



CITY OF RICHMOND
CITY AUDITOR

DATE: May 27, 2021

TO: Lincoln Saunders
Acting Chief Administrative Officer

FROM: Louis Lassiter *LL*
City Auditor

SUBJECT: Human Resources Recruitment & Hiring Process Audit

The City Auditor's Office has completed the Human Resources Recruitment & Hiring Process Audit and the final report is attached.

We would like to thank the DHR staff for their cooperation and assistance during this audit.

Attachment

cc: The Richmond Audit Committee
The Richmond City Council
Mona Adkins-Easley, Director of DHR

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City of
RICHMOND
Office of the City Auditor

Audit Report# 2021-14
Human Resources Recruitment & Hiring Process
Audit
May 27, 2021

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Highlights

Audit Report to the Audit Committee, City Council, and the Administration

Why We Did This Audit

The Office of the City Auditor conducted this audit as a part of the FY21 Audit Plan. The overall objective for this audit was to evaluate the efficiency and effectiveness of the HR recruitment and hiring process.

What We Recommend

The Chief Administrative Officer:

- Consider developing and implementing a strategy to offer a PTO plan for the City to include:
 - Converting all new hires from the City's Traditional Leave Plan to a PTO plan; and
 - Developing a voluntary transition plan for existing employees using methods implemented by other organizations.
- As part of the next healthcare renewal perform a comprehensive review of the healthcare offerings to employees to ensure competitiveness in the region.

The Director of Human Resources:

- Develop an all-inclusive listing of all position class codes, position titles and position requirements.
- Develop a process to ensure HRIS staff verify that background check requests align with the position class code, position title and position requirements.
- Revise the current policy to include:
 - A checklist of specific roles and responsibilities for HR Generalists and Hiring Managers; and
 - A quality control process, to include periodic reviews of documentation for accuracy, completeness and data integrity entered into NeoGov.

Additional recommendations were issued to improve the Recruitment and Hiring Process.

Human Resources Recruitment & Hiring Process Audit

Background – The Department of Human Resources (HR) is responsible for the employment lifecycle. This includes: recruitment and selection, classification and compensation, performance evaluation, disciplinary actions and complaints, policy development, employee development and recognition, as well as administration of employee benefits. Central HR supports over 4,000 employees.

What Works Well – Subsequent to the audit period, HR developed and implemented processes which have improved the effectiveness and efficiency of the recruiting and hiring process, which include:

- Increased applicant reach through the use of additional web-based platforms and social media;
- use of technology to transition from a manual to an electronic approval process, which decreased the approval time from **45 days to 4 days**; and
- the addition of the “Recruitment to Hire” training, which equips hiring managers with appropriate standards and guidelines for successful execution of the recruitment process.

Needs Improvement

Finding #1 – Background Checks – The Auditors reviewed 17 positions filled during the nine months ended March 31, 2020 to test compliance with the screening process. HR did not obtain the Department of Motor Vehicle (DMV) records for 11 out of 13 sampled positions that required a DMV check as there was no process in place to ensure the appropriate background check was completed.

Finding #2 – Recruitment Timeliness – The recruitment process begins with a requisition creation date and ends with a candidate start date. The Auditors analyzed the time required to complete each step of the recruitment process and compared it to NeoGov. Based on the analysis it took an average of **226 days** to hire for a vacant position, whereas NeoGov indicated **122 days**. NeoGov data revealed negative values, generated when a single requisition is posted for multiple vacancies. In comparison to the 2016 audit, the recruitment process for Central HR has not improved. In 2016, it took approximately **215 days**.

Finding #3 – Health Insurance Costs – The Auditors compared the City's Health Insurance Costs to surrounding localities and the State of Virginia. The comparison revealed the City's employee costs for health insurance were higher than the surrounding localities and the State. However, the employer costs varied amongst the benchmarked entities.

Finding #4 – Paid-Time-Off – The Auditors compared the City's Leave Plan to surrounding localities and the State of Virginia. All of the benchmarked governmental entities participate in either a Paid-Time-Off (PTO) or a combination of PTO and a Traditional Leave Plan, except Henrico County and the City of Richmond.

Finding #5 – Employee Retention – The Auditors reviewed the City's employee turnover data from FY2016 through FY2020 and noted the median turnover rate was **11.3%**. Losing employees costs approximately \$15,000 per employee, conservatively. Based on the median turnover rate, employee turnover costs the City approximately **\$6.7M** per year.

Finding #6 – Best Practices – The Auditors reviewed HR recruiting best practices as outlined by Indeed and the Society of Human Resources Management (SHRM) to determine whether the City has implemented those best practices. HR has implemented approximately **38%** (6 of 16) and partially implemented **19%** (3 of 16). HR has not implemented **44%** (7 of 16) of the best practices.

Finding #7 – Update Policy – A review of the current hiring practices revealed HR does not certify to the Appointing Authority or designee the minimum number of applicants for each vacant position as required by the City's Personnel Rules. The average number of applicants referred to the Appointing Authority or designee during the audit period was **3.96**, which is less than the minimum requirement of six, as outlined by the Policy.

Management concurred with 10 of 10 recommendations. We appreciate the cooperation received from management and staff while conducting this audit.



BACKGROUND, OBJECTIVES, SCOPE, METHODOLOGY, MANAGEMENT RESPONSIBILITY and INTERNAL CONTROLS

This audit was conducted in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States. 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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives.

BACKGROUND

Overview

The City of Richmond is a human capital driven organization. City employees carry out core functions of the City, such as public safety, purchasing of goods and services and processing payments, etc. Over 4,000 employees are supported through the centralized Human Resources management structure.

The following table depicts full-time equivalent (FTE) City employees by function from FY2016 through FY2020:

Function	2016	2017	2018	2019	2020
General Government	684	566	763	781	776
Police	849	845	847	839	848
Firefighters & Officers	432	409	411	425	415
Public Safety & Judiciary - Others	521	526	563	554	559
Highways, Streets, Sanitation & Refuse	327	318	340	346	357
Human Services Advocacy	14	12	10	16	9
Social Services	392	368	349	340	310
Culture & Recreation	235	232	163	158	152
Stormwater Utility	52	47	54	50	96
Gas Utility	281	282	275	274	242
Water Utility	112	116	132	118	106

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Wastewater Utility	169	150	147	144	121
Electric Utility	21	15	15	14	13
Stores & Transportation Division	7	6	6	4	5
Cemeteries NCO	18	18	18	12	9
Parking	6	6	6	8	10
Total	4,120	3,916	4,099	4,083	4,028

Source: FY2020 CAFR

The mission of the HR Department is “to provide high quality collaborative services in recruitment, benefits administration, consulting, professional and organizational development, and retention for administrators, staff and prospective employees of the City of Richmond that add value to the diverse and inclusive organization through fair, consistent and policy compliant methods.”

Recruitment Process

Recruitment is a coordinated effort between HR and the hiring departments within the City. Each department is responsible for initiating the recruitment process. Once a position becomes vacant, the affected department notifies the HR Generalist assigned to their department. The hiring department must determine if the recruitment is equivalent to the vacant position or if a position change is needed. If a position change is needed the department must submit a position control form in addition to the budget detail spreadsheet required for all new recruitments. Once all required forms have been submitted to the HR Generalist, the HR Generalist creates a requisition in the workforce management system (NeoGov).

All requests to recruit must be approved before active recruitment begins. The request to recruit must be approved by the following:

- Appointing Authority;
- Deputy Chief Administrative Officer;
- Budget Analyst;
- Budget Director (or designee);
- Human Resources Director; and
- Chief Administrative Officer (*applicable positions*).

While approval of the requisition is pending, the HR Generalist meets with the department's Hiring Manager to review the job posting, potential interview date(s), panel members and interview questions. Of note, this part of the process can occur concurrent to other processes. After the strategic recruitment meeting, the HR Generalist drafts the job posting and forwards it to the Hiring Manager for review and approval. Once the requisition and job posting are approved, the job advertisement is posted. This initiates the active recruitment. Jobs may be posted between one week and up to 30 days.

The City uses four types of recruitment methods:

1. ***Closed-restricted recruitment*** – This is restricted to City employees and includes classified, unclassified, permanent, temporary, provisional, or grant-funded employees.
2. ***Closed-department recruitment*** - This is restricted to one particular agency, bureau or division. It occurs, when the appointing authority or designee believes that only employees in one agency, bureau or division possess the knowledge or skills needed to fill the position. Prior to using this recruitment method, the agency, bureau or division is required to identify at least six employees who meet the minimum qualifications for the position.
Note: Individuals serving under contracts or temporary agencies are not eligible to apply for closed recruitment types, unless approved by the Director of Human Resources or designee.
3. ***Open recruitment*** – This is advertised publicly and for any person, whether or not currently employed by the City. The recruitment period may be either restricted to a definite period or continuous/indefinite.
4. ***Direct recruitment*** - This is handled directly by hiring agencies. Certification by HR is not required. This type of recruitment usually applies to entry level positions.

Job advertisements are posted using NeoGov, which automatically post to GovernmentJobs.com. In addition, the City uses a variety of other platforms to reach potential job applicants. During the audit period, 57% and 18% of applicants cited the City's website and GovernmentJobs.com as their source for the job postings, respectively. During the audit period, HR did not use Indeed.com or

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Linked-In. However, subsequent to the audit period, 30% of the applicants cited these sources for the job postings.

Once the job advertisement closes, HR reviews the applications and the HR Generalist creates an eligibility list for each position advertised. Eligible lists are effective for 180 days after they are created. Candidates who are ranked highest on the eligible list are certified for interviews. After the certified candidate list is compiled, the HR Generalist provides the list to the Hiring Manager who sets up and completes interviews.

Once a candidate is selected, a salary request is submitted to HR for approval. After a salary is approved and reference checks are conducted, the HR Generalist extends a conditional offer of employment to the applicant.

Employee Benefits

According to the HR intranet, “the City of Richmond is an “Employer of Choice” among cities throughout the nation.” One element of an “Employer of Choice” is offering a competitive cost-effective benefits package. In 2020, the City offered the following employee benefits:

Probationary Employees	Tenured Employees	Temporary Employees
Holidays	Holidays	Holidays
-	Grievance Rights (classified employees only)	-
Vacation Leave (prorated if part-time)	Vacation Leave (prorated if part-time)	-
Sick Leave (prorated if part-time)	Sick Leave (prorated if part-time)-	Sick Leave (prorated if part-time)
Civil Leave	Civil Leave	Civil Leave
Military Leave	Military Leave	Military Leave
Funeral Leave	Funeral Leave	Funeral Leave
-	FMLA (after 1250 hours of service)	-
-	Educational Leave	-
Group Life Insurance (mandatory, full-time employees only)	Group Life Insurance (mandatory, full-time employees only)	-

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All Voluntary Benefits (if employed 20 or more hours per week)	All Voluntary Benefits (if employed 20 or more hours per week)	-
Shared Leave (after 12 consecutive months of employment)	Shared Leave	-

Voluntary benefits include the following:

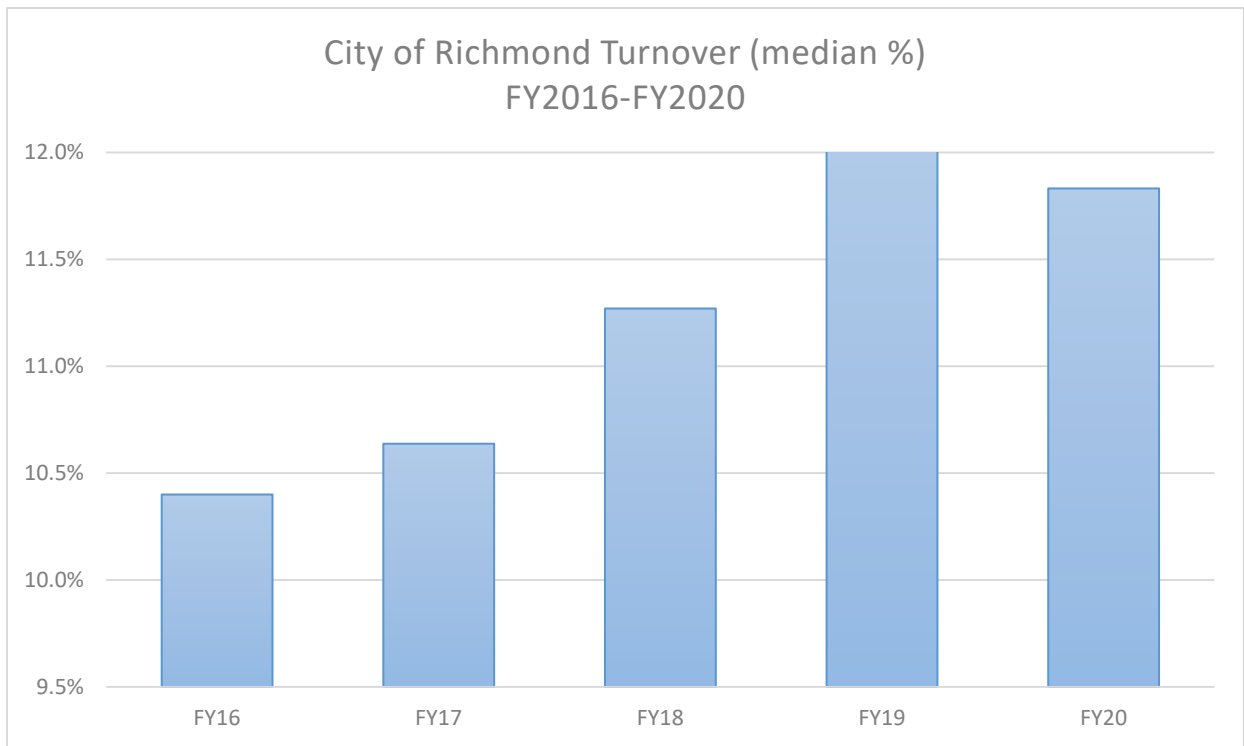
- Health Insurance
- Long Term Care
- Savings Bonds Program
- Legal Resources Benefit
- Cancer Expense Plan
- Personal Accident Expense
- Personal Hospital Indemnity
- Personal Short Term Disability
- Medical Reimbursement Account
- Credit Union Membership
- Employee/Family Assistance Programs
- Dependent Care Reimbursement Account
- Deferred Compensation Program
- Deferred Compensation Loan Program
- Optional Life Insurance (full time only)
- Tuition Assistance Program
- Employee Wellness Fitness Program

Employee Compensation

The Classification & Compensation Division within HR is charged with supporting and sustaining the workforce through the administration of the City's classification, compensation and performance management systems. The Division develops and maintains the City's classification system and pay plan, performs classification and organizational studies, conducts salary surveys and oversees compliance with Federal, State and local laws governing wages and hours of work. The City participated in a salary study in 2018 and implemented a new pay plan in January of 2019.

Employee Turnover & Retention

Employee turnover is the measurement of the number of employees who leave permanent City service during a specified time period. Permanent service excludes temporary, seasonal and part-time employment. The City tracks turnover rates by department and Citywide, on a quarterly and annual basis. Additionally, the City tracks separation rates which exclude employee retirements and deaths. The following graph illustrates the City's turnover rate from FY2016 through FY2020:



Source: data obtained from HR

OBJECTIVE

The objective for this audit was to evaluate the efficiency and effectiveness of the HR recruitment and hiring process:

- Validate the use of all potentially effective methods of recruiting and retention, to include use of data and tools.
- Review the timeliness of the recruiting and hiring process.
- Benchmark certain benefits against other localities.
- Review best practices used by the City to recruit and retain personnel.
- Review new hire processes for compliance with applicable State and City regulations as well as City policy.

SCOPE

The scope of the audit included recruitment, retention, timeliness of the recruitment process, benchmark comparisons with surrounding localities, best practices as they apply to recruitment and retention and compliance with regulations from July 1, 2019 through March 31, 2020. The scope of this audit was adjusted to mitigate the effects of the pandemic which began in March 2020.

METHODOLOGY

The Auditors performed the following procedures to complete this audit:

- Interviewed staff;
- Performed walkthroughs with HR staff to gain an understanding of the recruitment and hiring processes, as well as the background check process and employee turnover and retention;
- Reviewed job advertisement data, turnover and separation data, and exit survey data;
- Examined and calculated overall cycle time for the recruitment process;
- Reviewed employee compensation and benefits packages of surrounding localities;
- Reviewed best practices for recruitment and retention;
- Reviewed the hiring process for compliance with City policy, State and Federal laws; and
- Performed other tests, as deemed necessary.

MANAGEMENT RESPONSIBILITY

City of Richmond management is responsible for ensuring resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

INTERNAL CONTROLS

According to the Government Auditing Standards, internal control, in the broadest sense, encompasses the agency's plan, policies, procedures, methods, and processes adopted by

management to meet its mission, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It also includes systems for measuring, reporting, and monitoring program performance. An effective control structure is one that provides reasonable assurance regarding:

- Efficiency and effectiveness of operations;
- Accurate financial reporting; and
- Compliance with laws and regulations.

Based on the audit test work, the Auditors concluded the internal controls over the recruitment and hiring processes need the following improvements:

- Ensure background checks align with position requirements;
- Update policies to reflect current practice;
- Establish quality control processes to include periodic reviews of documentation for accuracy, completeness, and data integrity;
- Adopt and implement industry best practices; and
- Develop and implement a policy to address employee retention.

These observations are discussed throughout this report.

FINDINGS and RECOMMENDATIONS

What Works Well

Applicant Reach

Since the audit period, HR has enhanced visibility of the City by creating passive recruiting through the use of social media (*City of Richmond Linked-In*) and broadening job advertisement through the use of Indeed.com and Simplyhired.com.

Electronic Approval Process – NeoGov

Prior to the audit, HR revised their procedures to improve the effectiveness and efficiency of the recruiting and hiring process by implementing an electronic approval process in NeoGov. The new “Request to Recruit” process in NeoGov reduced the approval time from **45** days to **4** days.

Recruitment to Hire Training

HR has added “Recruitment to Hire” training to equip hiring managers with the appropriate standards and guidelines for successful execution of the recruitment process. Training is offered at least twice per month.

What Needs Improvement

Finding #1 – Background Checks

Condition: Upon extending an offer of employment to a candidate, HR performs a pre-screening of the candidate, which includes:

1. ***Background checks for all movements*** - HR defines employee movement as one of the following:
 - New hires
 - Promotions
 - Transfers
2. ***Drug and alcohol screening*** –This screening is required for all new hires and certain movements within City departments.
3. ***Education, if required***
4. ***Driving record, if required***
5. ***Commercial Driver's License verification history, if required***

The Auditors reviewed 17 of 424 positions filled during the nine months ended March 31, 2020 to test compliance with the screening process and noted 13 of the 17 positions required at least one of the following:

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- Valid Driver's license with a satisfactory driving record;
- Virginia Driver's license within 30 days; and/or
- Commercial Driver's License (CDL).

Testing revealed HR did not check the Driver's License records for 11 of the 13 positions. The following table outlines the position title, position requirements and DMV check completion:

Position Title	Requirements	DMV Checked
Technology Coordinator (Agency)	Some assignments may require Valid Driver's License with a satisfactory driving record (VA License within 30 days);	No
Maintenance Specialist	Valid Driver's License with a satisfactory driving record (VA License within 30 days); Some assignments may require CDL with satisfactory driving record;	No
HVAC Mechanic	Valid Driver's License with a satisfactory driving record (VA License within 30 days); CFC certification from the Environmental Protection Agency.	Yes
Maintenance Specialist	Valid Driver's License with a satisfactory driving record (VA License within 30 days); Some assignments may require CDL with satisfactory driving record.	Yes
Maintenance and Operations Crew Supervisor, Senior	Valid Driver's License with a satisfactory driving record (VA License within 30 days); Some assignments may require CDL with satisfactory driving record.	No
Electrician, Senior	Valid Driver's License with a satisfactory driving record (VA License within 30 days); some assignments require CDL.	No
Fleet Maintenance Shop Supervisor	Valid Driver's License with a satisfactory driving record (VA License within 30 days); some assignments may require a valid CDL.	No
Library Technician	Valid Driver's License with a satisfactory driving record (VA License within 30 days).	No
Animal Control Officer	Valid Driver's License with a satisfactory driving record (VA License within 30 days).	No
Maintenance Worker	Valid Driver's License with a satisfactory driving record (VA License within 30 days).	No
Program and Operations Supervisor	Some assignments may require a valid Driver's License with a satisfactory driving record (VA License within 30 days).	No
Fleet Maintenance Worker	Valid Driver's License with a satisfactory driving record (VA License within 30 days).	No
Maintenance and Operations Crew Supervisor	Valid Driver's License with a satisfactory driving record (VA License within 30 days); Some assignments may require CDL with satisfactory driving record.	No

Criteria: Each position Class Code and Title have specific certification requirements.

Cause: Departments getting new employees via employee movement complete a *City of Richmond Background Investigation Release of Information* Form indicating the type of background check to be performed. The HR Information Systems Division (HRIS) is responsible for conducting pre-employment screenings. HRIS did not have a process in place to ensure the items checked on the Background Investigation Release of Information Form aligned with the position Class Code and Title requirements. Additionally, HR did not have a comprehensive listing of all Position Class Codes, Title and Certification requirements.

Effect:

- The City may hire employees that lack the appropriate skills and credentials to perform their duties in a safe and competent manner.
- Increased liability to the City as employees may be assigned to drive City owned vehicles without a valid driver's license or a license that is compatible to the duties performed.

Recommendations:

- 1. We recommend the Director of Human Resources develop an all-inclusive listing of all position class codes, position titles and position requirements.*
- 2. We recommend the Director of Human Resources develop a process to ensure HRIS staff verify that background check requests align with the position class code, position title and position requirements.*

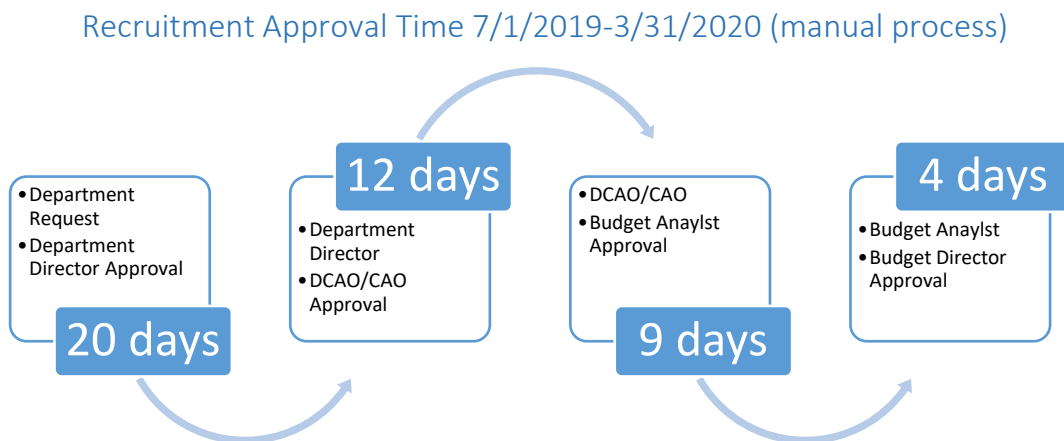
Finding #2 – Recruitment Timeliness

Condition: The Auditors examined the recruitment process for Central HR to verify the expediency of filling vacant positions during the nine months ended March 31, 2020. The recruitment process begins with a requisition creation date and ends with a candidate start date. The Auditors analyzed the time required to complete each step of the recruitment process and compared it to NeoGov. Based on this analysis it took an average of **226 days** to hire for a vacant position, whereas NeoGov

showed an average of **122 days**. The variances in the data are caused by negative values generated when a single requisition is posted for multiple vacancies.

In comparison to the 2016 audit, the recruitment process for Central HR has not improved. In the 2016 audit, it took approximately **215 days** from a recruitment requisition to a candidate start date, versus the current audit period which took an average of **226 days**.

Prior to active recruitment each "Request for Recruitment" must be approved. During the audit period it took an average of **45 days** to obtain recruitment approval. The following flowchart describes the timeline for the recruitment approval process:



Source: Auditor prepared

As of August 17, 2020 HR implemented an electronic approval process in NeoGov. This reduced the approval process to **four days**. The approval process is described in the following flowchart:



Source: Auditor Prepared

Criteria: According to the HR Recruitment Workflow, the estimated times to fill vacancies is between **63** to **89** days, dependent upon the need for position reallocation and advertisement of a position beyond 14 days.

Cause: Negative values are generated in the NeoGov system when a requisition is posted for more than one vacancy. Each applicant must be assigned a requisition number, therefore a requisition may be generated after a candidate is selected for a vacant position, consequently generating negative days.

Unclear roles and responsibilities for the HR Generalist and Hiring Managers and poor communication. Departments were unaware of some of the changes that have occurred in the recruitment and hiring processes. The recruitment policies and procedures did not provide clear guidance to the departments. HR implemented "Recruitment to Hire" training to address these issues. Additionally, HR did not have a quality review process to ensure the data in NeoGov was complete and accurate.

According to SHRM, ineffective communication contributes to the risk of misunderstandings, anger and frustration, and poor execution of strategies.

Effect: Prolonged recruitment times can cause delays in filling vital positions and potential loss of qualified candidates as they may find other employment during this period of time.

Recommendations:

- 3. We recommend the Director of Human Resources revise the current policy to include:***
 - A checklist of specific roles and responsibilities for HR Generalists and Hiring Managers; and*
 - A quality control process, to include periodic reviews of documentation for accuracy, completeness, and data integrity entered into NeoGov.*
- 4. We recommend the Director of Human Resources develop and implement a formal policy for strategic comprehensive communication that incorporates periodic reviews of feedback from internal customers (departments).***

Finding #3 – Healthcare Costs

Condition: The Auditors compared the City's Health Insurance costs to the surrounding localities as well as the State of Virginia during the nine months ended March 31, 2020. The comparison included the following governmental entities:

- State of Virginia
- Henrico County
- Chesterfield County
- Hanover County

The comparison revealed the City's employee costs for Health Care insurance were **higher** than the State and the surrounding localities. However, the employer costs varied amongst the benchmarked governmental entities. For the Standard Plan, the City's employer costs were mostly higher than the localities but lower than the State. For the High Deductible Plan, the City's costs were mostly higher, except for the family plan. The following table depicts the employee and employer costs by entity, excluding the health assessment discount:

Health Insurance Comparison (FY2020)						
Costs per Month						
Locality	Standard Plan Employee	Standard Plan Spouse	Standard Plan Family	HDHP Employee	HDHP Spouse	HDHP Family
City of Richmond employee cost	\$81.00	\$583.00	\$813.00	\$36.00	\$405.00	\$590.00
City of Richmond employer cost	\$676.58	\$1,176.34	\$1,237.38	\$600.03	\$1,087.79	\$1,149.74
State of VA employee cost	\$17.00	\$58.00	\$59.00	-	-	-
State of VA employer cost	\$677.00	\$1,229.00	\$1,802.00	\$584.00	\$1,086.00	\$1,587.00
Henrico County employee cost	\$37.00	\$246.50	\$476.06	\$14.84	\$148.70	\$285.70
Henrico County employer cost	\$602.64	\$981.50	\$1,385.04	\$415.54	\$685.60	\$875.64
Chesterfield County employee cost	\$70.00	\$477.00	\$716.00	\$23.00	\$364.00	\$545.00
Chesterfield County employer cost	\$609.00	\$850.00	\$1,290.00	\$599.00	\$850.00	\$1,290.00
Hanover County employee cost	\$38.00	\$297.00	\$418.00	\$20.00	\$265.00	\$335.00
Hanover County employer cost	\$502.00	\$800.00	\$1,105.00	\$442.00	\$676.00	\$972.00

Notes: (1) This chart does not include all insurance plans provided by each locality. This is comparison of standard and high deductible plans for employee, employee & spouse, and employee & family. Additionally, costs reflect healthcare premiums for full-time equivalent employees. (2) The City offers all employees the option to participate in the health

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assessment. According to HR staff, approximately 75% of City employees participate in the health assessment, which decreases the employee health care cost.

On July 1, 2010, the City began to self-insure health care for all eligible employees and retirees by contracting with providers for administrative services only. Services under these contracts include claims adjudication, disease management, lifestyle programs, and wellness initiatives. A self-insured group health plan is one in which the employer assumes the financial risk for providing health care benefits to its employees. Self-insured employers pay for each out of pocket claim as they are incurred instead of paying a fixed premium to an insurance carrier, which is known as a fully-insured plan. HR manages the plan, ensures statutory compliance and makes recommendations to City Council, which has the authority to modify the provisions of the City’s active and post-employment benefits program.

CIGNA Healthcare is contracted as the third-party administrator for the medical plans. The City offers two medical plan options: Premier and Classic. CIGNA has been the third-party administrator since July 1, 2010. The contract for Cigna is effective through December 31, 2021.

Retiree Eligibility

Employees that retire as active members in the Defined Benefit Plan and Enhanced Defined Benefit Plan and Constitutional employees are eligible for health insurance. Employees must:

- Be under age 65; and
- Have worked for the City for 15 years or more; or
- Have worked for the City for 10 or more years with 5 years of continuous participation in the health insurance program immediately prior to retirement.

The City pays a subsidy of the retiree health insurance based off of the years of active service:

<i>Years of Active Service</i>	<i>Subsidy</i>
<i>25 +</i>	100%
<i>15 to 25</i>	75%
<i>10 to 15</i>	50%
<i>Less than 10</i>	0%

Criteria: Individuals seeking employment in the Richmond Metro area would consider cost for insurance as well as other benefits.

Cause: There are a number of factors that contribute to the cost of health insurance:

- The insurance carrier;
- Type of plan;
- Network providers in a plan;
- Plan features (deductibles, copays, out-of-pocket maximums); and
- Demographics of participants (i.e. the "risk pool", which includes retirees).

Effect: The City generally competes with the surrounding localities as well as the State of Virginia for attracting new employees. The City's employee healthcare premiums were higher than surrounding localities, which hinders the City's ability to compete. Potential applicants may view a more expensive health insurance plan as undesirable.

Previously Issued Recommendation:

The following recommendation remains open from the 2021-04 Pension & Other Post-Employment Benefits Audit:

- We recommend the Chief Administrative Officer create a cross functional team comprised of Human Resources, Finance, Budget and Public Safety staff to reduce the OPEB liability in future years to address OPEB benefits for health care for existing personnel and/or for new hires that can be proposed to City Council.

Recommendation:

5. *We recommend the Chief Administrative Officer as part of the next health care renewal perform a comprehensive review of the health care offerings to employees to ensure competitiveness in the region.*

Finding #4 – Paid-Time-Off

Condition: The Auditors compared the City’s Leave Plan to the surrounding localities and the State of Virginia during the nine months ended March 31, 2020. The comparison included the following governmental entities:

- State of Virginia
- Henrico County
- Chesterfield County
- Hanover County

The City participates in a Traditional Leave Plan, which allocates vacation and sick time separately. All of the benchmarked governmental entities, except Henrico County, participate in either a Paid-Time-Off (PTO) Plan or a combination of PTO and a Traditional Leave Plan. The following table depicts the leave type offered and the number of accrual hours per pay period by each entity for general employees that are new hires:

Leave Type & Accrual Per Pay Period (Full-Time Employees)					
Locality	City of Richmond	State of Virginia	Chesterfield County	Hanover County	Henrico County
PTO - general bank of time for leave away from work: sick, vacation or personal	No	Combination	Yes	Yes	No
Traditional - bank of leave segregated into vacation and sick leave	Yes	Combination	No	No	Yes
Hours Accrued Per Pay Period	7.4	9	7	7	8
Accrual Pay Periods/Year	26	24	24	24	26
Floating Holidays (hours)	8	*Varies	0	16	16
Potential Total Leave Accrual Per Year (hours)	200.4	216	168	184	224

**Some State entities provide floating holidays. Therefore, this variation was not captured in the potential total leave accrual per year (hours) for the State of Virginia.*

The City's accrued hours per pay period are more than the Counties of Chesterfield and Hanover, however less than Henrico County and the State, which provide eight and nine hours, respectively.

Criteria: Per SHRM, during 2019, most organizations offered a PTO bank that included a combination of vacation and sick leave.

According to the Associated Employers organization, PTO allows employees to take time off as needed without the restrictions imposed by traditional leave plans and that PTO is utilized as a recruitment and retention tool.

Cause: The City has historically participated in a Traditional Leave Plan.

Effect: Some of the risks may include:

- Increased absenteeism, employees use time that may be otherwise lost;
- Lack of flexibility as time off must be allocated for either sick or vacation leave; and
- Increased financial liabilities for large banks of sick leave.

Recommendation:

6. We recommend the Chief Administrative Officer consider developing and implementing a strategy to offer a PTO plan for the City to include:

- *Converting all new hires from the City's Traditional Leave Plan to a PTO Plan; and*
- *Developing a voluntary transition plan for existing employees using methods implemented by other organizations such as the State, or other local governments that have gone through similar transitions.*

Finding #5 – Employee Retention

Condition: The Auditors reviewed the City's employee turnover data from FY2016 through FY2020 and noted the median employee turnover rate was **11.3%**. According to the 2019 Work Institute Retention Report, losing employees cost approximately \$15,000 per employee. Based on the median employee turnover rate of **11.3%**, employee turnover costs the City approximately **\$6.7M**

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per year. The following table depicts the City's median turnover percentage by department/agency from FY2016 through FY2020 (*excludes temporary, seasonal and part-time employees*):

Department/Agency	Median Turnover Rate FY16-20
Animal Care & Control	19.0%
Budget	20.6%
CAO's Office	23.5%
Citizen Service and Response	30.2%
City Assessor	9.3%
City Attorney	8.7%
City Auditor	19.3%
City Clerk	13.5%
City Council	13.2%
City Library	13.3%
Community Wealth Building	9.9%
Council Chief of Staff	11.0%
DCAO Human Services	30.2%
Economic/Community Development	9.4%
Emergency Communications	23.6%
Finance	21.7%
Fire- non sworn	16.6%
Fire- sworn	3.6%
Fire Recruits*	64.4%
Housing & Community Development	18.4%
Human Resources	15.6%
Information Technology	11.7%
Inspector General	16.4%
Justice Services	17.8%
Mayor's Office	25.6%
Minority Business Development	0.0%
Parks & Recreation	7.8%
Planning & Development Review	7.5%

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Police- non sworn	7.3%
Police- sworn	6.6%
Police Recruits*	29.5%
Press Secretary	20.2%
Procurement	37.3%
Public Utilities	10.2%
Public Works	11.5%
Retirement	11.3%
Social Services	17.1%
Median Turnover Rates	11.3%

**Category reporting added in 2018*

Upon separation from City employment, employees can voluntarily fill out an exit interview via Survey Monkey. HR uses the survey results to determine reasons for separation. Some of the topics assessed on the survey include:

- Reason for Ending Employment;
- Factors that Contributed to the Decision;
- Rating of the Department Management, Supervisors and Co-Workers;
- Satisfaction with City Benefits; and
- Rating of Overall City of Richmond Employment.

The Auditors noted the exit survey was not effective as only 16 of 419 separated employees filled out the survey during the audit scope.

Criteria: In a competitive job market, retention is the best defense strategy. Effective employee retention requires organizations to understand both why employees leave an organization and why they stay. According to Gallup (2018), 52% of voluntarily exiting employees say their manager or organization could have done something to prevent them from leaving.

Additionally, when organizations combine exit surveys and interviews with other performance data they can identify risk factors that predict turnover and can make changes to their organization.

Cause: While the City collects survey data on a quarterly and annual basis, the City does **not** have a retention plan or retention incentives. HR piloted “stay interviews” within their department, however, this has not been expanded citywide.

The survey questionnaire is lengthy, which inherently discourages participation. It includes 26 questions and is 12 pages long.

Effect:

- Increased annual costs to the City due to turnover. Employee turnover costs the City approximately **\$6.7M** per year;
- Negative effects on recruiting, hiring, training and retaining efforts;
- Decreased employee productivity and employee morale;
- Loss of talent, organizational knowledge and established relationships with customers; and
- Increased risk of litigation.

Recommendations:

7. *We recommend the Director of Human Resources develop and implement an employee retention policy and procedure which includes, identification of a core team tasked with developing strategies to address employee retention issues to include stay interviews.*
8. *We recommend the Director of Human Resources simplify the exit survey questions to improve participation and better analyze the survey results.*

Finding #6 – Best Practices

Condition: The Auditors reviewed the HR recruiting best practices outlined by Indeed and SHRM to determine whether the City has implemented those best practices. The comparison revealed HR has implemented approximately **38%** (6 of 16) and partially implemented **19%** (3 of 16) of the best practices identified. HR has not implemented **44%** (7 of 16) of the best practices. The following table depicts the best practices and associated results:

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Best Practice	Implemented?
Respond Timely to Applicants	Yes
Use Data to Determine Applicants' Sources	Yes
Methods to Recruit Internally	No
Start Recruitment Process once a Resignation is Received	Partial
Job Posting only has Relevant Information for the Position	Yes
Use Resumes instead of Applications	No
Use Fewer Knockout Questions for the Posting	No
Allow Candidate to Self-Select Interview Dates	No
Reduce the Number of People Involved in the Interview Process	No
Use Automation Interview Processes	Yes
Streamline the Reference Check Process	Partial
Automate Onboarding Process	Partial
Use Social Media	No
Attend Career Fairs	Yes
Use Recruitment Sources (i.e. Indeed, Linked-in)	Yes
Referral Incentives	No

Source: Auditor Prepared

Criteria: Best practices for employee recruitment as outlined by Indeed and SHRM.

Cause: The HR Department while improving in some areas has not prioritized other best practices.

Effect: The City's recruitment and hiring process has incorporated several best practices but could be enhanced.

Recommendation:

- We recommend the Director of Human Resources expand recruiting of applicants with additional industry best practices.*

Finding #7 – Update Policy

Condition: The Auditors analyzed 173 of 350 Recruitment Requisitions for the nine months ended March 31, 2020 to determine whether HR complied with the applicants' certification requirements. After a position's advertisement closes, the HR Generalist creates an eligibility list specific for each position advertised. The list is referred to the hiring manager within the requesting department. Candidates who are ranked the highest on the eligibility list are certified for interviews. This is only applicable for classified positions.

According to the City's Personnel Rules for the Classified Service dated May 28, 2013, §III - Subsection 3.15, the "Human Resources Department shall certify to the Appointing Authority or designee names from the eligible list in the following manner":

Number of Vacancies	Minimum Number of Applicants to Refer to Hiring Manager
1 Vacancy	Six Names
2 Vacancies	Seven Names
3 Vacancies	Eight Names
4 Vacancies	Nine Names
5 Vacancies	Ten Names
6 or More Vacancies	Twice the Number of Names as the Number of Vacancies

The analysis revealed the current hiring practice does not match the Personnel Rules for the Classified Service. During the audit period, the average number of eligible applicants referred to the hiring managers for interviews was **3.96**, which is inconsistent with the minimum requirement of at least six names for one vacancy.

Criteria: City of Richmond Personnel Rules for the Classified Service, effective May 28, 2013, Seventh Edition, §III – Subsection 3.15 - Recruitment, Certification and Employment.

Cause: The certification requirements are sometimes impractical as some positions may not get as many applicants as required by the Personnel Rule. Rules were developed over eight years ago when different job market conditions existed for hiring.

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Effect: Noncompliance with City personnel rules exist when compared to actual practices.

Recommendation:

- 10. We recommend the Director of Human Resources work with the Personnel Board to update the City's Personnel Rules for the Classified Service to reflect current practice.*

APPENDIX A: MANAGEMENT RESPONSE FORM

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#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
1	We recommend the Director of Human Resources develop an all-inclusive listing of all position class codes, position titles and position requirements.	Y	The department will work on an all-inclusive listing of all position class codes, position titles and position requirements.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Human Resources		31-Jul-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
2	We recommend the Director of Human Resources develop a process to ensure HRIS staff verify that background check requests align with the position class code, position title and position requirements.	Y	The Background check coordinator will be provided a listing of position class code, position title and position requirements to cross reference against the background consent for request.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Background Check Coordinator		31-Jul-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
3	We recommend the Director of Human Resources revise the current policy to include: <ul style="list-style-type: none"> o A checklist of specific roles and responsibilities for HR Generalists and Hiring Managers; and o A quality control process, to include periodic reviews of documentation for accuracy, completeness, and data integrity entered into NeoGov. 	Y	DHR will create a checklist to include as part of the recruitment SOP defining the roles of the HR Generalist and Hiring Managers. The HR Generalist Leads will be responsible for QA of all information related to a requisition within NeoGov. The QA will occur on a bi-weekly basis to ensure the integrity of the data entered.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Human Resources		31-Jul-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
4	We recommend the Director of Human Resources develop and implement a formal policy for strategic comprehensive communication that incorporates periodic reviews of feedback from internal customers (departments).	Y	The Director of Human Resources will schedule monthly meetings as needed with agency directors for input and collaboration of policy implementation and general feedback. A survey will be conducted by DHR for the department leadership to gather additional information on areas of strengths and areas that will require improvement.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Human Resources		31-Jul-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

APPENDIX A: MANAGEMENT RESPONSE FORM			
2021-14 HR Recruitment & Hiring Process Audit			
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
5	We recommend the Chief Administrative Officer as part of the next health care renewal perform a comprehensive review of the health care offerings to employees to ensure competitiveness in the region.	Y	For retiree medical, a cross-functional team has been created in accordance with audit's recommendation. This team, along with external consultants, are in the process of evaluating the City's retiree medical offerings. Renewals and routine reviews of the healthcare offerings to employees will continue as will efforts to track and monitor the competitiveness of the City's premiums with others. The City will also continue with wellness activities and programs that help employees with controlling cost where applicable, and with knowledge on the importance of improving and/or maintaining their health.
			TARGET DATE
	Director of Human Resources		31-Jul-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
6	We recommend the Chief Administrative Officer consider developing and implementing a strategy to offer a PTO plan for the City to include: <ul style="list-style-type: none"> o Converting all new hires from the City's Traditional Leave Plan to a PTO Plan; and o Developing a voluntary transition plan for existing employees using methods implemented by other organizations such as the State, or other local governments that have gone through similar transitions. 	Y	The CAO designates the Department of Human Resources to conduct research and analysis as to the feasibility of offering a PTO plan for the City of Richmond.
			TARGET DATE
	Director of Human Resources		31-Dec-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
7	We recommend the Director of Human Resources develop and implement an employee retention policy and procedure which includes, identification of a core team tasked with developing strategies to address employee retention issues to include stay interviews.	Y	Stay interview have been piloting in some departments. We will work to extend and open the program to all departments. Based on the results of the stay interviews, DHR will work with departments to identify a core team tasked to assist with developing employee retention strategies.
			TARGET DATE
	Director of Human Resources		15-Aug-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION

APPENDIX A: MANAGEMENT RESPONSE FORM

2021-14 HR Recruitment & Hiring Process Audit

#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
8	We recommend the Director of Human Resources simplify the exit survey questions to improve participation and better analyze the survey results.	Y	The department has create a exit interview through Survey Monkey, with less questions. To capture more exit interviews, the HR Generalist will immediately schedule an exit interview upon recent of a resignation.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Human Resources		Complete
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
9	We recommend the Director of Human Resources expand recruiting of applicants with additional industry best practices.	Y	DHR has already began implementing industry best practices.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Human Resources		31-Dec-21
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION
#	RECOMMENDATION	CONCUR Y/N	ACTION STEPS
10	We recommend the Director of Human Resources work with the Personnel Board to update the City's Personnel Rules for the Classified Service to reflect current practice.	Y	DHR will revise the Personnel Rules for Classified Service to reflect current practice.
	TITLE OF RESPONSIBLE PERSON		TARGET DATE
	Director of Human Resources		31-Dec021
	IF IN PROGRESS, EXPLAIN ANY DELAYS		IF IMPLEMENTED, DETAILS OF IMPLEMENTATION