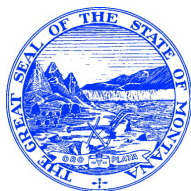


LEGISLATIVE AUDIT DIVISION

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MEMORANDUM

TO: Legislative Audit Committee Members

FROM: Austin Powell, Associate Management & Program Analyst

CC: Misty Ann Giles, Director, Department of Administration
Anjette Schafer, Administrator, State Human Resources Division

DATE: November 2022

RE: Performance Audit Follow-Up (22SP-10): *Professional Development Center*
(orig. 20P-02)

ATTACHMENTS: Original Performance Audit Summary

Introduction

The *Professional Development Center (20P-02)* report was issued to the Legislative Audit Committee in March 2021. The audit included one recommendation to the Legislature. We conducted follow-up work to assess implementation of the report recommendation. This memorandum summarizes the results of our follow-up work.

Overview

Audit work recommended that the Legislature change the funding structure of the Professional Development Center (PDC), further define the PDC's role in state workforce training, and evaluate the effectiveness of funding changes on a biennial basis. Chapter 573 of the 2021 Legislative Session declared the Legislature's intent to close the PDC by the end of the 2023 biennium, moving all state workforce training to the private sector, universities, or colleges. As part of our follow-up work, we determined that the Department of Administration plans to close the PDC as outlined in state law and purchase a package of online learning content that will be available to all state employees. The department is also requesting to retain a portion of the budget and full-time-equivalent (FTE) for a State Management Training Center, which will provide state-specific administrative functions and develop in-house programs unique for state government. The department proposes funding this online learning and training center through fixed-cost funding, which would involve charging every agency an annual per-FTE fee. However, the budget proposal for state training is subject to change and approval in the 2023 Legislative Session.

Background

In Montana, state agencies obtain nontechnical training for staff from a variety of sources. One option for this type of training is the Professional Development Center (PDC) within the Department of Administration (DOA). The PDC specializes in training areas such as leadership, management, communication, personal growth, and administrative issues. The PDC is currently funded by the rates and fees it charges to state agencies for trainings and other professional development services. The maximum rates and fees that the PDC can charge are set by the Legislature. During the 2019 Legislative Session,

legislators considered eliminating the PDC and transitioning its services to the private sector and university system. However, this proposal was set aside so a more thorough analysis could be conducted in a performance audit that examined the cost-effectiveness of the PDC and duplication of training efforts across the state. The performance audit found that PDC rates were low compared to rates from alternative sources and that the PDC was positively rated by its users. However, the audit recommended a change to the funding of the PDC, transitioning to fixed-cost funding, for further cost savings.

Audit Follow-Up Results

The following section summarizes the progress toward implementation of the report recommendation. Follow-up work included reviewing legislation affecting the PDC from the 2021 Legislative Session. We also interviewed staff and management at the DOA to determine future plans for the PDC and changes to its structure. Besides department staff, we also reached out to legislators to understand changes to the PDC proposed in legislation. In addition, we examined the current course catalog to determine how course offerings have changed from the timeframe when audit work was initially conducted.

RECOMMENDATION #1

We recommend the Montana Legislature:

- A. Fund the Professional Development Center (PDC) through fixed costs.**
- B. Further define the role of the PDC in state employee professional development and the levels of services the PDC should provide for this purpose.**
- C. On a biennium basis, evaluate the effectiveness of a change in funding for the PDC by monitoring changes in use of the PDC and reduction of duplication of training efforts across state government.**

Implementation Status – *Partially Implemented*

After our performance audit, Chapter 573 of the 2021 Legislative Session declared the Legislature's intent to close the PDC and move state training to the private sector, universities, or colleges by the end of the 2023 biennium. As a result, DOA is in the process of closing the PDC and is proposing to purchase a package of online learning content that will be available to all state employees. The proposed cost to purchase online learning content is \$250,000, though the department expects savings by eliminating the need for individual agency subscriptions to online learning. The department is also proposing to retain a portion of PDC staff and budget for a State Management Training Center. The training center will provide state-specific administrative functions, such as managing contracts, updating content/websites, and developing in-house training programs unique to government. These state-specific trainings include state budgeting, procurement, ethics, etc. It's important to note that the department's budget is not final and subject to change through the 2023 Legislative Session. Individual subpoints of the recommendation are addressed below.

- A. During our performance audit, we found the funding mechanism for the PDC was outmoded and insufficient for supporting PDC services. Agencies varied considerably in their use of the PDC, and we identified duplication of training efforts across state government. We found other states generally use fixed-cost funding to incentivize use and cover costs for state in-house training. Fixed-cost funding involves charging an annual, per-FTE fee to all agencies. We determined that fixed-cost funding of the PDC would result in cost savings. Therefore, our recommendation was to fund the PDC entirely through fixed costs. However, the legislature and department currently intend to close the PDC and transition its services to an alternative source. Because of this, we categorized this recommendation as partially implemented. While the department plans to effectively close the PDC, the department's budget proposal for the next biennium outlines a

fixed-cost model for consolidating and covering statewide training through contract with a vendor.

- B. Performance audit work found that changes to the PDC's funding would involve the need to further define the role of the PDC in state employee professional development. Legislation passed during the 2021 Legislative Session provides this definition, indicating that the Legislature intends to transfer all statewide workforce training from the PDC to the private sector, universities, or colleges by the end of the 2023 biennium.
- C. As part of the recommended transition to fixed-cost funding, we recommended the Legislature evaluate the effectiveness of these funding changes on a biennium basis. With the PDC's closure, the Legislature cannot evaluate the PDC's effectiveness going forward. Nonetheless, it would be advantageous for DOA to include an evaluative component to their proposed training model for state employees.