POST AUDIT REPORT
HUMAN RESOURCES' RECRUITMENT
AND RETENTION
PAR21-01

WEST PALM BEACH

Internal Audit

December 21, 2020

City of West Palm Beach
Internal Auditor's Office

Beverly Mahaso, Esq. CIA, CFE
Chief Internal Auditor

December 21, 2020

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

RE: POST AUDIT REPORT OF HUMAN RESOURCES' RECRUITMENT AND RETENTION (PAR21-01)

Dear Audit Committee Members:

In FY2017, the Internal Auditor's Office released an audit of the Human Resources Division's Recruitment and Retention **(AUD17-03)**. We performed certain procedures, as enumerated below, with respect to activities of the Human Resources Department in order to render a conclusion on the status of the recommendations made as a result of that review.

This Post Audit Review (PAR) consisted primarily of inquiries of City personnel and examinations of various supporting documentation. It was substantially less in scope than an audit in accordance with generally accepted government auditing standards.

The evidence obtained provided a reasonable basis for our conclusions; however, had an audit been performed, other matters might have come to our attention that would have been reported to you and our conclusions may have been modified.

The audit contained eight (8) recommendations that addressed the audit's findings. Based on the review performed, we concluded that recommendations 1,5,6, and 8 were implemented, and recommendations 2,3,4, and 7 were partially implemented.

We have enclosed a table listing all the recommendations with the current statuses. We found that management made significant efforts to take corrective action. Further, we note that the Human Resources Department is actively continuing to make improvements. As such, additional steps may have been taken to implement the recommendations after the conclusion of this Post Audit Review. We will conduct another Post Audit Review in approximately 6 to 12 months, resources permitting, at which time we will review all additional changes made after the conclusion of this Post Audit Review.

Recommendations Status with Priority

	Implemented	Partially Implemented	Not Implemented
High	(1)	(3)	
Medium	(2)	(1)	
Low	(1)		
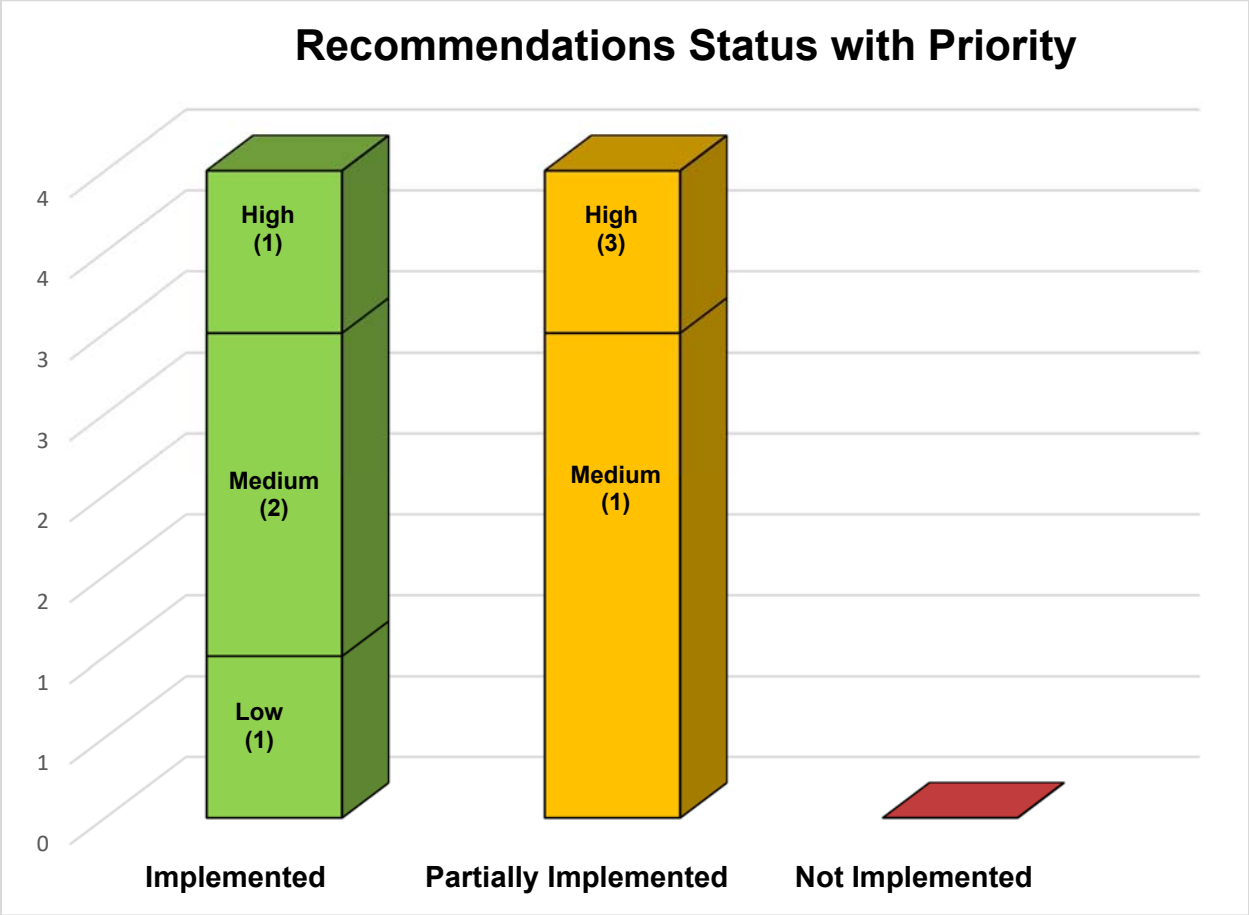
We thank the personnel at the Human Resources Department for their assistance in conducting this review, and on continuing implementation efforts.

Respectfully Submitted,

s/ Beverly Mahaso
Chief Internal Auditor

cc:
  Kelly Shoaf, Commission President   Keith James, Mayor
  Christina Lambert, Commissioner   Faye Johnson, City Administrator
  Cory Neering, Commissioner   Jose-Luis Rodriguez, Chief HR Officer
  Christy Fox, Commissioner
  Joseph Peduzzi, Commissioner

Encl.

POST AUDIT REPORT

HUMAN RESOURCES' RECRUITEMT AND RETENTION

AUDIT RECOMMENDATIONS

Legend
- 🟩 Implemented
- 🟧 Partially Implemented
- 🟥 Not Implemented

No.	Auditor's Conditions and Recommendations	Management's Initial Response	Auditor's Status Update
1 Medium Priority	**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 requirement 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. **Recommendation:** We recommend that the HR Department map out its existing processes and identify inefficiencies or ineffective practices before it	**Management's Initial 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.	**AUDITOR'S STATUS UPDATE** **IMPLEMENTED** **UPDATE AS OF 12/2020** Based on our review, we found that the recommendation was fully implemented. HR mapped out its processes with the assistance of a third-party. The third-party has been tasked with identifying a new system that will meet their needs based on the process mapping completed.

Legend
- Implemented (green)
- Partially Implemented (yellow)
- Not Implemented (red)

	compiles a list of requirements for the new system.		
2 Medium Priority	**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. 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. **Recommendation:** We recommend that the HR Department improve its processing of	**Management's Initial 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.	**AUDITOR'S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF 12/2020:** Based on the review completed, we found that the recommendation was partially implemented. A new recruitment system is scheduled to be implemented in FY21. Additional time is needed to fully implement the system, ensure that it works as intended and processes and procedures are consistent. We were advised by management that the new target implementation date will be **December 1, 2021**.

	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.		
3 High Priority	**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. **Recommendation:** The HR Department should modify its current practices to consider	**Management's Initial 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	**AUDITOR'S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF 12/2020:** Based on the review completed, we found that the recommendation was partially implemented. Additional work is needed to ensure that conditional job offers are utilized consistently. We were advised by management that the new target implementation date will be **June 30, 2021.**

	increasing the use of conditional job offers, such that the desired applicants remain engaged and available to fill the positions.	before moving too far ahead in the on-boarding process.	
4 High Priority	**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	**Management's Initial 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,	**AUDITOR'S STATUS UPDATE PARTIALLY IMPLEMENTED UPDATE AS OF 12/2020:** Based on the review completed, we found that the recommendation was partially implemented. The compensation policy was reviewed and adjusted; and the salary grades were updated. Additional time is needed to complete outstanding career progression plans for appropriate positions which may result in changes to job descriptions. We were advised by management that not all departments will have career progression plans because it is not appropriate for every job description in the City. However, management advised that appropriate career progression plans for which it is both justifiable and can be implemented objectively, will be completed by the new target implementation date of **September 30, 2021.**

	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.	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.
	Recommendation: 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.	

POST AUDIT REPORT

HUMAN RESOURCES' RECRUITEMT AND RETENTION

| 5
Low
Priority | **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. | **Management's Initial 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 | **AUDITOR'S STATUS UPDATE IMPLEMENTED**
UPDATE AS OF 12/2020
Based on our review, we found that this recommendation was fully implemented. HR created a detailed, personalized brochure which included the employee's total compensation (salary and non-salary benefits). The brochure was sent to all City employees in January and is available as a resource for HR in recruitment. |

POST AUDIT REPORT

HUMAN RESOURCES' RECRUITEMT AND RETENTION

	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. **Recommendation:** 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.	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.	
6 High Priority	**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	**Management's Initial 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	**AUDITOR'S STATUS UPDATE IMPLEMENTED** **UPDATE AS OF 12/2020** Based on our review, we found that the recommendation was fully implemented. HR completed a salary compression

Legend
■ Implemented
■ Partially Implemented
■ Not Implemented

	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. **Recommendation:** 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.	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.	study and made adjustments based on the results of the study to reduce compression issues. Funding was made available and utilized where necessary.
7 High Priority	**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.	**Management's Initial 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	**AUDITOR'S STATUS UPDATE** **PARTIALLY IMPLEMENTED** **UPDATE AS OF 12/2020:** Based on our review, we found that the recommendation was partially implemented. Additional work is needed to develop a quality assurance process and training for managers on data reliability and quantification of training

•Talent Retention. From January 1, 2013 through December 31, 2017, there were approximately 750 separations processed of employees classified as full-time.
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

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.

costs. In addition, documentation on the major reasons for employee separation should be completed and reviewed to identify trends that could be addressed prior to employees separating from the City. We were advised by management that the new target implementation date is **December 1, 2021**.

	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, 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, •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	

Legend
- ■ Implemented
- ■ Partially Implemented
- ■ Not Implemented

	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. **Recommendation:** HR should work with 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 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.		
8 Medium Priority	**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	**Management's Initial 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;	**AUDITOR'S STATUS UPDATE** **IMPLEMENTED** **UPDATE AS OF 12/2020** Based on our review, we found that this recommendation was fully implemented. HR revised the separation policy and

13

POST AUDIT REPORT

HUMAN RESOURCES' RECRUITEMT AND RETENTION

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.	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.	reached out to employees regarding completion of exit interviews beyond what was done previously. In addition, Departments were periodically informed of the importance of obtaining exit interviews.

POST AUDIT REPORT

HUMAN RESOURCES' RECRUITEMT AND RETENTION

	Recommendation: 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.	