AUDIT OF HUMAN RESOURCES' RECRUITMENT AND RETENTION

WPB

WEST PALM BEACH

Internal Audit

Audit No. 17-03
June 14, 2018

City of West Palm Beach
Internal Auditor's Office

Beverly Mahaso, Interim City Internal Auditor, Esq., CIA, CFE
Elena Georgiev, Sr. Internal Auditor, CPA, CGMA, CIA
Ellen Misita, Sr. Internal Auditor, CGAP

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Executive
Summary

HUMAN RESOURCES' RECRUITMENT AND
RETENTION AUDIT - AUD17-03

JUNE 14, 2018

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OVERVIEW

- HR oversees the recruitment, training, and retention efforts for the City's 1,661 employees, as well as the administration of employee benefits, the Employee Relations Division, and the Risk Management Division.
- At the time of the audit, HR had 21 employees and in FY17 expenditures totaled about $2.0 million.
- During the two fiscal years examined, HR recruited for over 800 vacancies.

SUMMARY FINDINGS

1. **Process Mapping:** HR is in the process of evaluating potential replacements for its applicant tracking system, iRecruitment. A key task that needs to be completed is the mapping of HR's existing business processes.
2. **Processing Applications:** HR's recruiters have to manually review and process thousands of applications. Since iRecruitment does not pre-screen applicants, recruiters spend much of their time considering applicants who may not qualify.
3. **Interview Process:** HR does not extend employment offers to candidates until a background check is complete, except for a few professional positions. In a competitive job market, candidates may be unwilling to pass on other employment opportunities, particularly in challenging areas such as IT.
4. **Recruitment – Compensation:** The City's Compensation Administration Policy and Graded Salary Plan have not been fully evaluated or updated for many years. There has only been salary progression recently through across-the-board increases. HR is currently working on a career ladder program to be rolled out in the near future.
5. **Recruitment – Benefits:** Although there are many avenues for employees to access information regarding benefits, more could be done to increase employees' and candidates' knowledge of the total value of the benefits the City provides.
6. **Salary Compression:** There are salary compression issues particularly in entry-level positions. This is due, in part, to salaries remaining frozen during the recession, contractual changes, and the increase in the new City minimum wage.
7. **Employee Retention and Separation:** From January 2013 to December 2017, 877 full-time employees were hired; 276 (31%) of these employees have separated in the last five years. Further, there is no finalized succession plan in place for the approximately 200 employees over the age of 60. The City incurs additional costs in recruiting, re-training, and lost productivity.
8. **Employee Off-Boarding and Exit Interviews:** The participation rate for the Exit Interview/Survey process is low. Further, HR may not timely receive separation documents.

SUMMARY RECOMMENDATIONS

1. HR should map out its existing business processes and identify inefficient or ineffective practices prior to compiling a list of requirements for the new system.
2. HR should obtain a new recruiting software, which may provide a more sophisticated method of identifying quality candidates, and consider the use of basic skills testing prior to interviews.
3. HR should modify its current practices to consider increasing the use of conditional job offers to encourage applicants to remain engaged and available to fill positions.
4. HR should institute a review of the City's Compensation Administration Policy, initiate steps to revise the graded salary plan, and work with Finance to develop a fiscally sustainable Compensation Policy.
5. HR should work with Administration to develop a personalized document for all employees showing the value of non-salary benefits.
6. HR should complete a salary compression study that addresses both employee and Departmental managers' concerns while also making recommendations that are fiscally sustainable.
7. HR should work with the Administration to address retention issues including the major reasons for employee separation, as well as quantifying training costs.
8. HR should consistently offer employees various options for Exit interviews, train and educate the Departments on the separation policy requirements, and the importance of Exit interviews.

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June 14, 2018

City Commission/
Audit Committee
City of West Palm Beach
401 Clematis Street
West Palm Beach, Florida

RE: Human Resources' Recruitment and Retention, AUD17-03

Dear City Commissioners and Audit Committee Members:

Attached is the City of West Palm Beach's Internal Auditor's Office report on the Human Resources Department's Recruitment and Retention functions. Although we commend Human Resources for consistently processing a large volume of applicants for the job vacancies in the City and working on retention efforts, additional opportunities for improvement are presented in this report.

We thank the management and staff of the Human Resources Department for their time, assistance, and cooperation during this audit.

Respectfully Submitted,

/s/ Beverly Mahaso
Interim City Internal Auditor

cc: Jeri Muoio, Mayor
        Jeff Green, City Administrator
        Dorritt Miller, Deputy City Administrator
        Jose-Luis Rodriguez, Chief Human Resources Officer
        Sylvia Gregory, Assistant Director of Human Resources

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Background

The City of West Palm Beach's Human Resources Department ("HR") has the responsibility for aligning human resource management with organizational strategies. A key question for a Human Resources function is to ask: where are we going as an organization and how can HR help the organization achieve its mission? The Government Finance Officers Association has noted that the public sector is moving towards a "managing for results" model, where government entities are held responsible for service outcomes. Therefore, HR's role is to attract, develop, and retain capable individuals who will assist the City in achieving its objectives. The City's on-going efforts with the Great Places to Work Survey is evidence that the City's administration desires to have a culture of trust, connectivity, and collaboration in the workplace that will benefit all the employees and citizens of the City. HR is well positioned to be the catalyst for these changes which will enable the City to provide 21st century services, and be a model municipal employer.

As of December 31, 2017, the City had 1,661 employees in the following categories:

Active Employees as of December 31, 2017	
Employment Category	**No. of Employees**
Elected Officials	6
Full-Time	1,439
On-Call	161
Part-Time (20hr/week)	46
Part-Time (30hr/week)	7
Temporary	2
Total	**1,661**

In reviewing the active employee data, we determined that 601 of the 1,439 full-time employees, or approximately 42% had less than five years of service.

As of the end of FY 2017, HR had 21 employees (including 6 in Risk Management) with a FY 2017 total operating expenditure budget of $2,296,202 (not including the Health Insurance Fund). This covered five areas of primary responsibility: Administration, Labor Relations, Personnel Services, Recruitment, and Benefits Administration. Total expenditures in FY 2016 and FY 2017 were $1,785,178 and $2,043,946 respectively, an increase of 14.5%.

The major FY 2017 initiatives were:
- The rollout of the City's new training component, City Edge;
- Completion of contract negotiations for the City's two civilian unions: the Service Employees International Union (SEIU), and the Professional Managers and Supervisors Association (PMSA);
- Completion of contract negotiations for the City's two Public Safety Unions: the

Association of Fire Fighters (IAFF), and the Police Benevolent Association (PBA);
- Successful transition to a Self-Insured Health Insurance Program; and
- Relocation of the primary location of the Employee Health Center to City Center.

Statement of Scope

The audit scope period was from January 1, 2016, through December 31, 2017, however, in some instances, the scope period may have been adjusted based on the availability of data. The audit included examining controls and conducting interviews with both Human Resources management, HR staff, and hiring managers across the City in order to understand the employee life cycle process.

Statement of Objectives

The objectives of this audit were to determine:
- Policies, procedures, and practices in place to recruit and retain employees;
- The scope of oversight provided by department management in setting standards for personnel management; and
- Customer service practices as they pertain to resolving human resource issues.

Statement of Methodology

We utilized several audit methodologies to achieve the objectives. These evidence gathering techniques included:
- Evaluating and reviewing the governance framework in place to mitigate risk and how it impacts operations, including reviewing the City's Code of Ordinances, and Policies and Procedures;
- Conducting extensive interviews of HR staff, as well as related stakeholders;
- Performing data analysis to verify key performance measures during the audit period; and
- Other audit procedures determined necessary.

Statement of Auditing Standards

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

Audit Conclusions and Summary of Findings

Management and staff of HR have been working to assist Departments in filling vacancies. However, at the present time, they are confronted with a number of challenges that are addressed in this report, including the need for a new Applicant Tracking System

to replace iRecruitment, which will assist in reducing the need for HR recruiters to manually review all applications. Management should also perform a comprehensive salary review of all positions, along with updating job descriptions and addressing issues of salary compression. Lastly, the use of Exit Interviews should be utilized more frequently to assist management in identifying the root cause of employee resignations, and analyzing the level of talent that the City may be losing through attrition.

The Opportunities that are identified in the following pages are presented in a manner that follows the progression of an employee life cycle.

Noteworthy Accomplishments

It is important to recognize the significant accomplishments achieved by management and staff of HR. HR management has already initiated activities, which should result in streamlining their business processes, and permit them to focus more time on strategic objectives.

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Opportunities for Improvement

1) Process Mapping

Condition

HR currently uses iRecruitment, an Oracle product, to track its recruitment efforts. HR management advised that they are in the process of evaluating a new system to replace iRecruitment, because Oracle no longer supports it. A key task that needs to be completed prior to issuing a Request for Proposal (RFP) for a new system involves mapping the business processes involved in recruitment. HR management advised us that they are compiling a requirements listing for a new software and they provided us with a high-level business process map. However, fully mapping out processes is essential to determining needs, identifying inefficiencies, and ensuring that a new system will meet the business needs.

Criteria

Controls over systems development help ensure system reliability, quality, consistency, and user satisfaction. The acceptance of a structured systems development methodology helps ensure that system designers meet the requirements of system users and organizational requirements.

Cause

HR management advised us that they participated in one meeting with a consultant engaged to provide assistance with process mapping, however, that endeavor did not move forward. Currently, they have begun working with a different consultant, and are in the process of putting together the scope of services statement.

Effect

There is a risk that legacy business practices that may be inefficient or ineffective may be carried forward into the new system.

Recommendation 1

We recommend that the HR Department map out its existing processes and identify inefficiencies or ineffective practices before it compiles a list of requirements for the new system.

Management Response

The Human Resources Department agrees and has already begun work to map best practices in recruiting systems to identify requirements for a new recruiting system. The goal of any new system would be to: speed up the recruitment and selection process,

include job competencies to aid in filling job vacancies quicker and automate more recruitment functions to provide greater efficiency. Budget permitting, the goal is to have an RFP for a new recruiting system next fiscal year with the system implemented by December 31, 2019.

Target Implementation Date: December 31, 2019 (budget permitting)

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2) Processing Applications

Condition

The three recruiters in HR manually review and process a large number of applications. Since iRecruitment allows applicants to apply for multiple jobs without pre-screening them for minimum qualifications, recruiters spend much of their time considering applicants that do not qualify for the positions. The following table shows the number of vacant positions that HR had to fill as well as the total number of individual applicants who applied for the vacant positions.

Year	# of Vacancies*	# of Unique Applicants*	# of Unqualified Unique Applicants*	Percent Unqualified
FY 2017	453	5,505	2,711	49%
FY 2016	414	7,609	3,702	48%

*Excludes Public Safety

Based on the above table, if every applicant in FY 2017, applied for 2 positions whether or not they were qualified, then the recruiters would have reviewed over 11,000 applications.

Furthermore, during the course of our interviews with multiple hiring managers, several reported challenges in filling and retaining positions with the necessary skill sets and/or competencies. We are aware that certain departments have taken steps to develop competencies and career paths for their employees and HR is currently working to roll out this initiative to all City departments.

Criteria

According to SHRM, applications or resumes are unsuitable for predictive analytics, and are a poor predictor of performance. This is due, in part, to the applicants' attempts to tailor content to meet job descriptions and key-word matching capabilities in applicant tracking systems. A recent survey revealed that 82% of companies are already using "optimized hiring" techniques, or some sort of pre-employment assessment tests including personality tests, cognitive ability tests, and a variety of other job simulations and evaluations. SHRM suggests that employers use these pre-employment assessments to identify high quality candidates. Furthermore, SHRM advises that front-end screening yields candidates who tend to stay with the organization longer and are more productive.

SHRM also recognizes that well-designed and consistently applied competencies ensure that the organization can attract candidates with proper skills and capabilities,

and adds clarity to coaching conversations. Competencies outline the requirements of every position and provide guidelines for applicants, employees, and management. Further, they assist in identifying development opportunities.

Cause

In accordance with its commitment to creating employment opportunities, the City has been and continues to encourage all interested applicants to apply for City jobs. In order to ensure that applicants are not prematurely disqualified by the recruiting software, some of the pre-screening functions available in iRecruitment are either not utilized or are customized to meet past directives from management. This has led to the unintended process of manually evaluating thousands of applicants.

Further, the Departments' reliance on HR, combined with HR's limited resources, has created challenges in establishing competencies.

Effect

The need to review every application creates excess work for the recruiters and slows down the recruitment process. Considering that many applicants do not meet the minimum qualifications for the position, valuable resources are used to make this determination. Since iRecruitment is no longer supported, it is not beneficial for HR to attempt to make changes to it.

Recommendation 2

We recommend that the HR Department improve its processing of applications by obtaining a new recruitment software, which may provide a more sophisticated method for identifying quality candidates, and consider the implementation of basic skills testing prior to interviews. HR should also facilitate the development of competencies and performance metrics.

Management Response

The Human Resources Department agrees and has already begun work to map best practices in recruiting systems to identify requirements for a new recruiting system. The goal of any new system would be to: speed up the recruitment and selection process, include job competencies to aid in filling job vacancies quicker and automate more recruitment functions to provide greater efficiency. Budget permitting, the goal is to have an RFP for a new recruiting system next fiscal year with the system implemented by December 31, 2019.

Target Implementation Date: December 31, 2019

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3)   Interview Process

Condition

We discussed the interview process with both HR management and staff, and noted that once a candidate is selected, HR does not extend an employment offer until the results of the background check become available, except for a few professional positions. However, background checks take an average of 10 days to complete or longer if the candidate has education and/or experience outside the US, which may create a delay for hiring managers of hard-to-fill positions. HR management acknowledged that given that the current rate of unemployment is less than 4%, it is becoming increasingly difficult to attract qualified candidates.

Criteria

According to SHRM, a company's hiring process can positively or negatively impact a candidate's decision to accept a job offer from that company. COSO's 2017 Enterprise Risk Management Governance Framework Principles recognize the importance of HR's role in attracting, developing, and retaining capable individuals and specifies that, as part of its' role in attracting human capital, HR should be ensuring that the interview process succeeds in attracting the most desirable and qualified candidates to the City, in a timely manner.

Cause

Past experiences, such as candidates leaving their current employers prematurely, have understandably influenced the way in which HR approaches the interview process, including its hesitation to extend conditional offers for entry-level positions.

Effect

In a competitive job market, candidates may not be willing to pass on other opportunities while waiting for a job offer from the City. This can be a particularly acute problem for high demand jobs in fields such as IT.

Recommendation 3

The HR Department should modify its current practices to consider increasing the use of conditional job offers, such that the desired applicants remain engaged and available to fill the positions.

Management Response

Human Resources concurs with the recommendation and already considers hard to fill and competitive positions when beginning the process of hiring a new employee. As part of our standard practice to secure talented employees for hard to fill/high demand positions, selected applicants are routinely made conditional offers, contingent upon them

passing the background check process.

Human Resources however does not make conditional offers to all applicants who will be hired because we believe it is more efficient to ensure all requirements and background checks have been met by the selected applicant first before moving too far ahead in the on-boarding process.

Target Implementation Date: Implemented – already a part of HR's on-going process.

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4) Recruitment Practices - Compensation

Condition

There are opportunities to improve the City's Compensation Administration program. An updated compensation policy is essential to attract qualified candidates, who possess the competencies that the City needs in order to stay current with evolving technologies. The City's Compensation Administration Policy, dated December 2007, and the Comprehensive Pay Schedule, which defines the salary ranges at each grade, have not been fully evaluated and/or updated for many years, with salary minimums remaining the same for the majority of positions. For example, the Compensation Administration Policy references practices such as longevity, and stipends for certifications that are not currently offered to newer employees, as well as merit increases. There has only been salary progression recently through across-the-board increases. Further, the Compensation Administration Policy is to offer incoming employees the minimum available for a position's grade, although a hiring manager can request a starting salary of more than 5% above the minimum, which requires the approval of the City Administrator or his/her designee. HR management advised that they are currently working on a career ladder program which should be rolled out in the near future.

Criteria

SHRM notes the importance of keeping salary administration programs current. Further, SHRM recommends evaluating job descriptions prior to making salary adjustments. It states that "an effective salary administration program allows an organization to meet the basic objectives of compensation", which is to "focus, attract, retain, and motivate" human capital.

HR should ensure that its' Compensation Administration Policy and Pay Schedule are congruent with the City's organizational mission, vision, and core values, as well as sustainable over the long-term.

Cause

Some salary grades have been updated over time, in certain areas where it has been determined that the City was experiencing high turnover or difficulties in recruitment. However, HR has been unable to perform a comprehensive salary review that includes all positions, including updating job descriptions, to reflect the competencies necessary for current and future needs. HR management has acknowledged that salaries are a factor in employee separation and in potentially attracting qualified applicants.

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Effect

SHRM indicates that if the salary structure is out of sync with the labor market, employers could pay either too much or too little, resulting in difficulty attracting and retaining employees, as well as weak morale, decreased productivity, lost engagement, and hidden costs.

Recommendation 4

HR should improve its Compensation Policy by:

- Instituting a review of the City's Compensation Administration Policy;
- Initiating steps to revise the current graded salary plan; and
- Working with Finance and Administration to develop a fiscally sustainable Compensation Policy.

This should be done in conjunction with a review of Job Descriptions, so that employees are aware of the tasks and competencies expected for the compensation offered.

Management Response

Human Resources agrees with the audit recommendation and was already analyzing and updating the City's compensation structure and salary grades and will continue to do so. The goal has been to update all job classification grades and the City's salary plan starting first with the hardest to fill positions and positions with high turnover. For the past three years, Human Resources has performed market studies to upgrade job classification grades and adjust salary ranges for specific positions.

Human Resources will continue to review and update job classifications on an ongoing basis and recommend changes as needed. City Administration has been supportive of these efforts and has allocated an analyst position that is currently being recruited. This position's function will be to serve as the City's dedicated Compensation Analyst, which will assist in expediting the rate at which the Human Resources Department can conduct these reviews.

The Compensation Administration policy 4-7 will be revised.

Target Implementation Date: October 1, 2018

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5) Recruitment - Benefits

Condition

Competitive benefits are one of the top five keys to recruitment, second only to salary, according to the Governing Institute's publication "Building the Workforce of the Future." Studies show that a significant percentage of state and local employees have said benefits play a critical role in their decision to remain in the public sector. Although the City website states that it offers competitive benefits, more could be done to inform potential candidates of the array of benefits, both tangible and intangible, that the City has to offer.

Both HR management and staff informed us that, at one time, there was a benefits statement designed to assist employees in understanding the tangible, economic value of their employer-paid benefits, such as the employer contribution to healthcare premiums (including dental and optical), and employer contribution to the retirement plan, etc. The Health Center's ability to provide not only medical care, but prescriptions at no cost also results in significant out-of-pocket savings to employees.

There may also be an opportunity for HR to explain how the City's Defined Contribution Retirement Plan compares when evaluated with the Florida Retirement System (FRS), as mandatory vesting and other factors may not make the FRS option as attractive, even though it is a Defined Benefit rather than a Defined Contribution plan. For example, the City's Defined Contribution Plan has no vesting requirement. Helping employees better understand the difference between the two options could assist with long term retention.

Criteria

SHRM recommends that HR serve as a human resource service provider. As part of HR's core mission of building and retaining human capital in alignment with the strategy and business objectives of the City, employees should be educated on the monetary value of their benefits.

Cause

Although benefits information exists in a variety of media, employees may not be aware of the value of the indirect contributions that the City makes for their benefit.

Effect

We have been informed that some employees leave for what may be a higher paying position, but when they become fully aware of the benefits difference, they return. Therefore, employees may not be making well-informed decisions when they choose to leave the City.

Recommendation 5

HR should work with the Administration to develop a personalized benefits brochure for all employees that shows the value of non-salary benefits which will assist employees in understanding the total value of their compensation. A sample of this brochure could be used as a recruitment tool during the interview and selection process.

Management Response

The Human Resources Department agrees it would be beneficial for employees to be more aware of the indirect contributions the City makes for their benefit. H.R. has various benefits related informational materials that are shared and posted electronically with employees. During new employee orientation, employees are made aware of the benefits of working for the City. The information shared includes benefits the City fully pays for such as vision, life, and long term disability insurance.

Each year during the open enrollment a benefits booklet is provided to employees. The information provided not only shares information on medical insurance; but also provides information on the Employee and Family Health Center and other benefits.

To further aid in our retention efforts and to ensure employees are aware of the great benefits of working for the City, the Human Resources Department is in the process of developing a "Compensation and Benefits Statement" (Benefits Statement), which employees will receive each year in January. The benefits statement will be individualized with each employee's specific salary and benefits information. Among other information, the benefits statement will outline salary and non-salary financial contributions the City makes on behalf of the employee, other benefits offered and employer retirement plan contributions made on the employee's behalf.

Target Implementation Date: First Quarter CY 2019.

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6)   Salary Compression

Condition

There are issues with salary compression throughout the City, particularly at entry-level positions. Compression, as defined by SHRM, is when the pay of one or more employees is very close to the pay of more experienced employees in the same job. Hiring managers report that compression issues are occurring within their Departments. For example, currently, new full-time employees at grade 30 are earning the same as other employees with nearly six years on the job at the same grade. HR management stated that they are working on a Salary Compression Study in order to better understand some of these issues.

Criteria

SHRM recommends that organizations take measures to address issues of salary compression.

Cause

Salary compression at all levels is being experienced due to salaries remaining frozen for several years during the recession. In addition, the 5% end of probation increase provision in the current SEIU contract, as well as the implementation of the new City minimum wage has contributed to salary compression.

Effect

SHRM points out that when compression and the policies that enable it are sustained over several years, it contributes to lack of morale and employee dissatisfaction. As the City's minimum wage increases, it will impact the compression situation at lower levels of the salary scale. Further, according to SHRM, salary compression can transform an organization's compensation from a motivator into a "demotivator." If the compression situation is not remedied at all levels, there is a risk of experienced employees leaving the City, due to the stronger job market in the region, thus increasing retention issues.

Recommendation 6

HR should complete a salary compression study that addresses both employee and Department managers' concerns and makes recommendations to address salary compression that will be fiscally sustainable. This study should also factor in the progressive increase of minimum wage at the City.

Management Response

The Human Resources Department agrees and is already analyzing compression issues

across the City, including compression caused by the increase in the City's minimum wage. Human Resources will be making recommendations to administration on how compression issues can be addressed. Whether and how quickly compression issues can be remedied will depend on availability of funds.

Target Implementation Date: October 1, 2019

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7) Employee Retention and Separation

Condition

Human resources are the most important assets of an organization, and in a service organization, its' most valuable asset. There are several areas in which HR can work with its Departmental customers to achieve a better understanding of recruitment and separation issues.

- **Talent Retention.** From January 1, 2013 through December 31, 2017, there were approximately 750 separations processed of employees classified as full-time. The following chart stratifies these separations from employment for all reasons.

Period of Hire	Number of Full-Time Separations
Prior to 12/31/2007	324
2008-2012	150
2013-2017	276
Total	750

The most frequent reason noted on the separation/termination reports is "resigned" without supplemental information to understand the reason for the resignation.

- **Aging Workforce and Succession Planning.** An analysis of the age of employees on the payroll as of December 2017, determined that there were 205 employees over the age of 60, or approximately 12% of the workforce. A draft succession plan was presented to the Administration early in 2017 by a Consultant. At that time, both high risk of loss positions and potential successors were identified. At the conclusion of the audit, an update to the succession plan was in the process of preparation to be submitted to City Administration in the near future.

  Currently, there is no consistent procedure to ensure that separation data is provided accurately by the Departments, so that an analysis can be performed of the reasons for separation trends. HR management advised that this may be a training opportunity for the Departments to ensure that data is entered correctly and communicated to HR on a timely basis.

- **Newer Employees.** As of December 31, 2017, there were approximately 1,661 active employees. A total of 877 full-time employees were hired in the past five years, however, as noted in the table above, 276 or approximately 31% have separated.

- **Cost of Recruitment and Separation.** Losing employees has a layered effect on an organization and can result in hidden costs that are challenging to quantify, particularly with millennials, who may not remain with the City for the long term. These cost factors may include, but are not limited to:
  - Cost of re-hire, including recruitment, on-boarding, and training for new employees and,

      o   Cost of lost productivity, due to a replacement employee which may take one to two years to reach the productivity of a longer-term employee.

HR does not maintain the total costs of recruiting and training new employees as their costs are fixed. However, the total cost to the City in terms of the costs to the individual departments and the costs to use resources to recruit and train employees, may be much higher than HR's fixed costs.

Criteria

SHRM recommends that HR measure efficiency and effectiveness through appropriate benchmarks, including cost-benefit analysis, and that it measure the business impact of HR programs and processes. According to the Governing Institute's article "Building the Public Workforce of the Future", to effectively recruit and retain skilled workers, the public sector must implement innovative strategies and update management practices.

Cause

HR has not had sufficient data to enable it to analyze the level of talent or root cause of why employees separate from the City as well as the total recruitment and training costs to the City. HR management acknowledged that two of the major reasons for employee separation are salary and what is perceived by the employees as management concerns. Further, HR management advised that the improved local economy has negatively impacted retention efforts.

Effect of Condition

The City is incurring additional costs by having to recruit, train, and equip new employees. Talent development programs that invest in employees over time, increase a worker's value to the organization and may help retain employees.

Recommendation 7

HR should work with the Administration to address retention issues including:

- Developing a quality assurance process for the separation reports, including potential training for Departmental managers to increase reliability of data;
- Working with the Administration and Departments to address the major reasons for employee separation, as well as quantify training costs; and
- Conducting a follow-up to the Consultant's work on Succession Planning by working with Departments to identify high-risk of loss positions.

Management Response

Human Resources concurs that it is important to regularly assess why employees chose

to leave City employment and encourage their feedback as they exit the organization. There can be many reasons an employee may choose to leave City employment. An improving job market tends to cause an increase in separation rates.

For reference, the U.S. Bureau of Labor Statistics notes that State and Local government employer separation rates for 2017 averaged 18.5%. The City's separation rate for 2017 was 11.03% which is better than the State and Local Government trend.

H.R. is currently analyzing the City's pay ranges, which in conjunction with recent increases to the City's minimum wage should help improve recruitment and retention of employees. H.R. will also be following up on the consultant's succession planning initiative to continue to identify high-risk of loss positions.

Target Implementation Date: December 1, 2019

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8)   Employee Off-Boarding and Exit Interviews

Condition

The City has a Separation Policy, dated June 2007, a Separation checklist, and a Checklist for Returning City Property available to all employees. Although these policies provide a good foundation for a robust off-boarding and exit process, our research of HR indicates that there are opportunities to improve, update, and/or reinforce the policy. For example:

- Although the Separation Policy has a requirement for separating employees to be processed by HR, as part of the off-boarding process, HR management acknowledged that there are occasions when managers may not be timely forwarding separation documents and thus, HR is not timely notified that an employee has separated.
- The Separation Policy notes that employees should complete Exit Interviews, which is currently occurring through Survey Monkey. We found that there were 15 surveys completed during the fourth quarter of FY 2017, while there were 98 employees separating in the same period. HR management agreed that the participation rate is lower than desired and is working with the new Senior Employee Relations Specialist to reach out to recently separated employees to obtain additional responses.

Criteria

The City's Separation Policy states that an Exit Interview is an opportunity to receive information from the separating employee. As part of HR's responsibilities, the policy notes that an exit interview should be scheduled on or before the employee's last workday. An important component of an Exit policy involves effective planning for retiring employees.

SHRM recommends that HR have an Off-Boarding and Exit process that will capture separating employee data in a manner that will provide valuable feedback to the Administration. In addition, feedback received through the Exit process assists organizations in becoming a "listening culture" where feedback is listened to and acted upon for improvement.

Cause

HR's workload has caused them to focus on recruitment and has not enabled staff to address retention issues as quickly as practicable.

Effect of Condition

The City and/or HR may not be fully aware of the reasons why employees leave City employment. Further, there is a risk that the City may continuously incur recruitment and training costs while not addressing the root cause of the separations. By providing

feedback to the organization through an Exit process, it can be determined what is or is not working inside an organization, thereby increasing employee engagement and retention.

Recommendation 8

HR should improve its policies and procedures by:
- Reviewing and updating the City's Separation Policy and training the Departments on how to implement the policy,
- Educating Departments on the importance of offering Exit Interviews to departing employees, and
- Consistently offering all employees the opportunity for a personal or telephone Exit Interview, in addition to the Survey Monkey option.

Management Response

When employees resign or retire from service with the City they are afforded the opportunity to meet with the HR staff to review their retirement benefits and options; and are provided related informational material. They are also encouraged to participate in an exit interview.

HR management has worked with the Benefits and Employee Relations Divisions to ensure that as Human Resources is notified of an employee's retirement or resignation, the employee is contacted and encouraged to meet with employee relations staff for an exit interview and to complete the online exit survey.
Employee Separation Policy (4-10) will be updated and all managers and supervisors will be updated on the revised policy and their responsibilities under the revised policy by December 31, 2018.

Target Implementation Date: December 31, 2018

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