <ul style="list-style-type: none"> • require all agencies to fill new hire positions using Code 11 Lists unless agencies provide written justification for the need to request and fill positions from other types of lists; • collectively apply veterans’ preference, if agencies request multiple county Code 11 Lists for the same position; and • improve its post-audit process to include a comparison of the cancelled employment lists with the employment list used to hire in order to ensure that veterans’ preference is not circumvented. 	

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<p><i>Finding No. 2 – Veterans' Preference may be Granted in an Untimely Manner</i></p>	<p>We analyzed commission data and found 327 instances in which veterans' preference, including the 10 additional points, was not timely included on one or more employment list. Of these, we found 38 instances where veterans, who were either available for the position or not contacted for the position, were on one or more respective employment lists without veterans' preference in which at least one applicant was hired other than the veteran in question. If these veterans would have received the 10 additional points on the employment list, he/she would have been in the top three scores and selected for hire. Management believes that the delay in granting veterans' preference is due to veterans not submitting the discharge form timely, rather than the commission not timely processing the form.</p>
HIGHLIGHTS OF RECOMMENDATIONS	
<p>The commission should:</p> <ul style="list-style-type: none"> • develop written policies and procedures for processing and monitoring discharge forms to ensure the process is being completed in a timely manner; and • send additional reminders to individuals who have claimed veterans' preference on their applications, but have not submitted their discharge forms within 30 days after their examination has been scored. 	

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<p><i>Finding No. 3 –The Commission Failed to Adequately Monitor Agencies' Hiring Practices</i></p>	<p>Through analyzing data, reviewing documentation, and making inquiry, we found:</p> <ul style="list-style-type: none"> • 138 instances in which agencies hired applicants from “cancelled” employment lists because the interface between the Commonwealth’s SAP accounting system and the commission’s computer system failed to prevent this situation; • deficiencies regarding the commission’s post-audit process, including failing to detect some veterans’ preference violations; failing to perform post-audit reviews for all hires; performing some post-audits untimely; failing to verify the accuracy of the applicants’ test scores and veteran status; and no written policies and procedures nor supervisory review exist; and • the commission failed to contact applicants who did not respond or who returned their notices unsigned as required by policy. <p>Management indicated that the post-audit deficiencies were isolated instances and written policies and procedures as well as supervisory review of the post-audit process are not necessary because commission employees are well trained. Furthermore, management stated that staff restrictions have resulted in the commission not contacting applicants as required.</p>
HIGHLIGHTS OF RECOMMENDATIONS	
<p>The commission should:</p> <ul style="list-style-type: none"> • establish computer controls to eliminate agencies’ capability to hire applicants through SAP using cancelled employment lists; • implement procedures to verify the accuracy of applicants’ test scores and veteran status; • develop written policies and procedures for the post-audit process; • implement supervisory review procedures over the post-audit process; and • utilize necessary resources to ensure applicants who fail to return a notice or fail to sign a notice are timely contacted by the commission in compliance with policy. 	

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<p><i>Finding No. 4 – Control Weaknesses Found in the Processing of Applications, Scoring of Applicants, and Computer Security</i></p>	<p>Through interviews and review of applicant documentation, we identified several control weaknesses in the application process and applicant scoring process, including lack of written procedures, lack of supervisory review, and inadequate recordkeeping. Management indicated that well-trained employees negate the need for written procedures and supervisory review.</p> <p>Additionally, based on interviews as well as our review of listings identifying employees who have edit capabilities for the commission's two computer systems, AS400 and ICE, we found that the commission failed to restrict users with edit capabilities to a minimum number and written requests with management approvals were not required before access is granted to the systems. Management indicated that users have limited access to enter or edit data and that they do not routinely review job duties to ensure computer access privileges are proper.</p>
HIGHLIGHTS OF RECOMMENDATIONS	
<p>The commission should:</p> <ul style="list-style-type: none"> • develop policies and written procedures for the application process; • implement supervisory review over the application process and document this review to ensure that application data has been accurately and timely processed; • implement adequate supervisory review over the scoring process and document this review to ensure that the scoring process is accurately and timely completed; • review all users' access to the AS400 and ICE systems to ensure that their access corresponds to their current job duties and do not conflict with proper segregation of duties; and • require AS400 and ICE access authorizations to be written and approved by management. 	



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BACKGROUND

State Civil Service Commission

The State Civil Service Commission (commission), a bipartisan, independent administrative commission, was first established by Act 144 of 1939. The commission was created to enhance the efficiency and economy of government by attracting qualified employees and by hiring, retaining and promoting them based upon their ability to do the job. The commission consists of three members, not more than two of whom can be of the same political affiliation, and who are appointed by the Governor, with the advice and consent of a majority of the Senate. Each appointment is for a term of six years or until a successor is appointed. Members of the commission cannot hold another salaried public position. The Governor designates one member as chairman. The Civil Service Act (Act 752 of 1941, as amended; 71 P.S. § 741.1 *et seq.*) further established the commission as the independent administrator of the state's merit system of employment and provided for an executive director, who reports to the commissioners, to direct and supervise the operation of the system. The commission is required to establish and adopt rules for making provisions of the Civil Service Act effective and to require observance of the provisions of the Act and the applicable rules and regulations.

Presently, approximately 57,000 of 84,000 state government employees, or nearly 70 percent, throughout 37 different state agencies under the governor's jurisdiction are covered by civil service. State agencies with the largest number of civil service employees include the Departments of Labor and Industry, Public Welfare, Transportation, Corrections, Health, and Environmental Protection. In addition, another 9,000 employees work in civil service-covered jobs within more than 300 county and local government agencies that contract with the commission for its services. Civil service jobs can be found in almost every field of work at levels ranging from highly skilled or very technical to entry-level positions. Positions generally not included under the civil service are heads and deputy heads of departments of the Commonwealth and all other senior level personnel whose duties include participation in policy decisions; members of boards and commissions; attorneys hired by the appointing authority; unskilled labor; and all professional positions attached to the department head's office which function in press and/or public relations, legislative liaison or development of executive policy.

Civil service positions are different from union-covered positions in that unions are the representatives for collective bargaining purposes for covered employees. The unions are generally organized for the purpose of the establishment of rates of pay, hours of work, and other conditions of employment, including establishment of procedures for resolutions of differences between the union and the employer. Many union covered positions are also civil service-covered positions. A position's bargaining unit does not determine whether or not a position is covered by civil service. Civil service coverage of a position is defined in Section 3 of the Civil Service Act.

The commission recruits qualified persons for Commonwealth employment and administers a uniform system of appointments and promotions in agencies operating under civil service. The commission provides information to potential applicants, recruits and tests applicants, sends lists of qualified applicants to agencies seeking to fill jobs, and monitors the hiring and promotions of employees.

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Veterans' Preference Program

Qualifying for Veterans' Preference Hiring and retaining qualified persons is vital for the Commonwealth to operate an efficient and effective government in order to provide essential programs and services to the citizens of Pennsylvania.

The commission also administers the Veterans' Preference Program as it relates to veterans who take civil service examinations for appointment into public positions under the Commonwealth, or under any political subdivision thereof, and the appointment of veterans whose names appear on a civil service list for such a position. "Veterans' preference" refers to the additional benefits given to qualifying veterans who pass a civil service examination in recognition of their military service. The purpose of veterans' preference is to give the veterans credit "for the discipline and experience represented by [their] military training and for the loyalty and public spirit demonstrated by [their] service for the preservation of [their] country." The Military Affairs Act (Act 92 of 1975, as amended; 51 Pa. C.S. § 7101 *et seq.*) is the basis for these benefits. Veterans are granted preference if they can provide proof of one of the following qualifications:

- Completion of military commitment under honorable conditions by serving in an active duty capacity in the armed forces of the United States since July 27, 1953, which service included completion of basic training, and certain commitments completed prior to July 27, 1953;
- Completion of military commitment under honorable conditions by serving in the National Guard or Reserves, which includes completion of basic training and either the entire first term of service or at least one period of active duty for a purpose other than training since August 2, 1990; or
- A spouse of a disabled veteran, unless divorced from that veteran, or a widow/widower of a veteran unless remarried.

Claiming Veterans' Preference In order to claim veterans' preference, the commission's instructions state that the applicant must submit proper documentation with his/her application. This documentation should include his/her U.S. Department of Defense DD-214 service discharge form (discharge form) or spouse's discharge form if applying as a widow/widower or spouse of a disabled veteran. Although the discharge form is the most commonly used document to establish veterans' preference, other military documents showing date of entry, successful completion of basic training, character of service and completion of the military service commitment may also be accepted. Widows/Widowers should also provide a death certificate of their spouse. Spouses of disabled veterans must provide a letter from the U.S. Department of Veterans Affairs verifying that the spouse is receiving compensation for a service-connected disability and a signed statement from the spouse agreeing to transfer credit. If one of

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these qualifications is met, the veteran, widow/widower of a veteran, or spouse of a disabled veteran will receive ten additional points added to his/her final score from the civil service examination. The ten points are added to the final score if the applicant passes the examination; however, the points will not be added to enable the applicant to pass the test.

If an applicant claimed veterans' preference but did not submit his/her discharge form with the application or the application was completed electronically on-line, the commission sends an initial letter to the applicant reminding him/her that proper documentation must be submitted to approve the claim for veterans' preference. In addition, a letter is sent to applicants who submitted a paper application in order to schedule the applicant for testing. This letter mentions the need to provide documentation for veterans' preference. After the examination is scored, a final reminder letter is sent to the applicant if the discharge form has still not been received. No further reminders are sent to the applicant.

The Rule of Three The Rule-of-Three applies to anyone hired from an employment list. This means that one of the three highest scoring available applicants must be hired by the agency. The Rule-of-Three may include more or less than three applicants depending on the number of applicants on the list or if tied examination scores exist. Mandatory preference in appointment is granted to qualified veterans over non-veterans if the veteran is among the Rule-of-Three. Furthermore, an agency has the option to interview and select any veteran on an employment list to a position regardless of his/her ranking on the list. The Department of Aging's regulations (6 Pa. Code §§ 5.3, 5.4) require employment preference be given to applicants age 60 and older for civil service positions within the Department of Aging and Area Agencies on Aging. When an applicant is within the Rule-of-Three with age preference and another applicant within the Rule-of-Three has veterans' preference, either may be selected for hire as neither preference supersedes the other.

Applying for Positions Applicants can apply for civil service positions online through an electronic application on the commission's website or by mailing a paper application to the commission. The electronic applications are interfaced to the commission's Integrated Computerized Examination (ICE) System. All paper applications are entered into the ICE system manually by staff in the Eligible List Maintenance Section of the commission's Bureau of Technical and Information Services (BTIS). On the application, there is a box to mark if an applicant wishes to claim veterans' preference. The instructions to the application state that the service discharge form or other military documentation showing dates of entry and separation and character of service must be submitted with the application. These documents must be submitted only once to establish the initial claim and create the applicant's veteran record.

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The Eligible List Maintenance Section of BTIS also processes the service discharge forms. When received, the information from the service discharge forms is entered into the ICE system. The information is transferred to the commission's AS400 exam and certification system through an interface. Staff members access the newly created veteran file within the AS400 system to determine if the veteran needs to be added to the certification subsystem of the AS400 system as a veteran. A "V" is manually entered as the veteran status code to establish the veteran status in the certification subsystem. From this point on, the "V" will be printed on employment lists next to the veteran's name.

Ranking Applicants An applicant's final earned rating (final score) is used to rank the eligible applicant within a certain job classification and can be comprised of written or oral examinations, a demonstration of skill, an evaluation of experience and education, or a combination of these. Many civil service examinations require the completion of both an application and an experience and training supplement. For some job titles, completion of the supplement serves as the actual examination. The applications and supplements are scanned into a document imaging system. The commission's Bureau of Personnel Assessment accesses these scanned documents and evaluates them to verify that the applicant meets the minimum experience and training requirements as stated in the job specifications and scores the applicant's experience and education, if applicable. Beginning October 1, 2007, the commission has enabled many of the supplements to be completed and submitted by the applicant electronically.

Employment Lists The names of the applicants who pass an exam and meet the minimum experience and training requirements are placed on employment lists or, if applicable, promotion lists. Each job classification has a master employment list of eligible applicants ranked by final score. The agency can request various employment lists based on certain requirements, such as a list of applicants willing to work in the county where the vacancy exists. Commission policy allows agencies to fill vacancies for civil service job positions by utilizing various types of employment lists. Included among the various types of employment lists are an employment list (Code 11), which lists all applicants that passed the civil service examination, an agency employee list (Code 12), which lists only current agency employees who passed the civil service examination, or an inter-agency employee list (Code 14), which lists current employees from any agency including state and local government who passed the civil service examination. Of these three lists, veterans' preference only applies to employment list Code 11 during the audit period July 1, 2002 through June 30, 2006. Other employment and promotion lists exist; however, the Code 11, 12, and 14 Lists comprised of over 90 percent of the total applicants included on lists requested by agencies during the audit period.

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Filling a Position For an agency to fill a civil service position the agency must first request one or more employment lists from the commission. Once received, the agency will review the list(s) and, based on the review, the agency will send Availability Survey/Interview Notice Forms (notice) to applicants it is interested in knowing whether they are available for a position or to invite to a job interview. The applicants, in turn, are to check the appropriate availability/interview box, sign, and mail the notices back to the agency. Based on applicant availability and the subsequent interview process, the agency will hire an applicant from one of the employment lists and "cancel" all other employment lists requested but not used. A hiring agency may request the commission to remove an applicant (veteran or non-veteran) from an employment list based on extraordinary circumstances related to the applicant's competency and ability to perform in the respective job position. If approved by the commission, the applicant is removed from the employment list and the agency does not need to consider the applicant for hire. Before being removed from the employment list, the applicant is given the opportunity for oral argument before the commission. The agency is required to submit all employment lists and notices to the commission's Certification, Investigation, and Audit Section of BTIS for review. The commission is required to compare the employment lists, including the lists considered cancelled, with the notices returned by the applicants in order to ensure the accuracy of the availability of the applicant reported by the agency. The commission then enters the availability reported for the applicants into their AS400 system.

Commission's Monitoring of Compliance The commission also performs a post-audit of the employment list from which a hire was made in order to ensure agency compliance with the Rule-of-Three and veterans' preference regulations. This post-audit does not compare or analyze the employment list which was used for hire in conjunction with the other employment lists that were requested, subsequently cancelled, and returned by the agency. In addition, the cancelled employment lists are not required to be submitted to the commission at the same time as the employment lists with a hire. An agency may also cancel an employment list without making contact with the applicants, in which case no review or post-audit is performed by the commission.

Previous Reports on Veterans' Preference Reports issued by the Legislative Budget and Finance Committee in April 1998 and September 2004 indicated issues with veterans' preference at the state and local government level and recommended that the General Assembly reassess the policy of providing absolute preference to veterans in hiring decisions. This recommendation was based on surveys of Commonwealth personnel directors, program managers and county human resource officers who responded that the veterans' preference law was one of the greatest impediments or negative factors to their ability to hire the most qualified candidates. The General Assembly has not implemented the recommendations of either report regarding changes to the veterans' preference provisions. We note, however, that this negative attitude of personnel officers towards veterans' preference in hiring decisions could contribute significantly to the circumvention of hiring veterans that we report in Finding 1.

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The Auditor General's Decision to Audit the Veterans' Preference Program In October 2005, the commission responded to a letter from the Auditor General regarding complaints received from our department concerning veterans alleging that the Commonwealth has not been applying veterans' preference in its employment decisions or has been applying the preference in an unsatisfactory manner. The commission responded that ensuring state and local government agencies covered by civil service abide by veterans' preference law is its highest priority. The commission stated that every hire is audited to ensure veterans' preference provisions have been adhered to and extensive ongoing training is provided to human resource employees within state and local government agencies to ensure that the veterans' preference provisions are understood and followed. The commission acknowledged that, with regard to some complaints, it may be a matter of an agency using a different legal option to fill its vacancy. This response, among other concerns, led to the Department of the Auditor General's decision to conduct this audit of the Veterans' Preference Program.

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AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this audit were to determine if:

- Veterans were treated fairly when appointments were made to, and jobs filled for, civil service positions by Commonwealth agencies (See Findings 1 through 4);
- Qualified applicants for veterans' preference were properly ranked by the commission (See Findings 3 and 4);
- Appropriate points were given for veterans' preference to qualified applicants for civil service examinations by the commission in accordance with applicable laws and regulations (See Finding 4); and
- Budgetary appropriations are valid in the fiscal period, relevant legal requirements are satisfied, and appropriations are properly recorded (No findings noted – see schedule at Appendix A).

Scope

Our audit covered the commission's duties and responsibilities with regard to veterans' preference for the period July 1, 2002 through June 30, 2006, and the commission's budgetary compliance for the fiscal year ended June 30, 2006.

Methodology

The methodology in support of the audit objectives included:

- Reviewing appropriate laws, court cases, Certification of Eligibles for the Classified Service Manual, 2006 Candidate Test Survey, 2006 Client Agency Survey, Veterans' Complaint Reports, related information from the commission's website, and newspaper articles;
- Interviewing and corresponding with the commission's management and staff from the Bureau of Technical and Information Services, Bureau of Personnel Assessment, and Bureau of Information Technology Systems to assess controls and gain an understanding of policies and procedures used in processing and administering the Veterans' Preference Program;
- Sampling applicants and employment lists for detail testing;

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AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY

- Reviewing applications, service forms, employment lists, and supporting documentation to verify whether: applicant information was accurately entered into the ICE and AS400 systems and reviewed by supervisors; qualified veteran applicants received ten additional points; notices were signed by applicants; and the commission's hiring rules were followed;
- Performing data analysis of the application, examination, and employment list files provided by the commission, including analyzing the use of multiple employment listings and its effect on veterans, verifying whether hiring agencies are following proper hiring procedures, assessing the timeliness of granting veterans' preference, and validating the Social Security numbers of hired individuals; and
- Reviewing budgetary compliance by performing analytical review procedures on year-end account balances and verifying whether encumbrances and available balances are lapsed in accordance with appropriate laws (see schedule at Appendix A).

FINDINGS AND RECOMMENDATIONS



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FINDINGS AND RECOMMENDATIONS

Finding No. 1 – The Commission Allows Agencies to Circumvent the Hiring of Veterans

Condition: The Civil Service Commission (commission) establishes the rules that must be followed in order to hire persons to positions within civil service classifications. Accordingly, the commission creates various employment lists, which include the names of qualified persons who have successfully passed the examination for a certain job code. Some of the lists the commission can create include the following:

- Employment List (Code 11 List) – Lists all individuals with respective final scores, including veterans for new hire (individuals receiving veterans' preference or ten extra points) and current employees including working veterans without veterans' preference, who passed a particular examination.
- Agency Employee List (Code 12 List) – Lists current state agency or local government employees including working veterans without veterans' preference with respective final scores who passed a particular examination.
- Inter-Agency Employee List (Code 14 List) – Lists current employees from any state agency or local government including working veterans without veterans' preference with respective final scores who passed a particular examination.

The names on these lists are arranged in order of final score. The basis of the final score includes the examination score and, if applicable, points for experience and training and ten points for veteran status. When a veteran's final score is among the top three scores on a list (known as the Rule-of-Three), the hiring agency is required to select the veteran for that position.

We found that the commission's policies and procedures allow an agency to simultaneously request and utilize as many lists necessary to fill the position. As a result, agencies can avoid the hiring of veterans by utilizing lists that only contain current agency or inter-agency employees rather than hiring individuals from the Code 11 List, which includes not only current employees, but also all non-employees, including veterans. Therefore, agencies are able to fill positions without applying veterans' preference even when there are veterans available for the position who had one of the highest three scores on the list.

As part of our audit, the commission provided computer data for the period July 1, 2003 to June 30, 2006, containing the lists requested by each agency, including which list the agency utilized to fill positions, as well as who was hired and whether or not the individual received veteran status. We analyzed the data and found that agencies were circumventing the hiring of veterans by: 1) requesting but not utilizing Code 11 Lists; 2) requesting multiple Code 11 Lists, varying only in work location, then selecting lists without veterans; and 3) filling positions without requesting Code 11 Lists.

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FINDINGS AND RECOMMENDATIONS

Finding No. 1

The following explains each method of circumvention:

Method of Circumvention	Number of Job Positions			
	FYE June 30, 2004	FYE June 30, 2005	FYE June 30, 2006	Total
Requesting but not utilizing Code 11 Lists	224	180	165	569
Requesting multiple Code 11 Lists	7	9	10	26
Total	231	189	175	595

At least 569 job positions were not filled with veterans due to agencies requesting but not utilizing veteran-related Lists (Code 11)

Based on our data analysis, we determined that 25 agencies had filled at least 569 positions from Code 12 Lists or Code 14 Lists even though they had requested Code 11 Lists that contained at least one veteran in the top three for those positions. In each case, the Code 11 List was “cancelled” because the agency did not fill the position using that list. Our analysis was limited to situations where Code 11 Lists were requested on the same day as the Code 12 and/or Code 14 Lists. As a result, there may be many other instances where the same situation holds true, but the Code 11 Lists were requested a day or a week before or after the Code 12 and/or Code 14 Lists were requested. Without using the Code 11 Lists, veterans and other non-employees seeking positions within the Commonwealth were not considered for employment by these agencies. In other words, the veterans’ preference, including the ten-point veteran status and Rule-of-Three, is only valuable if agencies request and fill positions from the Code 11 Lists.

We further analyzed these 569 cases and found the following:

- In 388 cases (68 percent), the Code 11 List indicated that the agencies had contacted the veterans who responded that they were available for the position; however, this employment list was subsequently cancelled. Because these veterans were rated in the top three on the list and available, they should have been offered the positions. However, because at least 19 agencies during each audit year chose not to utilize the Code 11 Lists and hired off of the Code 12 Lists or Code 14 Lists for these respective positions, these agencies avoided the hiring of these veterans. For example, in one case, two available veterans with scores of 108 points and 103 points, respectively, listed on a Code 11 List were not selected for the position. Instead, the agency hired a non-veteran from a Code 12 List with a score of 84 points.

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- In 181 cases (32 percent), the agencies had never contacted the veterans to determine if they were available for the positions. However, in each case, the Code 11 List shows that at least one veteran was rated in the top three on the list, and if they were available, should have been offered the position. Therefore, because at least seven agencies during each audit year chose not to utilize the Code 11 Lists and hired off of the Code 12 Lists or Code 14 Lists for these respective positions, these agencies appeared to have avoided the hiring of these veterans. For example, in one case, a veteran with a score of 115 points on a Code 11 List was not contacted to determine if he was available for the position. Instead, a non-veteran on a Code 14 List with a score of 75 points was hired.

At least 26 job positions were not filled with veterans due to agencies requesting multiple lists, varying only by work location, and then selecting lists without veterans

Using data analysis, we also identified 26 instances, between July 1, 2003 and June 30, 2006, where agencies requested multiple Code 11 Lists for the same position, only changing the county work location, and filled the position from a Code 11 List that did not contain a veteran in the top three. In each of these instances, the agency had contacted the veteran in the top three on the list who indicated that he was available for the position. If the agency would have selected the Code 11 List with the available veteran, the veteran should have been offered the position. If a specific county was important as to the hiring location, agencies should not be generating multiple listings for other counties. As a result, the agencies avoided the hiring of these veterans. For example, in one case, an agency requested six Code 11 Lists for the same position by changing only the county work location. There was an available veteran with a score of 93 points on two of the six Code 11 Lists; however, the agency selected a non-veteran with a score of 74 points from one of the remaining four Code 11 Lists.

At least 512 job positions were filled without agencies requesting veteran-related lists (Code 11)

Our data analysis revealed that, during the three-year period ending June 30, 2006, agencies filled at least 512 positions from Code 12 Lists or Code 14 Lists without even requesting Code 11 Lists for these positions from the commission at any time during the respective fiscal year, as shown below:

Method of Circumvention	Number of Positions			
	FYE June 30, 2004	FYE June 30, 2005	FYE June 30, 2006	Total
Not Requesting Code 11 Lists	172	183	157	512

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As a result, any veterans that may have been on the Code 11 Lists for these positions were not considered for hire by these agencies. For example, an agency requested a Code 12 List for a specific position. This Code 12 List contained eight current agency employees arranged from highest to lowest final score. As a result, the agency selected one of these eight employees for this position. However, if the agency would have requested a Code 11 List for this position, which, in this example contained the same eight employees plus one veteran, who had the highest final score, the veteran would have been selected for the position based on the Rule-of-Three instead of one of the existing employees.

Criteria: The Military Affairs Act (Act 92 of 1975, as amended; 51 Pa. C.S. § 7101 *et seq.*), (Act) establishes employment preferences to soldiers who have honorably served their country. The Act's intent is to give a veteran credit "for the discipline and experience represented by his military training and for the loyalty and public spirit demonstrated by his service for the preservation of his country." Additionally, a veteran's lack of training, age, or physical impairment will not disqualify the veteran as long as the veteran possesses the other qualifications to perform the position's duties.

The veterans' preferences include points added to an examination score in addition to giving hiring preference to veterans over nonveterans included on employment lists. Veterans who pass examinations for employment within the Commonwealth will have ten points added to their examination score to determine their placement on the respective employment lists. Additionally, with respect to hiring from employment lists, the commission gives preference to available veterans who have one of the highest three scores on the employment lists, known as the Rule-of-Three. According to the commission's Certification of Eligibles for Classified Service Manual, if an available veteran is in the top three scores on the list, a nonveteran cannot be hired. In other words, if an available veteran has one of the highest three scores, that veteran must be offered the position.

The commission should have policies and procedures to ensure agencies utilize veterans' preferences in their hiring practices.

Cause: Commission management stated that it allows agencies to request as many employment lists as they want to fill a position in order to give them a wider pool of individuals to choose from. We disagree with this reasoning and believe that the opposite is true. Because the Code 11 List contains all individuals who passed the examination, that list alone would contain the entire pool of individuals in which to fill positions. By allowing agencies to request Code 12 Lists and/or Code 14 Lists, which exclude veterans not employed by the Commonwealth, agencies can limit the population of individuals to choose from and ultimately circumvent the hiring of veterans. In addition, the commission's policies do not require agencies to provide justification as to why positions were not filled from requested lists.

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With respect to agencies requesting multiple Code 11 lists for different counties, the commission again stated that it allows agencies to request as many employment lists as they want to fill a position in order to give them a wider pool of individuals from which to choose. Agencies may request different county lists to fill positions involving travel throughout several counties. To avoid the need for requesting lists for different counties, an agency may request the commission to program a customized district-area list into its computer system; however, commission management stated this process is complex and time-consuming. As a result, agencies may be reluctant to establish customized lists. Instead, the agencies request a separate listing for each county and, according to the commission, veterans' preference is applied to each individual list. We disagree. If an agency requests three Code 11 Lists for three counties for the same position, we recommend that the commission apply the Rule-of-Three collectively to all three lists combined to ensure that veterans' preference is not circumvented.

In addition, the commission's Certification, Investigation, and Audit Section performs a post-audit of employment listings from which an applicant was hired in order to ensure that agencies complied with the Rule-of-Three and veterans' preference. However, the commission post-audits each employment listing individually and not in conjunction with the related employment listings which were cancelled. Therefore, the commission's post-audit process would not identify the cases noted in the Condition above as noncompliance with veterans' preference requirements. See also Finding 3, "The Commission Failed to Adequately Monitor Agencies' Hiring Practices."

Effect: By allowing agencies to request as many employment lists as they want, the commission has allowed agencies to circumvent the veterans' preference intent of the Act. Agencies who fill positions using non-Code 11 Lists are intentionally or unintentionally avoiding the opportunity to hire veterans. For example, an available veteran with a score of 105 points on a Code 11 List was not selected for a position. Instead, a non-veteran on a Code 12 List with a score of 77 points was hired.

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Recommendations: We recommend that the commission:

1. require all agencies to request Code 11 Lists for new hire positions;
2. require all agencies to fill new hire positions using Code 11 Lists, unless agencies provide written justification for the need to request and fill positions from other types of lists;
3. collectively apply veterans' preference, if agencies request multiple county Code 11 Lists for the same position; and
4. improve its post-audit process to include a comparison of the cancelled employment lists with the employment list used to hire in order to ensure that veterans' preference is not circumvented.

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Finding No. 2 – Veterans' Preference May Be Granted in an Untimely Manner

Condition: The commission provides preference to veterans seeking employment who have passed a civil service examination. If a veteran requests veterans' preference, the commission requires the veteran to submit his/her DD-214 service discharge form (discharge form) or other applicable military documents at the time of application. Once received, the commission processes the discharge form and updates the veteran's information in its computer system to show veteran status. This system update will also add ten points to the veteran's job examination test score(s). The final test score is noted on the respective employment lists used by agencies in hiring individuals.

As part of our audit, we analyzed certification and examination data for the fiscal year ended June 30, 2006, and found significant delays between the date when veterans passed examinations and the date when veterans' preference, including the additional ten points, was updated in the system:

Delay in Veteran Receiving Ten Points after Taking the Examination	Instances of Veterans Included on an Employment List for Consideration Without the Additional Ten Points	Instances of Employment List Used to Hire an Applicant and Veteran Would have been Selected for Hire if Received the Ten Points
Up to 1 month	96	12
Between 1 and 3 months	42	10
Between 4 and 6 months	96	9
Between 7 and 12 months	46	4
More than 12 months	47	3
Total	327	38

As shown in the above table, we found 327 instances in which veterans' preference was not timely included on one or more employment list, issued between the date these veterans passed examinations and the date veterans' preference, including the additional ten points, was granted and entered into the system. Of these 327, we found 38 (12 percent) instances where veterans, who were either available for the position or not contacted for the position, were on one or more respective employment lists without veterans' preference in which at least one applicant was hired other than the veteran in question. In each of these 38 instances, if the veteran would have received the additional 10 points, he/she would have been in the top three scores and selected for hire. As a result, due to the untimely processing of the discharge form, veterans are not receiving full benefit from being a veteran in consideration for positions.

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Finding No. 2

Criteria: Good internal controls and best business practices dictate that policies and procedures, including monitoring, should be documented. Therefore, the commission should have written policies and procedures for receiving and processing service discharge forms, as well as for monitoring this process to ensure that veterans timely receive veterans' preference benefits when seeking employment.

Cause: Commission management stated that the delay in granting veterans' preference is due to the candidates not submitting the discharge form timely, rather than the commission not timely processing the discharge form. Once received, the commission stated that the discharge form is processed and veterans' preference is updated in the system within three to five working days. The commission admitted that there are no written policies and procedures regarding the processing of discharge forms. In addition, commission management stated that it does not date-stamp the receipt of incoming discharge forms. Therefore, the commission does not monitor the timeliness of processing discharge forms. The commission stated that it processes discharge forms within three to five business days, but we could not substantiate this claim. We agree with the commission that in some cases veterans may be submitting forms late, but we question the large number of instances found with untimely processing of discharge forms as noted in the chart on page 23. The commission also stated that, because commission employees are well trained through on-the-job training, it is unnecessary for the service discharge form process to be documented or monitored. We disagree with management. The timely processing of the discharge form is essential in identifying a veteran. Therefore, procedures must be properly documented and followed.

Effect: Without the timely granting of veterans' preference, including providing the additional ten points, individuals are not being classified as veterans in consideration for filling jobs. As a result, veterans may not be given an opportunity to be considered for employment.

Additionally, without date-stamping incoming discharge forms, the commission cannot monitor to ensure that eligible veterans are being granted veterans' preference in a timely manner to avoid the above situation.

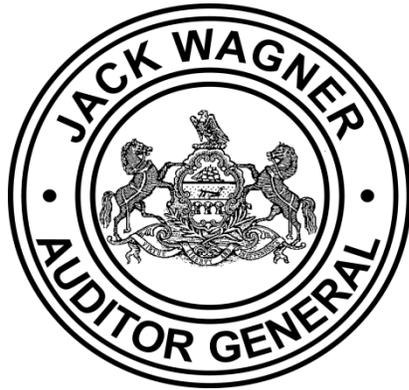
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Finding No. 2

Recommendations: We recommend that the commission:

5. develop written policies and procedures for processing discharge forms, including date-stamping the incoming discharge form, granting veterans' preference, and updating the veterans' preference information in the system to ensure the process is completed in a timely manner;
6. develop written policies and procedures for monitoring the discharge form process to ensure the process is being completed in a timely manner; and
7. send additional reminders to individuals who have claimed veterans' preference on their applications, but have not submitted their discharge forms within 30 days after their examination as been scored.



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Finding No. 3 – The Commission Failed to Adequately Monitor Agencies' Hiring Practices

Condition: For an agency to fill a civil service position, the agency must first request one or more employment lists from the commission. Once received, the agency will review the list(s) and, based on the review, the agency will send Availability Survey/Interview Notice Forms (notice) to applicants for whom it is interested in knowing whether they are available for a position or to invite to a job interview. The applicants, in turn, are to check the appropriate availability/interview box, sign, and mail the notices back to the agency. Based on applicant availability and the subsequent interview process, the agency will hire an applicant from one of the requested employment lists and “cancel” all other employment lists not used. When an employment list is not used, thus cancelled, no hire is permitted to be made from that employment list.

In order to ensure that agencies' hiring practices are appropriate, the commission has developed certain monitoring tools, including a post-audit process of who was hired and an employment list review process. To determine the adequacy of the commission's monitoring efforts, we analyzed data, reviewed documentation, and made inquiry. Based on our test work, we found the following:

Computer weakness allowed agencies to hire applicants without the commission's knowledge

As part of our audit, we performed data analysis to determine if agencies hired applicants from “cancelled” employment lists and found 138 instances between July 1, 2002 and June 30, 2006. Based on subsequent follow-up, we found that the Commonwealth's SAP accounting system interfacing with the commission's computer system failed to stop agencies from hiring applicants off employment lists that had previously been cancelled by these agencies. The systems allowed agencies to enter a hire with his/her Social Security number (SSN) using a cancelled employment list control number. As a result, because a hire occurred using a cancelled employment list and the computer system failed to flag the transaction, the commission did not know the agency made a subsequent hire off a previously cancelled employment list. Consequently, the commission failed to perform its post-audit of these hires and, therefore, did not monitor these hires to verify whether they were in compliance with laws and regulations. According to management, the only way the commission would be alerted to this situation is if the agency informed the commission.

Inadequate post-audit process resulted in veterans' preference violations not being detected

To determine the adequacy of the post-audit process, we reviewed 13 employment lists that were used to hire where an available veteran was in the top three scores but the position was filled with a non-veteran for the fiscal year ended June 30, 2006. We requested documentation and made inquiry into these 13 possible veterans' preference violations and found the following:

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- The commission admitted that three violations occurred and, although a post-audit was conducted, failed to detect the violations. As a result, three veterans should have been hired;
- The commission admitted that one violation occurred and no post-audit was performed. As a result, one veteran should have been hired;
- The commission could not find documentation for two possible violations and, therefore, could not provide any explanations; and
- The commission adequately explained why seven instances were not violations; however, the post-audit for one of these was not conducted until after we made inquiry.

In summary, the commission's post-audit process failed to detect some veterans' preference violations; the commission failed to perform post-audit reviews for all hires and performed some post-audits untimely; and the commission failed to maintain file documentation. Therefore, at least four veterans should have been hired during fiscal year June 30, 2006, but were not because the post-audits were not performed or not adequately performed. We believe that the commission's procedures requiring a post-audit of all employment lists should result in zero tolerance for the failure to detect veterans' preference violations.

In addition to our test work noted above, we found that the commission's post-audit procedures do not include verification of the accuracy of the applicant's test scores or veteran status. We consider the scores and veteran status to be critical components to hire an individual.

According to commission management, no written policies and procedures nor supervisory review exist for the post-audit process.

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Finding No. 3

Inadequate employment list review process

To ensure that information reported by agencies regarding responses to notices sent to applicants on employment lists is accurate, the commission receives the employment lists and all notices returned by applicants to compare the response information written on the employment lists by the agency to the actual returned notices. If the notice is returned unsigned, the agency is required to contact the applicant, document the phone call, and sign the notice in the agency box. Additionally, for applicants who fail to return notices, the agency will place an "NR" code in the commission's system. By entering the "NR," the commission will remove the applicant from employment lists for that job title and any other equal or lower job opportunity. However, prior to the commission removing the applicants and as part of this review process, the commission is required to contact applicants who failed to return notices or who returned their notices unsigned.

During the audit, we found that the commission failed to verify notice information of applicants. In spite of this requirement, management stated that the commission does not contact applicants in either situation. Additionally, management acknowledged that written policies and procedures and supervisory review do not exist for the employment list review process.

Criteria: Best business practices dictate that adequate computer controls need to be in place to ensure that agencies' hiring practices are appropriate. The commission should be aware of every hire to ensure that all hires are made in accordance with laws and regulations.

The post-audit process should be in writing and supervisory review in place to ensure the process is adequate to timely detect hiring violations. Furthermore, the employment list review process should be in writing and supervisory review in place to ensure that agencies accurately reflect applicant information from notices. Additionally, according to Management Directive 580.2 Amended (July 5, 1994), when applicants do not return signed notices, the commission will verify the information reported by agencies by contacting each applicant.

Cause: With regard to agencies hiring from cancelled employment lists, management stated that the commission's computer system is deficient because it allows an applicant to be hired through the SAP system as long as the applicant's SSN was included on an employment list. The commission's computer system fails to prevent or flag a hire made from a cancelled employment list.

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Management indicated that the errors not detected by the post-audit process and the fact that some post-audits were not performed were isolated instances. Furthermore, according to management, written policies and procedures for the post-audit and employment list review process are not necessary and supervisory review of these processes would be inefficient, because commission employees are well trained. We disagree with management. Written policies and procedures as well as supervisory review are integral and necessary parts of good internal controls.

Finally, commission management stated that there are too many applicants who do not respond to notices to possibly contact them all given staffing restrictions. Also, management believes that it is the hiring agency's responsibility to ensure that notices are signed by applicants. We disagree. According to current policies, the commission is required to contact respective applicants to ensure compliance.

Effect: Without adequately monitoring the hiring practices of agencies, the Commission lacks assurance that adequate controls exist to prevent or detect potential hiring abuse to ensure that employees are hired according to laws and regulations. Failing to accurately and timely perform the post-audit process for applicants who are hired has resulted in the hiring of applicants in violation of veterans' preference.

Additionally, failing to contact applicants who fail to respond or sign notices may allow agencies to manipulate the results of notices sent by destroying applicant notices and coding them as "NR" or by creating fictitious notice responses without validation from a candidate's signature. In fact, one of the commission's post-auditors expressed a concern that this situation could be occurring and going undetected.

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Finding No. 3

Recommendations: We recommend that the commission:

8. establish computer controls to eliminate agencies' capability to hire applicants through SAP using cancelled employment lists;
9. implement procedures to verify the accuracy of applicants' test scores and veteran status;
10. develop written policies and procedures for the post-audit process and employment list review process;
11. implement supervisory review procedures over the post-audit process and employment list review process; and
12. utilize necessary resources to ensure applicants who fail to return a notice or fail to sign a notice are timely contacted by the commission in compliance with Management Directive 580.2 Amended.



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Finding No. 4 – Control Weaknesses Found in the Processing of Applications, Scoring of Applicants, and Computer Security

Condition: As part of our audit, we reviewed the commission's controls over the application and examination scoring processes, including editing capability within the related computer systems. Our review included interviewing the commission's Deputy for Operations; IT Security Administrator; management and staff of the Eligible List Maintenance Section within the Bureau of Technical and Information Services; and management and staff of the Evaluation Unit within the Bureau of Personnel Assessment Test Administration Division; as well as reviewing paper applications, service discharge forms, and listings of employees with computer editing capability. Our review found control weaknesses in the application process, the applicant scoring process, as well as computer security weaknesses:

Control weaknesses found in the application process

We noted the following control weaknesses of the application process:

- **Lack of written procedures**

The commission has no written procedures for processing applications. The application process includes receiving the applications, via electronic transmission or mail, data entry of paper applications, and storing the application. We noted that applications are not date-stamped to identify when applications are received. Without written procedures, employees may not be consistently processing applications. Additionally, management has not established time limits for processing applications.

- **Lack of supervisory review**

In addition to no written procedures, the commission does not have supervisory review procedures in place to ensure that all applications are processed and are data-entered into the computer system accurately and timely. Supervisors do not perform reconciliations to ensure all applications received are processed and data-entered. No printouts are generated and reviewed by supervisors to ensure that application information has been accurately data-entered. No monitoring is performed to ensure the timely processing of all applications.

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Finding No. 4

- Inadequate recordkeeping

As part of our audit, we requested service discharge forms for 52 applicants receiving veterans' preference. Of the 52, 10 (19 percent) could not be provided. According to the commission, six were misfiled, three were sent to archives and subsequently purged, and one applicant was erroneously granted veterans' preference. According to the commission, the erroneous veterans' preference was granted to an ineligible applicant from October 2003 through August 2006. The commission indicated that the error was probably due to a data entry error. The error, however, did not result in the applicant receiving a job position.

Control weaknesses found in the applicant scoring process

We noted the following control weaknesses of the applicant scoring process:

- Lack of written procedures

The commission has no written procedures for determining whether applicants meet the minimum education and experience requirements for positions they are seeking or for developing a score for education and experience, if applicable. An applicant's final score, used for hiring employees, is comprised of a score for a written or oral examination, a score for skill demonstration, and/or a score for experience and education. Without written procedures, the commission's evaluators performing these procedures and data-entering them into the system may not be consistently determining whether the minimum education and experience requirements had been met and may not be consistently determining the scores for the non-examination portions of the final score. Additionally, no deadlines are established for how long this process should take. The commission indicated that there is a manual dating back to the 1980s, but because the procedures have changed, certain sections of the manual need to be updated, and therefore, did not provide the manual to us.

- Lack of supervisory review

In addition to having no written procedures, the commission's Evaluation Unit supervisor does not adequately review this process. The supervisor does not monitor the timeliness of this process. According to the supervisor, his review is limited to "spot checking" ten applications per evaluator per month to ensure that job eligibility and/or number of points assigned for education and experience are properly determined. However, he does not document this review. As a result, we could not verify whether this review occurred during the audit period.

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Finding No. 4

Computer security weaknesses

Based on interviews as well as our review of listings identifying employees who have edit capabilities for the commission's two computer systems, we found that the commission failed to restrict users with edit capabilities to a minimum number and written requests with management approvals were not required before access is granted to the systems. We reviewed the commission's AS400 system, which is used to process employment lists and maintain examination history and veteran status, and the ICE system, which is the commission's computerized examination system and is also used to process on-line applications. With regard to the AS400 system, management provided us two different user capability listings during the audit. By comparing these listings, we found significant differences. As a result, we question the accountability of AS400 users on each report. However, using the listings provided, of the 156 employees noted on the commission's organizational charts, we found the following:

- 118 (76 percent) had the capability to enter and/or edit information in the AS400 system. Of these, at least six were also computer programmers;
- 88 (56 percent) had the capability to enter and/or edit the ICE system. Of these, 22 also had full unrestricted access to the test manager environment, including four computer programmers; and
- 75 (48 percent) had the capability to enter and/or edit both systems.

Commission management acknowledged that many of these users with these capabilities may not need them to perform their normal job duties. Furthermore, allowing programmers to have access to production data and program applications creates a segregation of duties conflict.

Criteria: As part of administering the Veterans' Preference Program, the commission must ensure adequate controls, including written procedures and supervisory review, are in place so that application information is processed accurately and timely and the applicants' final scores are correctly determined and entered properly into the computer system. These procedures will reduce the risk that incorrect applicants are selected for employment.

Also, records must be maintained in a manner that is retrievable.

In addition, computer system access control decisions should be based on two generally accepted standards of practice which are separation of duties and least privilege. All users at all times should be given as few access privileges as possible to perform their job duties. Access must not be unconditional and access controls must adequately protect all of the organization's resources. Management should provide formal written authorization forms that define the access rights of their employees and should correspond to the employees' job duties.

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Cause: Commission management believes well-trained employees negate the need for written policies and procedures and for supervisory review. The commission uses on-the-job supervisory training for teaching the processing of applications and the processing of final scores. According to the commission, having a level of supervisory review for these processes would be inefficient. The commission relies on applicants to contact the commission when an error occurs. If a complaint is received, a supervisor would become involved to resolve the complaint. We disagree with management. Written policies and procedures as well as supervisory review are integral and necessary parts of good management controls. Additionally, written policies and procedures are important for consistent application, especially when any staff or management turnover occurs.

With regard to not being able to provide requested service discharge forms, management stated that some forms were sent to the State Archives and subsequently purged and others were misfiled by wrong Social Security number.

With respect to the evaluation chapter of the Examiner's Manual for the scoring process, the commission stated that this manual is being updated to include current procedures for application evaluators.

With regard to computer security weaknesses, management stated that users can only enter or edit certain AS400 subsystems or screens which have been authorized. In addition, management indicated that user profiles and access privileges are only reviewed at time of hire or transfer and not routinely reviewed to ensure that access privileges are proper according to current job duties.

Effect: Without formal written policies and procedures, increased risk exists that proper procedures will not be consistently applied when employees process applications or process final scores. Furthermore, a lack of supervisory review compounds the risk that errors are occurring and not being detected. These control weaknesses can result in improperly determining applicants' eligibility and score for the job position or veterans' preference and lead to selecting and hiring inappropriate applicants, which would violate the rules of civil service.

Failing to properly retain service discharge forms, results in the commission not being able to support veterans' preference eligibility.

Furthermore, by not restricting the ability to enter and/or edit AS400 and ICE data to a minimal number of users based on their job duties, the risk increases that users may make unauthorized changes to data which would not be detected by management in a timely manner during the normal course of business. Without written approval of user access and routine review of this access, the commission cannot be assured that all authorized access is necessary for its employees' current job duties and that proper segregation of duties exist.

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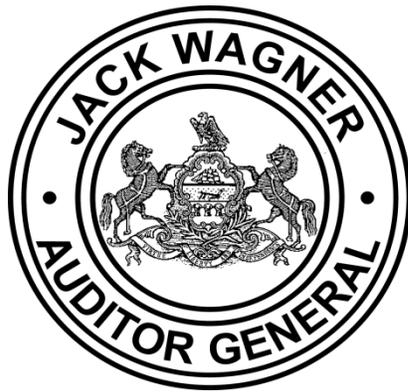
Finding No. 4

Recommendations: We recommend that the commission:

13. develop policies and written procedures for the application process;
14. implement supervisory review over the application process and document this review to ensure that application data has been accurately and timely processed;
15. improve recordkeeping procedures to ensure that service discharge forms are maintained and retrievable to support veterans' preference eligibility;
16. continue to update the evaluation chapter of the Examiner's Manual for the scoring process;
17. implement adequate supervisory review over the scoring process and document this review to ensure that the scoring process is accurately and timely completed;
18. review all users' access to the AS400 and ICE systems to ensure that their access corresponds to their current job duties and do not conflict with proper segregation of duties; and
19. require AS400 and ICE access authorizations to be written and approved by management.



APPENDIX A



APPENDIX A

**STATE CIVIL SERVICE COMMISSION
SCHEDULE OF SOURCES AND DISPOSITION OF AUTHORIZATIONS
FOR THE FISCAL YEAR ENDED JUNE 30, 2006**

The Constitution of Pennsylvania requires the Governor to propose, and the General Assembly to enact, a balanced operating budget each year (Pa. Const. Art. VIII, §§ 12(a), 13(a)). The commission's annual budget includes an appropriation authorized by the General Assembly through an appropriation act and executive authorization issued by the Governor. The commission receives an annual state appropriation to establish a line item against which augmentations or revenues received from client agencies can be posted and spent. These revenues reimburse the commission for the cost of providing merit system services. The intent is for the commission to be solely supported by agency billings, or be a fully augmented program. The commission receives and expends monies from the General Fund. The commission does not lapse unused augmentations, but rather rolls those funds into the next fiscal year by reducing client agency billings for the subsequent year. The annual rebudget letter from the Office of the Budget to the commission recognizes the unspent billings and offsets the next fiscal year's overall agency charges by that amount.¹ The unused revenue is rolled forward once all expenditures have been realized and all encumbrances have been liquidated. See following schedule of sources and disposition of authorizations for the fiscal year ended June 30, 2006.

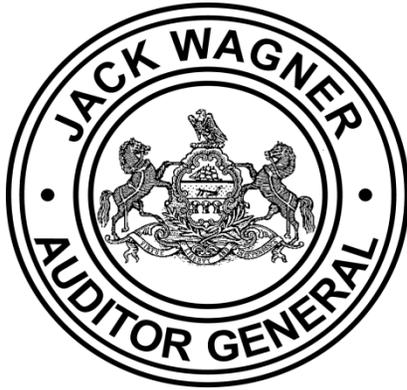
	<u>AMOUNT</u>	
SOURCES OF AUTHORIZATIONS		
Appropriations	\$ 1,000	
Reserve Carry Forward from 2004-2005	2,178,341	(A)
Actual 2005-2006 Augmentations	<u>14,353,079</u>	
	<u>\$ 16,532,420</u>	
DISPOSITION OF AUTHORIZATIONS		
Expenditures	\$ 14,463,944	
Commitments	<u>555,584</u>	
	<u>\$ 15,019,528</u>	
AVAILABLE BALANCE	<u>\$ 1,512,892</u>	

(A) – The Reserve Carry Forward represents 2004-2005 augmentations which were not expended by June 30, 2005 and carried forward to 2005-2006.

¹ The purpose of the rebudget is to revise and refine the commission's spending plan developed for the Governor's budget, incorporating changes based on the enacted budget for the respective year and the most recent information concerning program costs and program data.



APPENDIX B



APPENDIX B

What follows in Appendix B is the State Civil Service Commission's verbatim response to our findings and recommendations as well as auditors' conclusions. While management's response contains a number of disagreements with very specific conclusions made in our report, we are pleased to note that management has agreed to implement many of our recommendations. Unfortunately, management also stated its disagreement with a number of important recommendations and is opposed to implementing them.

Specifically, management has chosen to "disagree with all of the recommendations contained in Finding No. 1." This is unfortunate because the recommendations presented in Finding No. 1 address the major deficiencies noted in our report.

Under Pennsylvania's Military and Veterans Code, veterans who pass civil service employment examinations have an extra ten points added to their scores and are to be given absolute preference if they are among the top three candidates (the preference does not apply when a veteran seeks to move from one civil service position to a higher civil service position). We believe that it is of critical importance that only Code 11 lists be used when seeking out potential employees for new positions. The Code 11 List is the primary list that includes both eligible applicants seeking employment (i.e., non-employees) and current employees. Thus, it is the primary list that includes veterans for new hire (that have received veterans' preference scoring). Other lists (Code 12 and 14) include only current employees and thus exclude veterans seeking employment.

Management states in its response that "a practice of exclusively using Code 11 lists would provide an advantage to veterans who are not currently Commonwealth employees, and a disadvantage to veterans who are." We disagree. The main purpose of the veterans' preference program is to assist qualified veterans who are not currently Commonwealth employees obtain a job in the workforce. Therefore, the exclusive use of Code 11 lists for a civil service appointment as we recommend, will help ensure success of the Veterans' Preference Program, as intended by the legislature.

We commend management for its decision to implement all of the recommendations related to Finding No. 2.

Management also agreed with all but one recommendation presented in Finding No. 3. We recommended that the Commission utilize necessary resources to ensure that applicants who fail to return or sign a notice be timely contacted by the commission in compliance with Management Directive 580.2 Amended. We believe that management should reconsider its position and ensure that appropriate contact is made with the applicants. If the commission feels that such a procedure is not practical, it should consider a revision to the management directive.

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Finally, management agreed with six of the seven recommendations provided in Finding 4. We recommended that policies and procedures be developed relative to the application process. Management stated in its response that such policies and procedures already exist. Our audit team made inquires of management and was informed that there are no formal written procedures for the processing of paper applications and service discharge forms. While individual employees may have their own informal notes, there were no official written policies and procedures in place. Again, we encourage management to give consideration to formalizing policies and procedures over the application process.

APPENDIX B

COMMONWEALTH OF PENNSYLVANIA



MARWAN KREIDIE
Chairman

JAMES W. MARTIN
Commissioner

KATHERENE E. HOLTZINGER CONNER, Esq.
Commissioner

STATE CIVIL SERVICE COMMISSION

P.O. Box 569
Harrisburg, PA 17108-0569

JEFFREY T. WALLACE
Executive Director

MICHAEL J. SULLIVAN
Deputy for Operations

August 4, 2008

(717) 787-3094

Randall R. Marchi, CPA, CFE, CGFM
Director
Bureau of Departmental Audits
222-D Finance Building
Harrisburg, Pennsylvania 17120-0018

Dear Mr. Marchi:

Please find enclosed a revised copy of the State Civil Service Commission's (SCSC) response to the Auditor General's (AG) "Special Performance Audit Report of the Veterans' Preference Program" administered by the SCSC for the period of July 1, 2002 through June 30, 2006.

As per discussion, the SCSC has made certain modifications to its initial audit response dated July 3, 2008 subject to the condition that the AG make modifications to the draft performance audit report issued May 30, 2008. Please note that on page 23 of the AG draft performance report, it references "the evaluator manual." We request that this language be changed to "the evaluation chapter of the Examiner's Manual." This language is consistent with your understanding and acceptance of SCSC's response about this matter.

If you have any questions about this response, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey T. Wallace".

Jeffrey T. Wallace
Executive Director

Enclosure

cc: Marwan Kreidie, Chairman
Katherine E. Holtzinger Conner, Commissioner
James W. Martin, Commissioner
Joseph C. Natoli, Acting Comptroller, Centralized Services
Michael J. Sullivan, Deputy for Operations, SCSC
Frederick C. Smith, Jr., Chief Counsel, SCSC

APPENDIX B

STATE CIVIL SERVICE COMMISSION RESPONSE TO PA AUDITOR GENERAL'S SPECIAL PERFORMANCE AUDIT OF THE CIVIL SERVICE COMMISSION VETERANS' PREFERENCE PROGRAM JULY 1, 2002 THROUGH JUNE 30, 2006

SCSC "Background" Response

The following response to the "Background" section of the Auditor General's report is provided in order to give a more complete explanation of how veterans' preference is applied when appointing individuals into civil service-covered positions in state agencies identified in § 3(d), *Civil Service Act, Act of August 5, 1941, P. L. 752*, as amended, and political subdivisions of the Commonwealth which have contracts with the State Civil Service Commission for services and facilities as provided for in § 212, of the Civil Service Act.

The State Civil Service Commission (SCSC) does not administer "the Veterans' Preference Program." The legal basis for veterans' preference is not in the Civil Service Act, but rather originates from Chapter 71 of the "Pennsylvania Military Code," which provides in relevant part, that soldiers who take civil service examinations for appointment into public positions under the Commonwealth, or under any political subdivision thereof, are given credit in the manner thereafter provided. *Section 7103(a)* of the Military Code provides, in relevant part, that soldiers who successfully pass Commonwealth appointment examinations and who possess the qualifications required by law for such public positions will receive an additional ten points above the mark or grade credited for the examination. *Section 7103(b)* of the Military Code indicates the scoring mechanism applied to soldiers, who take civil service examinations for appointment into various municipal agencies within the Commonwealth. *Section 7104* continues by indicating how preference for appointment to public positions is applicable when filling non-civil service positions or when appointing a soldier whose name appears on a civil service list. To state that the SCSC administers the "Veterans' Preference Program" can be misinterpreted to infer the Commission ensures veterans receive preference for appointments to public positions where no such civil service examination is required or that appointments to civil service-covered positions within Commonwealth municipal agencies are monitored by the Commission, neither of which would be accurate.

Page [7], paragraph 3, states civil service positions are different from union-covered positions. Many union-covered positions are civil service-covered. A position's bargaining unit does not determine whether or not a position is covered by the merit system. Rather, civil service coverage of a position is legislatively defined in *Section 3* of the Civil Service Act.

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Page [8], paragraph [3], indicates that in order to claim veterans' preference, the applicant must submit proper documentation at the time of application. In fact, the SCSC will accept proper documentation at any time. There are no time limitations regarding when proper documentation to establish veterans' preference will be accepted and applied to a candidate's record. As an example, from January 1, 2008 through May 31, 2008, approximately 3,900 letters were sent to candidates who claimed veteran status on their civil service application but did not provide the documentation required to establish veterans' preference at the time the application was submitted to the Commission. In addition to the initial letter sent after the application is input into the Commission's Integrated Computerized Examination (ICE) system, a second letter is sent to the candidate after the application has been evaluated to ensure the candidate meets the "Minimum Experience and Training (MET)" requirements. If the candidate still has not submitted the proper documentation after successfully examining for the applicable job title, a third letter is sent notifying the candidate that the Commission has not received documentation to establish veterans' preference. Although the applicant need only submit the proper documentation once to establish such preference, for each application submitted while proper documentation is not on file, a letter will be sent to the individual stating our records do not contain the necessary documentation. This letter is automatically generated nightly following the electronic input of the application and mailed to the individual the following business day. It should also be noted that although the DD-214 is the most commonly used document to establish veterans' preference, there are various other documents that may be used.

Page [9], paragraph [2], the "Rule-of-Three" applies to most types of certifications issued by the Commission. If an employment list is the mechanism used to effectuate an appointment, an agency may not appoint an eligible outside of the Rule-of-Three, unless the eligible is properly documented as a veteran on such list, which is indicated in the final sentence of this paragraph. It should also be noted *Pennsylvania Code, Title 6, Chapter 5, Section 5.3 and 5.4* requires employment preference be given to applicants age 60 and older for civil service positions within the Department of Aging and Area Agencies on Aging. When a candidate is within the Rule-of-Three with age preference and another candidate within the Rule-of-Three has veterans' preference, either may be selected as neither preference supersedes the other.

Page [10], paragraph [1], should be updated to reflect that many supplements are available for a candidate to complete and submit electronically to the Commission. This technological enhancement was implemented for selected supplements on October 1, 2007 with an ultimate goal that all supplements will be made available online.

Page [10], paragraph [2], the first sentence should include, after employment lists, "or, if applicable, promotion lists." Based on the criteria submitted by the agency as well as the information provided by the individual regarding employment preferences, a list of eligible candidates ranked by final score will be provided to the agency seeking to fill a vacant civil service-covered position utilizing an employment or promotion list. Furthermore, Commission policy alone does not authorize creation and, therefore,

APPENDIX B

utilization of various types of employment or promotion lists; this authority is legislatively conferred upon the SCSC Executive Director by *Section 506* of the Civil Service Act. In addition, the last line of this paragraph states veterans' preference only applies to employment list Code 11. Veterans' preference applies to Veterans' Preference Certifications (Code 21), Provisional Appointment Certifications (Code 35) and Selective Employment Certifications (Code 37). In light of the recent decision in *Gregory L. Cutler v. State Civil Service Commission (Office of Administration)*, 924 A.2d 706 (Pa. Commw. Ct. 2007), *petition for allowance of appeal denied*, 940 A.2d 366 (Pa. 2007), veterans' preference now also applies to Agency Employee Certifications (Code 12), Interagency Employee Certifications (Code 14), Agency Selective Employee Certifications (Code 38) and Interagency Selective Employee Certifications (Code 39).

Page [10], paragraph [3], states that an appointing authority filling a civil service position must request an employment list. Appointing authorities may be required to use other options. For example, in cases which entail filling a civil service-covered position that is also covered by a collective-bargaining unit agreement, the agency must post the vacancy allowing its current employees to apply. In addition, when an agency sends an Availability Survey/Interview Notice to a candidate, it is done to establish a valid Rule-of-Three. Contrary to the report's assertion, no evidence has been provided to support the contention that this survey/notice is sent based on an appointing authority's interest in a particular or select group of candidates. An appointing authority may select an individual from the applicable lists used, or the appointing authority may use another employment method including but not limited to promotion without examination, transfer, reassignment, voluntary demotion, or reinstatement. The Commission regulation found at 4 Pa. Code § 95.7(b) provides that several different methods are available to an appointing authority filling a Commonwealth vacancy. The Pennsylvania Commonwealth Court, citing this regulation, has held, "There is nothing in the regulations or the [Civil Service] Act to suggest that an appointing authority is precluded from using different methods simultaneously." *Pannacci v. Commonwealth, Department of Public Welfare*, 126 Pa. Commw. 506, 510, 560 A.2d 288, 290 (1989). The fact there are various options to fill civil service covered positions enhances the Commonwealth's ability to recruit and retain the best employees.

Page [11], paragraph [1], indicates no analysis or comparison is performed on lists used unless an appointment is made from such list. Every list on which candidates are surveyed is reviewed to make sure accurate responses are attributed to each candidate. These responses are then entered into the Commission's AS400 system. This is part of the "post audit" process. In addition, if a candidate was hired using a civil service list, staff verifies the selection was made within the Rule-of Three and/or veterans' preference or age preference was appropriately applied.

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It appears that an impetus for this audit was a combination of concerns. The first was gleaned from Legislative Budget and Finance Committee reports dated April 1998 and September 2004 that agencies may be circumventing the hiring of veterans. The second was an SCSC response issued to the Auditor General in 2005 that referenced additional legal options available to agencies to fill positions. It should be noted that there is no evidence contained in these reports to support the contention that agencies are intentionally circumventing veterans' preference. The "other concerns" as referenced on Page [11], paragraph [3], that contributed to the decision to conduct the audit are not identified, therefore, we are unable to address them.

AG Recommendations for Finding No. 1 – The Commission Allows Agencies to Circumvent the Hiring of Veterans

1. Require all agencies to request Code 11 lists.
2. Require all agencies to fill positions using Code 11 lists, unless agencies provide written justification for the need to request and fill positions from other type lists.
3. Collectively apply veterans' preference, if agencies request multiple county Code 11 lists for the same position.
4. Improve its post-audit process to include a comparison of the cancelled employment lists with the employment list used to hire in order to ensure that veterans' preference is not circumvented.

SCSC Response to Finding No. 1

The Commission creates various employment and promotion lists. Veterans' preference now applies to all employment lists. The description for a Code 12 list should state the names certified are employees of the agency which requested the list who hold civil service-covered positions at the time the list is issued. It should also be noted that paragraph 2 on page [17] implies candidates receive additional points for experience and training. Although there are examinations in which experience and training are rated to provide an overall score, an individual does not get extra credit for experience after an examination has been rated.

APPENDIX B

An appointing authority has the ability to view lists prior to requesting them. The fact that these lists were ordered, surveyed and interviews were conducted speaks against the speculation that appointing authorities engage in practices to circumvent the hiring of veterans. Opportunities were made available to the eligible veteran; however, the appointing authority legally hired another candidate from a separate list or used another employment option. In addition, there is no evidence that any analysis was conducted to determine if the candidates selected from the Code 12 and 14 lists were veterans.

In regard to an appointing authority's use of multiple lists for various counties, it is important to note that the selected candidate would be accountable for a geographic area of the Commonwealth which encompassed many counties. To consider as broad a candidate pool as possible, the appointing authority requested lists for each of the encompassing counties, established a valid Rule-of-Three on each list, considered all valid eligibles and made a legal selection from one of the lists. The lists used were Code 11's in which veterans' preference applies.

Appointing authorities are not required to request a Code 11 employment certification. It is also not a requirement that if a Code 11 contains a veteran in the Rule-of-Three that the appointing authority must use the Code 11 to fill the vacancy. This proposal does not account for requirements contained in collective bargaining agreements regarding seniority rights to vacancies nor does it take into consideration current employees' career progressions.

Page [21], paragraph 1, implies the Commission discourages the establishment of district lists due to the complex and time-consuming nature of such requests. If an appointing authority requests and provides satisfactory justification for the establishment of such lists, the SCSC Executive Director will approve it. The Commission is not aware of any appointing authority expressing reluctance to establish a district list due to time or complexity issues. Finally, in regard to the establishment of district lists, the Commission is unaware of any legal basis or opinion that this practice runs counter to the content of the Civil Service Act.

We disagree with all of the recommendations contained in Finding No. 1. The Pennsylvania General Assembly expressly delegated to the SCSC Executive Director the discretion and authority to "establish and maintain such eligible lists as are necessary or desirable to meet the needs of the service." P.S. § 741.506. If accepted, these recommendations would restrict the Director's discretion by requiring all appointing authorities to use only one type of eligible list, the Code 11 employment list, to the exclusion of all other type of lists "unless agencies provide written justification for the need to request and fill positions from other types of lists."

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When the Military Code legislation was passed by the Legislature, it included a preference for veterans on both employment and promotion lists for civil service positions. Indeed, the language indicating that veterans' preference applies to promotions in the classified service is still contained in the statute. 51 Pa. C.S. §§ 7103(a) and 7104(b). However, the practice of giving veteran candidates for promotion the extra ten points in the grading of their examination and preference based on their veterans' status was struck down by the Pennsylvania Supreme Court as unconstitutional in 1951. *Commonwealth ex rel. Maurer v. O'Neill*, 368 Pa. 369, 83 A.2d 382 (1951). See also *Hoffman v. Whitehall Township*, 544 Pa. 499, 677 A.2d 1200 (1996). As a result, Commonwealth employees who are veterans and who are seeking better-paying jobs within the classified service can take examinations for those positions and have their names added to Code 11 lists. However, they are not given veterans' preference on those lists because, for them, appointment to these positions would constitute a promotion. Accordingly, a practice of exclusively using Code 11 lists would provide an advantage to veterans who are not currently Commonwealth employees, and a disadvantage to veterans who are.

The report's conclusion about the intent, purpose and use of Code 12 and 14 lists is not accurate. These lists are not used to "circumvent" veterans' preference hiring. To the contrary, these lists provide current Commonwealth employees (working veteran or not) additional employment opportunities. The report's conclusion is based, in part, on the fact that names appear on these lists with no indication of veterans' status. Please note, however, that the absence of annotations indicating veterans' preference status does not mean that there are no veterans on these lists. In fact, quite the opposite is true. Since veterans' preference is frequently used to obtain entry-level appointments into Commonwealth service, it would be virtually impossible to create any Code 12 or 14 eligible list of current Commonwealth employees that did not include veterans. If the recommendations are accepted, veterans who are currently Commonwealth employees typically would not be permitted to use their veterans' preference for Code 11 lists. As a result, they would be disadvantaged in their competition with non-Commonwealth candidates whose names appear on Code 11 lists with the advantages of ten points added to their score and mandatory veterans' preference. By appearing on Code 12 and 14 lists, veterans who are currently Commonwealth employees have an opportunity to compete for these jobs on a level playing field with other Commonwealth employees.

The report's findings also fail to take into account the realities of Commonwealth employment. The Commonwealth is a huge employer offering opportunities in a variety of professions and fields. Approximately 70% of these jobs are in the classified service. As with any other large employer, some jobs are better than others or more desirable to particular individuals. Additionally, there are jobs which are entry-level positions and there are higher-level jobs which the current employees aspire to obtain. Within many class series, there are varied levels within the series. Employees begin employment at a trainee or level one, and then advance to higher levels within the same class series.

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Employees are hired as non-supervisory personnel and are later promoted to supervisory positions. When a position opens with a private sector employer, it is a normal practice for the employer to look first to the personnel it already employs to see if it has someone who can do the job. This is also true for Commonwealth employment. The use of Code 12 and 14 lists rewards achieving Commonwealth employees, many of whom are veterans, with better jobs while simultaneously creating employment opportunities for a new wave of veterans to enter the workforce as a result of filling vacated positions.

The data reviewed for purposes of this audit was collected for the time period extending from July 1, 2002 to June 30, 2006. During this time period, no permanent Commonwealth employee was allowed to use veterans' preference a second time to obtain a new position in Commonwealth employment. As a result of the *Cutler* decision, this policy changed. Current Commonwealth employees are now permitted to use veterans' preference to obtain positions at the same pay grade or lower than the pay grade of the position they currently hold. As a result of this decision, Commonwealth employees are now receiving veterans' preference points and status on Code 12 and 14 employment lists when appropriate. Veterans' preference still does not apply to promotions. Therefore, if a Commonwealth employee's name appears on a certification list for a position at a higher pay grade than the position that the employee now holds, the employee will not receive veterans' preference. Nonetheless, Commonwealth employees who are veterans and who are seeking to move to more desirable jobs at the same or lower pay level than the job they currently occupy, have begun receiving the benefits of veterans' preference on Code 12 and 14 lists. Should the Commission implement the report's recommendations, then the competitive advantage made available to these veterans by the *Cutler* decision will be minimized.

Auditors' Conclusion: As previously stated in the finding, the Military Affairs Act establishes employment preferences to veterans who have honorably served their country by giving them credit "for the discipline and experience represented by [their] military training and for the loyalty and public spirit demonstrated by [their] service for the preservation of [their] country." The commission's response and policies are not in accordance with the intent of this Act.

Our Recommendations 1 and 2 are in regard to new hire positions, not promotions. An agency filling a new hire position should be required to utilize the Code 11 List which is comprised of all candidates eligible for the position including current Commonwealth employees and new applicants seeking employment. The Code 11 List includes all veterans, both currently working and new applicants. The Code 12 and 14 Lists exclude all new applicants, some of which are veterans. We acknowledge the importance of providing employment opportunity and career progression to current Commonwealth employees; however, providing these opportunities to current employees should not supersede veterans' preference as established by the Act.

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In addition, we acknowledge there may be some situations where a vacancy is filled using methods other than the Code 11 List, such as according to requirements contained in collective bargaining agreements regarding seniority rights to vacancies; however, as indicated in Recommendation No. 2, agencies should fill new hire positions using Code 11 Lists, unless agencies provide written justification for the need to request and fill positions from other types of lists.

We acknowledge that the Code 12 and 14 Lists include current Commonwealth employees of which may include working veterans. However, through our analysis, we have determined that using the Code 12 and 14 lists circumvents the intent of the Act in that veterans applying for employment will be overlooked and not be considered for hire. In addition, during the time period of our audit from July 1, 2002 to June 30, 2006, veterans who were current Commonwealth employees were not identified by the computer system on the Code 12 and 14 Lists and, therefore, we could not perform analysis to determine how many existing employees selected from the Code 12 and 14 Lists were in fact veterans.

As stated in the commission's response, the *Cutler* decision changed the commission's policy to extend employment preference to veterans who are current Commonwealth employees seeking positions at the same or lower pay grade than the position they currently hold. The *Cutler* decision did not change the law or provisions of veterans seeking new employment with the Commonwealth. We disagree with the commission's opinion that the advantage made available to the working veterans by the *Cutler* decision will be minimized by implementing the recommendations identified in the finding. The Code 11 List includes all eligible applicants who are not Commonwealth employees and those that are Commonwealth employees. As per the Act and related court cases, the veteran candidates on the Code 11 List who are not current Commonwealth employees and those that are Commonwealth employees seeking positions of equal or lower pay than the position they currently hold both receive an additional ten points and veterans' preference and, therefore, no advantage made available by the *Cutler* decision is minimized by using the Code 11 List. To the contrary, by utilizing the Code 12 or 14 Lists, veteran applicants who are not Commonwealth employees are excluded, which eliminates job opportunities for these veterans.

With regard to the commission's response concerning an appointing authority's use of multiple employment lists for various counties for the same job position, we agree that the lists utilized were Code 11 Lists; however, we disagree that veterans' preference applies to each list separately because each Code 11 List for the various counties all pertain to the same job position. Instead, we recommend that in these situations veterans' preference should be applied collectively by combining all of the individual county lists for the same job position, and thereby ensuring veterans' preference is not circumvented.

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AG Recommendations to Finding No. 2 – Veterans’ Preference may be Granted in an Untimely Manner

5. Develop written policies and procedures for processing discharge forms, including date-stamping the incoming discharge form, granting veterans’ preference, and updating the veterans’ preference information in the system to ensure the process is completed in a timely manner.
6. Develop written policies and procedures for monitoring the discharge form process to ensure the process is being completed in a timely manner.
7. Send additional reminders to individuals claiming veterans’ preference on their applications, but have not submitted their discharge forms within 30 days after their examination has been scored.

SCSC Response to Finding No. 2

Page [23], paragraph 1, should be revised to reflect other documents beyond the DD-214 may be used to determine if veterans’ preference applies. Again, many candidates do not submit documentation required at the time of application in order to establish veterans’ preference. When a candidate indicates on the civil service application that veterans’ preference is being claimed, the Commission makes multiple attempts to obtain the information necessary to establish preference as close to the date of application as possible. The audit report’s assumption that information is not processed timely is not accurate. The information stated on page [23] of the report does not account for a candidate’s responsibility to submit proper documentation.

Page [24], paragraph 1, states the Commission should have written policies and procedures for receiving and processing service discharge forms. The Commission has policies and procedures which are adhered to and include timeframes in which forms must be processed. In addition, these policies and procedures which were last revised in 2006 are currently under review to determine if any updates are necessary.

We agree with Recommendation No. 5 to date-stamp discharge forms. This recommendation has been implemented. We agree with Recommendation No. 6. The Commission will formalize policies and procedures related to the monitoring of discharge forms. We agree with Recommendation No. 7 to the extent that the SCSC will explore the feasibility of making the necessary automated system changes so that an additional reminder letter is generated to those applicants who have not submitted the required documentation to establish veterans’ preference within the timeframe recommended by the Auditor General’s Office. However, the SCSC will continue its existing practice(s) of providing follow-up reminders to applicants claiming veterans’ preference. Currently, the civil service application for employment includes information that notifies applicants who are claiming veteran status about the need to submit appropriate veteran documentation in order to claim veterans’ preference. Batch reminder letters are generated nightly and sent to applicants the next business day after the civil service application is submitted by the applicant online or after a staff member

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within the Commission's Bureau of Technical and Information Services data enters a paper application. Applicants are also notified after their civil service tests have been scored if the veteran documentation has not been received. These reminders notify applicants about their responsibility to submit the required veteran documentation in a timely manner.

Auditors' Conclusion: We commend the commission for its decision to implement all recommendations identified in the finding.

In regard to the commission's response "that information is not processed timely is not accurate," we reiterate that we could not substantiate the commission's claim that service discharge forms are processed timely due to the fact that discharge forms are not date-stamped and the processing of the discharge forms is not monitored. Due to the large number of instances we found with untimely processing of discharge forms, we question the commission's claim.

Furthermore, we disagree with the commission's response in regard to having written policies and procedures for receiving and processing service discharge forms. We made inquiry to the Acting Director of the Bureau of Technical and Information Services who stated that there are no formal written procedures for the processing of discharge forms. Each staff person may have their own informal notes, but there are no official written policies and procedures.

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AG Recommendations to Finding No. 3 – The Commission Failed to Adequately Monitor Agencies’ Hiring Practices

8. Establish computer controls to eliminate agencies’ capability to hire applicants through SAP using cancelled employment lists.
9. Implement procedures to verify the accuracy of applicants’ test scores and veteran status.
10. Develop written policies and procedures for the post-audit process and employment list review process.
11. Immediately implement supervisory review procedures over the post-audit process and employment list review process.
12. Utilize necessary resources to ensure applicants who fail to return a notice or fail to sign a notice are timely contacted by the commission in compliance with Management Directive 580.2 Amended.

SCSC Response to Finding No. 3

Appointing authorities may request employment lists when filling vacant, civil service-covered positions. If the agency chooses to use an employment list, Availability Survey/Interview Notice forms will be used to establish a valid Rule-of-Three. Based on candidate availability and the subsequent interview process, an appointing authority may hire a candidate from a certification and return the remaining certifications, if applicable, to the Commission for review. All certifications including those canvassed but not used are verified by Commission staff upon receipt of the list that the appropriate annotations are applied to the applicable eligible and this information is retained and coded to establish a candidate’s certification history.

We disagree with the assertion made on page [27], paragraph 4, that there is an inadequate post-audit process in place. For the fiscal year ended June 30, 2006, the Commission issued 18,562 employment certifications. From this, Commission staff provided information and/or documentation related to 162 sampled certifications by the Auditor General’s Office. This sampling was narrowed to 13 potentially problematic employment certifications. Commission staff adequately explained 7 of the 13 certifications and proved no violations occurred, thus leaving 6 certifications. For the remaining six, please note that the identified veteran candidates were subsequently hired into Commonwealth positions. Our analysis shows that for most of these cases, it appears the veteran candidate was being considered for more than one Commonwealth position at the time of the alleged violation. Two of the six candidates accepted appointments to other Commonwealth positions on the same date the non-veteran candidates were appointed. Therefore, the report’s conclusion that four veteran

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candidates should have been hired during fiscal year 2006, but were not because the post-audits were not performed or not adequately performed is not accurate.

Page [30], paragraph 1, states that according to SCSC management, written policies and procedures for the post-audit and employment list review process are not necessary and supervisory review of these processes would be inefficient. Contrary to this statement, Commission management recognizes the importance of documenting existing policies and procedures, and will do so. The SCSC also recognizes the need to formalize the supervisory review procedures for these processes and, therefore, agree to Recommendations No. 10 and 11.

Page [30], paragraph 2, the report states “commission management stated that there are too many applicants who do not respond to notices to possibly contact them all given staffing restrictions. Also, management believes that it is the hiring agency’s responsibility to ensure notices are signed by applicants. We disagree. According to current policies, the Commission is required to contact respective applicants to ensure compliance”.

The Commission recognizes that Management Directive 580.2 Amended (MD), “Civil Service Availability Survey/Interview Notice” contains language about the verification of information reported by appointing authorities. As indicated by staff, the number of certifications requested by appointing authorities and the volume of candidates who do not return availability surveys make such a procedure impractical. Further, short of either the appointing authority or the candidate providing proof, such as a certified mail receipt confirming that the availability survey was sent (the appointing authority) or was returned (the candidate), the Commission would not be able to verify this information. Therefore, we disagree with Recommendation No. 12.

Candidates’ current scores and rank-on-lists are available by visiting the Commission’s website at www.scsc.state.pa.us and accessing the online services link. Information contained on this site allows candidates to see where they stand on any list, relative to other candidates, and can (and has) served to elicit questions from candidates as to why they are not being contacted for positions. Were appointing authorities failing to send availability surveys to candidates, it is expected that the Commission’s investigation of such calls would reveal the fact that appointing authorities were intentionally misrepresenting their actions by annotating “NR” on certification lists when no survey had been sent, or when candidates had in fact been returning surveys indicating their availability for jobs. However, no evidence has been shown to support this contention.

It should be further noted that there are significant penalties in place for appointing authority employees who engage in the type of manipulation described on page [30], paragraph 4 under “Effect”. Specifically, “destroying applicant notices and coding them as “NR” or...creating fictitious notice responses...” would represent a violation of the Civil Service Act and, as such, subject the employee to appropriate

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adjudicatory action up to and including removal from the classified service. It also can result in criminal prosecution pursuant to Section 903 of the Civil Service Act.

Additionally, if SCSC staff receives an Availability Survey/Interview Notice not signed, the appointing authority is contacted and directed to resubmit a copy attesting to the fact that the survey was received unsigned.

We agree with Recommendation No. 9. The SCSC notifies candidates of their eligibility (or lack thereof) for job titles and their test scores, if deemed eligible. This notification includes information on veterans' preference status. Through this notification, candidates are apprised of their ability to challenge the determination made concerning their eligibility, as well as their test scores. Additional notification is sent to candidates who have indicated they are claiming veterans' preference on their application, but have not provided the documentation necessary to establish them as qualifying veterans. However, the SCSC also recognizes the merit of some sampling, or spot checking of the accuracy of applicants' test scores and veteran status, and will be implementing such a review process.

We agree with Recommendation No. 8. SAP is an Enterprise Resource Planning software package that is maintained by the Governor's Office and therefore, the Commission has no jurisdiction over its use. However, we will initiate discussions with the Governor's Office to explore the feasibility of this recommendation.

Auditors' Conclusion: We commend the commission for its decision to implement Recommendations 8 through 11 identified in the finding.

With regard to the commission's response to Recommendation No. 12 identified in the finding, we disagree. Management Directive 580.2 Amended states that, when applicants do not return signed notices, the commission will verify the information reported by agencies by contacting each applicant. The fact that applicants may access the commission's website to obtain information about their rankings on lists should not substitute for good management controls. Not all applicants may access these online services or ask related questions. If availability notices are not signed or returned by the applicants, the commission should attempt to contact the respective applicants to ensure compliance. If the commission feels that such a procedure is not practical, it should revise the management directive accordingly.

Additionally, we disagree with the commission's response regarding our review of their post-audit process. While we requested documentation related to a total of 162 sampled employment lists, we did not review every employment list for the same attributes. Instead, these 162 employment lists were comprised of several different individual samples. Through data analysis, we identified 13 employment lists that were used to hire where an available veteran was in the top three scores but the position was filled with a non-veteran for the fiscal year ended June 30, 2006. Our expectations were that the commission should have identified these situations as violations of veterans' preference or adequately explain why no violations occurred. However, our results found that the commission failed to detect or could not adequately explain six of the thirteen potential violations identified. As stated in the finding, we

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believe that the commission's post-audit procedures should result in zero tolerance for failure to detect veterans' preference violations. Failure to detect a violation means that a veteran was not hired who should have received the job. This situation could result in personal hardship for the veteran.

We state in the finding that, based on our results, at least four veterans should have been hired during June 30, 2006, but were not because the post-audits were not performed or not adequately performed. We performed further analysis for these cases by reviewing certification history data for the available veteran candidates who were in the top three scores on the six employment lists in question. We found that two of the veterans were not hired through at least June 30, 2007, which is the latest date included in our data files provided by the commission. Two veterans were hired on unrelated employment lists four to five months after the non-veteran was hired, one veteran was hired for a different job position approximately three weeks after the non-veteran was hired, and the final veteran was hired two days after the non-veteran was hired. However, the veteran hired two days after the non-veteran received a lower paying position than the position where the veterans' preference violation was noted. The fact that the veterans who should have been hired were eventually hired by chance on unrelated employment lists does not diminish the fact that the commission's post-audit process failed to detect these violations and should improve its procedures. Our statement that at least four veterans should have been hired during fiscal year June 30, 2006 refers to the fact that these veterans should have been hired from the respective employment lists in question with veterans' preference violations.

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AG Recommendations to Finding No. 4 – Control Weaknesses Found in the Processing of Applications, Scoring of Applicants, and Computer Security

13. Develop policies and written procedures for the application process.
14. Implement supervisory review over the application process and document this review to ensure that application data has been accurately and timely processed.
15. Improve recordkeeping procedures to ensure that service discharge forms are maintained and retrievable to support veterans' preference eligibility.
16. Continue to update the evaluator manual for the scoring process.
17. Implement adequate supervisory review over the scoring process and document this review to ensure that the scoring process is accurately and timely completed.
18. Immediately review all users' access to the AS400 and ICE systems to ensure that their access corresponds to their current job duties and do not conflict with proper segregation of duties.
19. Require AS400 and ICE access authorizations to be written and approved by management.

SCSC Response to Finding No. 4

Page [33], under "Control weaknesses found in the application process", the report states the Commission has no written procedures for processing applications and it does not have supervisory review procedures in place to ensure that all applications are processed and are data-entered into the computer system accurately and timely. We disagree with Recommendation No. 13, the Commission has written procedures for processing applications.

The Commission processes in excess of 145,000 employment applications per year. Approximately 80% of these applications are submitted online, and 20% are received in paper form. It is not accurate to suggest that applications are not date-stamped at all. The overwhelming majority of applications are submitted online. Upon submission, these applications are electronically date and time-stamped, reflecting exactly when the candidate submitted the application. As a result of this audit, paper applications are now date-stamped upon receipt.

The SCSC recognizes the merit of some sampling, or spot checking, of the processing of paper applications to ensure accuracy and timeliness, and will be implementing such a review process. Therefore, we agree with Recommendation No. 14.

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Page [34], under “Control weaknesses found in the applicant scoring process”, the report again cites lack of written procedures and lack of supervisory review for the basis of this finding. The Commission’s Bureau of Personnel Assessment is staffed by experienced Human Resource professionals who are trained to perform candidate “Minimum Experience and Training (MET)” evaluations. Commission “Evaluation Guides” for job titles are used to assist evaluators to determine if the work and/or training described by the candidate met the METs for a particular job title. These Guides are developed in conjunction with “Subject Matter Experts” (SMEs) familiar with and knowledgeable about the work described by the official Commonwealth job specification. Likewise, each civil service examination program contains information about how to score applications and/or supplements for a particular job title.

There appears to be a basic misunderstanding of the role of the SCSC evaluators. While some of the work performed by SCSC staff is more routine, the work of Commission evaluators represents independent, professional human resource work requiring analytical ability and judgment. As in any work requiring analysis and judgment, there may be differences of opinion on the correct determination on eligibility or score. To account for this potential, SCSC has provided a challenge procedure that applicants can (and do) use when they believe they should have been found eligible for a job title, or their score should have been higher. This procedure entails supervisory review at the first step, then a review by the Director of the Bureau of Personnel Assessment, if necessary. This challenge procedure, in conjunction with the availability of evaluation guides and scoring instructions, provide sufficient direction and confirmation for the work performed by evaluators.

Recommendation No. 17 indicates the need to implement adequate supervisory review over the scoring process and document this review to ensure that the scoring process is accurately and timely completed. As described in the report, there is supervisory review of the work performed in the Evaluation Unit. The SCSC recognizes that the results of these reviews are not formally documented. A process will be implemented to document these reviews. As to timeliness, the standard is a 1–2 business day turnaround for applications. A valid measure of the timeliness with which these applications are processed can be found in the number of applications awaiting evaluations at the end of each month. The number of applications evaluated in the month of May, 2008 was 1,348. The backlog of applications awaiting evaluation at the end of this period was zero. This result is indicative of prior months.

Page [35], under “Computer security weaknesses”, the report questions the accountability and security authorization for agency employee AS400 and ICE system users. The Commission recognizes the need to improve the internal security associated with its automated systems. We agree with Recommendation No. 18. To that end, an independent consultant will be retained to perform a comprehensive security review.

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We agree with Recommendations No. 15 and 19. The need to improve recordkeeping procedures was identified prior to the release of the report and steps are being taken to strengthen these procedures. The SCSC will develop and implement a policy that requires agency AS400 and ICE access authorizations to be written and approved by appropriate managerial staff.

In response to Recommendation No. 16, the SCSC is revising and updating the evaluation chapter of the Examiner's Manual. This manual is being updated to incorporate existing evaluation policies and procedures modified since the original version. However, a significant portion of the manual will not change as a result of this review.

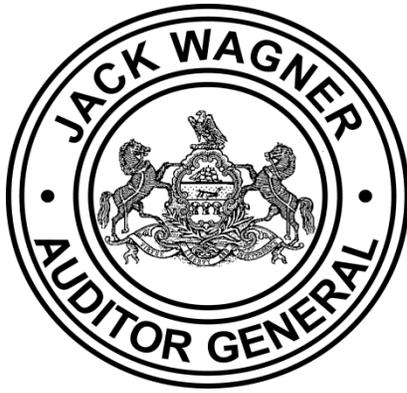
Auditors' Conclusion: We applaud the commission's decision to implement Recommendations 14 through 19, in whole or in part, identified in the finding.

With regard to lack of written procedures for processing applications and our Recommendation No. 13, we made inquiry to the Acting Director of the Bureau of Technical and Information Services who stated that there are no formal written procedures for the processing of paper applications and service discharge forms. Each staff person may have his or her own informal notes, but there are no official written policies and procedures. Therefore, our finding remains as stated and we continue to recommend that the commission develop formal written procedures for the application process.

With regard to control weaknesses found in the applicant scoring process and our Recommendation No. 17, we understand that the work of the commission's evaluators requires analysis and judgment; however, due to this fact, it is important to have updated written policies and procedures and adequate supervisory review to ensure applicant job eligibility and score for education and experience is properly determined. The applicant challenge procedure should not substitute for supervisory review of the work performed by the evaluators.

We could not substantiate the commission's claim that the supervisor of the Evaluation Unit performs a review to ensure that job eligibility and/or number of points assigned for education and experience is accurate because this review is not documented. In addition, because the supervisory review is not documented, we could not evaluate the procedures for adequacy.

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