City of Phoenix

Mission Statement

To improve the quality of life in Phoenix through efficient delivery of outstanding public services.

Project Team

Ross Tate
City Auditor

Leigh Ann Mauger
Deputy City Auditor

Wendy Simeon
Senior Internal Auditor

Project Number

1230071

This report can be made available in alternate format upon request.

Human Resources Department
Talent Acquisition

June 26, 2023

Report Highlights

Recruitments

The average number of days to complete a recruitment is improving. During the last quarter of 2022, the process dropped from an average of 97 days to 77 days.

Background Screenings

Talent Acquisition ensured that background checks were completed within required time frames. We found that most background checks performed in 2022 were completed in one day.

Incentives

Over 90% of incentive recipients were still employed by the City as of January 31, 2023. For those no longer employed, more than $195,000 in hiring and retention incentive payments were not repaid as required by City policy.

City Auditor Department
140 N 3rd Avenue Phoenix, AZ 85003
602-262-6641 (TTY use 7-1-1)

Executive Summary

Purpose

Our purpose was to determine that the City's recruitment process efficiently and effectively accomplishes its goals and objectives.

Background

The Human Resources (HR) Talent Acquisition (TA) Division assists departments with recruitment and selection processes. Recruiters work with hiring managers to create recruiting plans that include job posting details, niche job boards/hiring events, application screening questions, interview questions, and assessments/testing (if applicable). In addition, the recruiter conducts briefings and deliberations for interview panels to guide the selection process.

In October 2021, HR implemented the Applicant Tracking System (ATS) within eCHRIS, the City's human resource system. ATS provides managers with real-time information regarding their hiring processes. The new ATS was designed to leverage manager self-service access and improve hiring time. In addition, ATS became the repository for all documents related to selection processes eliminating the need for paper files.

TA also developed a Recruiting Dashboard (Dashboard) through the ATS. The Dashboard provides micro and macro views about open and closed job requisitions to identify trends or opportunities for improvement. The goal of the analytical data is to increase the efficiency and effectiveness of the hiring process.

Results in Brief

The average number of days to complete a recruitment is improving.

We reviewed the ATS data to determine if the total time to complete a recruitment had improved since the new position-based recruitment model was implemented. The data showed the total time to complete the recruitment process ranged from 77 to 109 days. We noted from September to December 2022 the average number of days to complete the hiring process had gone from 97 days to 77 days.

Talent Acquisition ensured that background checks were completed timely.

The contracted background check turnaround time goals were four (4) days for a standard check and 5.5 days for an expanded check. We obtained a copy of the screening data from April 1, 2022, to January 31, 2023 and recalculated the turnaround times. We determined that all background screenings were completed in less than one day.

As of January 31, 2023, the City still employed 92% of the hiring and 96% of the retention incentive recipients.

We analyzed hiring and retention incentives from February 1, 2022, through January 31, 2023. We determined that 8% of hiring and 4% of retention incentive recipients were no longer employed by the City or were on extended leave. We noted that most hiring incentives were in the Parks and Police Departments. Most retention incentives were in the Police Department.

Over $195,000 in hiring and retention incentive payments were not repaid as required by City policy.

The City's incentive policy states that if an employee resigns or is discharged, the employee is subject to repayment of the incentive. We reviewed hiring and retention incentives paid from February 1, 2022, through January 31, 2023, and found that 136 employees had separated from the City and thus were required to repay their incentives. We found that 73 had not repaid incentives totaling more than $195,000.

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Department Responses to Recommendations

Rec. #1.1: Train Talent Acquisition staff on screening procedure and require staff to complete each step in the recruitment process.

Response: Training session for staff will be completed to support this recommendation.	***Target Date:*** 12/29/23

Explanation, Target Date > 90 Days: Talent acquisition is working through a heavy request load as a result of the citywide class and compensation study implemented on August 7, 2023.

Rec. #1.2: Develop an internal recruitment manual and provide training to Talent Acquisition staff.

Response: Manual will be developed and training will be provided within Talent Acquisition.	***Target Date:*** 12/29/22

Explanation, Target Date > 90 Days: Talent acquisition is working through heavy request load as a result of the citywide class and compensation study implemented on August 7, 2023.

Rec. #3.1: Work with Finance Central Payroll to develop procedures that department payroll liaisons can use to properly process incentive payments and repayments. Include when exceptions will be granted and how to document those exceptions.

Response: Work with training staff for payroll liaisons to train staff. Training sessions and materials to be provided to existing staff and new hires.	***Target Date:*** 4/1/24

Explanation, Target Date > 90 Days: Exception TRL is responsible for citywide Class and Comp implementation in August 2023. The 90 day timeframe is during the implementation of the study, and there will also be a period of time required for clean-up and corrections from the study. Additionally, many incentives end with the implementation in August, so this will allow for training to be targeted to those areas still using incentives.

Rec. #3.2: Work with Finance Central Payroll determine if it is feasible to collect incentive payments that were not repaid as required by AR 2.55 and signed agreements.

Response: Total Rewards TRL team will collaborate with Finance Central Payroll to assess the feasibility to collect incentive payments not repaid as required by AR 2.55 and signed agreements without approved exceptions.	***Target Date:*** 4/1/24

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Explanation, Target Date > 90 Days: Exception TRL is responsible for citywide Class and Comp implementation in August 2023. During the 90-day timeframe, the department will be working through implementation and clean up from the study.

1 – Recruitments

Background

In October 2021, Talent Acquisition (TA) implemented the eCHRIS Applicant Tracking System (ATS). The system provides managers with real-time information regarding their hiring processes. The new ATS was designed to leverage manager self-service access and improve the overall hiring time. The system ensures that the interview process details are determined in advance, and that the hiring matrix criteria are documented and consistent with the job posting. In addition, ATS provided hiring managers with direct access to review job announcement details or to submit new content for the job posting. Hiring managers will proactively have information available to them when they have a vacancy or anticipate a vacancy. eCHRIS became the repository for all documents related to the selection processes, eliminating the need for paper files.

TA also developed a Recruiting Dashboard (Dashboard) through ATS. TA will use the data to identify trends or opportunities for improvement during each phase of the hiring process.

We reviewed dashboard data and interviewed hiring managers to determine if the City's recruitment process accomplishes its goals.

Results

Additional training is needed before the ATS dashboard data can be used to monitor all phases of the recruitment process.

We analyzed the Dashboard data, from April 1, 2022, through April 30, 2023, to determine its reliability and if the overall time to complete a recruitment had improved. ATS captures the beginning and end dates for each phase of the recruitment process. During our review, we noted end dates that were before beginning dates, missing beginning dates, and phases with negative days to complete. Based on discussions with HR staff, the new system was highly customizable, but each custom feature was costly. A decision was made to focus on the most important items. The system time stamped the majority of dates, but some dates were entered manually. If a date was entered incorrectly (e.g., before the previous end date) the system did not give an error message.

Most of the errors we identified were because the screening was not being completed. TA staff have either not been trained or they did not have the time to complete the full screening process. The system did not require the screening process to be completed, and it did not automatically use the last completed date. This resulted in errors in the screening phase and negative completion times in the route phase.

Based on our review, the outliers/errors identified were not a significant portion of the total population. TA staff indicated that the outlier information was removed when it was

used for presentations. TA staff continuously works with recruiters and hiring managers on how to use the system. However, it will take time before the data needs less cleaning and is more reliable.

The average number of days to complete a recruitment is improving.

We reviewed the ATS data to determine if the total time to complete a recruitment had improved since the new position-based recruitment model was implemented. The data showed that the time to complete the recruitment process ranged from 77 to 109 days. We noted that from September to December 2022 the average number of days to complete the hiring process went from 97 days to 77 days. The 77 average days may be low due to fewer recruitments being completed. Regardless, the trend showed a reduction in the average number of days to complete a recruitment.

Average Days to Complete a Recruitment
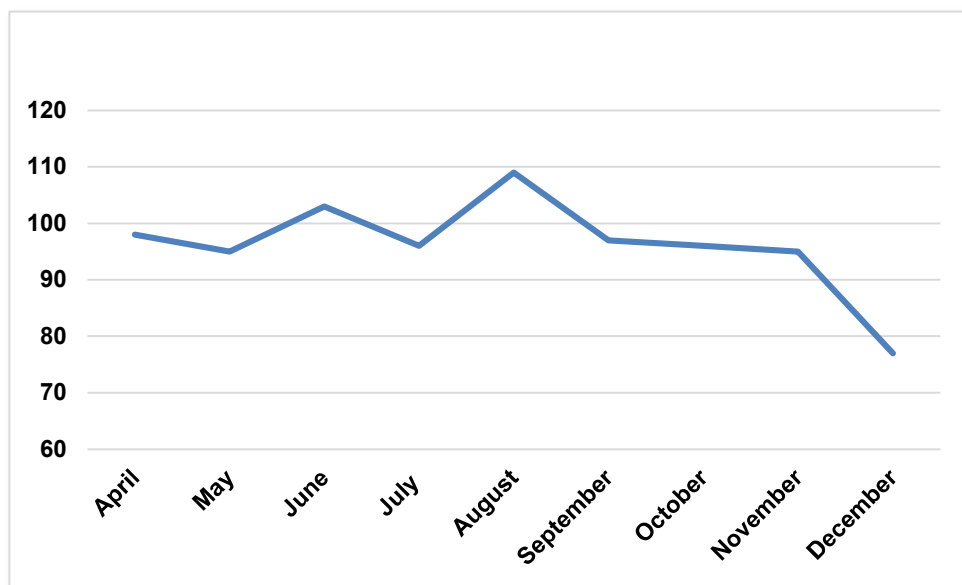
The average number of days to complete the recruitment is improving.

TA staff have begun using the Dashboard to identify bottlenecks in the process and will continue to work with users to improve the process.

Hiring managers saw advantages to the new ATS, but improvements are still needed.

We interviewed hiring managers from ten departments that had completed recent recruitments to obtain their insight on the new processes. Hiring managers had the following positive feedback:

- New position-based processes tailored recruitments for department specific needs rather than eligible hire lists.

- Video or single interviews, when appropriate, enhanced recruitments.

- Hiring events, job fairs, and alternative advertising increased outreach to potential applicants.

- ATS improved centralized recruitment documentation and consistency.

- Training videos and job aides for ATS and the new recruitment process were helpful.

Respondents provided the following areas that needed improvement:

- Inconsistent information was provided which resulted in confusion and delays.

- Job titles, descriptions, and minimum qualifications are outdated; potential applicants may not have applied.

- Job postings were not posted timely which increased recruitment times.

- Applicant screenings were inconsistent; qualified candidates were overlooked.

- Salary negotiations took too long; candidates may have found other employment.

Hiring managers expressed concerns about the upcoming pause on recruitments; candidates that are in the process will likely become impatient and find other employment. Therefore, additional recruitments will have to be completed resulting in further delays.

TA staff stated they were aware of holdups in the process and are working on ways to reduce delays. They plan to continue using the Dashboard to improve the process for the hiring manager, recruiter, and candidate. The respondents provided additional specific suggestions for improvement which were provided to TA staff.

Overall hiring managers felt the incentives were beneficial and effective, but the process for their approval could be streamlined.

We also interviewed hiring managers to obtain their feedback about the effectiveness of incentives. Hiring managers reported that incentives helped with recruiting and retention, but competitive wages are expected to help more. They did note that some positions, after the wage adjustments, will still need hiring incentives to be competitive. In addition, respondents indicated that it often took weeks to get an incentive approved which delayed the recruitment process. They did suggest that creating an incentive checklist for hiring managers to follow and streamlining the process to reduce approval times would be helpful.

Recommendations

1.1 Train Talent Acquisition staff on screening procedure and require staff to complete each step in the recruitment process.

1.2 Develop an internal recruitment manual and provide training to Talent Acquisition staff.

2 – Background Screenings

Background

Administrative Regulation (AR) 2.81 – *Background Screening* states that full-time, part-time, and temporary positions are subject to employment suitability screening. The process applies to new hires, promotions, and transfers. The level of screening and requirements depends on the position. HR contracted with Sterling Talent Solutions (Sterling) to conduct the City's background screenings (checks). The Talent Acquisition (TA) division of HR oversees and manages the Sterling contract.

The Sterling contract stated that the screening level varied depending on the position. Standard (general employees) screenings included social security number (SSN) trace, county criminal, enhanced nationwide criminal, sex offender, and government watch list searches. Expanded (management level) screenings included obtaining credit reports, education/license/employment verifications, and reference checks. Some positions require additional checks, such as Commercial Driver's License (CDL) review or drug screening. The contract also included turnaround time (TAT) goals.

We reviewed quarterly TAT performance goals and a sample of invoices to determine if the charges agreed to the contract terms.

Results

Background checks were completed timely and turnaround times were well below the contractual goals.

The Sterling contract stated that background check TAT goals were four (4) days for a standard check and 5.5 days for an expanded check, and that TATs were to be evaluated quarterly. If Sterling exceeded a TAT by more than 0.5 days, the City would receive a credit for the cost of the screenings.

TA staff stated that because Sterling completed most of the background checks in less than one day, far below the 4-day TAT, they only monitored background checks over five days old. Often, these checks were for CDL licenses, or required that Sterling obtain out-of-state records. To verify if Sterling had completed Standard and Expanded checks within the contractual performance goals, we obtained a copy of the screening request data from April 1, 2022, to January 31, 2023. In addition, we recalculated the TATs by type and quarter. We determined that all TATs were less than one day.

We noted that SSN traces came back in seconds, and some of the most prolonged checks (up to 53 days) were for existing CDL checks. During the audit, TA proposed revisions to AR 2.81 – *Background Screening*. The revisions would move the background check process to after a candidate has accepted the position, and would eliminate background checks for an internal candidate, unless they move from a general to a management position. TA also proposed changes to the CDL requirements (per

federal law), which would increase the time to complete the checks. The goal is to reduce the time the vendor spends on internal checks, so they can direct more time toward completing CDL checks.

Tested background check invoices were mathematically accurate and agreed to the contract terms.

The Sterling contract contains unit prices for various background checks and packages. Packages include new and existing standard, and new and existing enhanced checks. The most common checks include motor vehicle, interview reference, CDL, and citizenship.

We judgmentally selected four invoices for testing. We obtained copies of invoices from the City's accounting system and the detailed back-up from Finance. The detailed back-up agreed to the summary invoice, by department. We also verified that the individual charges agreed to contract terms. Due to the volume of detail, we confirmed that the four invoices were mathematically accurate, and that individual charges for two invoices agreed to contract terms. We also noted two invoices included late fees which were not allowed under the contract. Finance did not pay the late fees.

Recommendation

None

3 – Incentives

Background

In February 2022, the City implemented Administrative Regulation 2.55 – *Hiring Incentive, Retention Incentive, and Employee Referral Payments* (AR 2.55) to incentivize new employees to join the City workforce and to retain trained and qualified employees.

Hiring Incentive – Departments work with HR to determine the hiring incentive amount, up to $7,500. New hires receive the entire amount on their first paycheck or are paid in three equal installments. Recipients must agree to maintain employment with the City for at least 12 months from the date of the final payment. If the employee resigns or fails probation, the incentive is subject to repayment.

Retention Incentive – Departments work with HR to determine the retention incentive amount, up to $7,500. Employees are paid in three equal installments. Employees must meet performance standards and agree to maintain employment with the City for at least two years from the date of the initial payment. If the employee resigns or is discharged, the incentive is subject to repayment.

The AR also states that HR, in conjunction with the City Manager, has the authority to waive the repayment.

Referral incentives – Departments work with HR to determine the referral incentive amount, up to $2,500. Employees are only be paid when the external candidate is hired, the incentive is listed in the job announcement, and the candidate names the referring employee in their application. The candidate must also pass probation before the referring employee is paid. We did not test referral incentives.

We analyzed incentive pay to determine if hiring and retention incentives were effective in attracting and retaining employees. We also reviewed a sample of payments to determine if they complied with AR 2.55.

Results

As of January 31, 2023, the City still employed 92% of hiring and 96% of retention incentive recipients.

We analyzed hiring and retention incentives that were issued from February 1, 2022, through January 31, 2023. We found that 608 hiring incentives were paid totaling $1.5M and 3,230 retention incentives were paid for $13.9M. In addition, we determined that 92% of hiring and 96% of retention incentive recipients were still employed by the City.

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Hiring and Retention Incentives
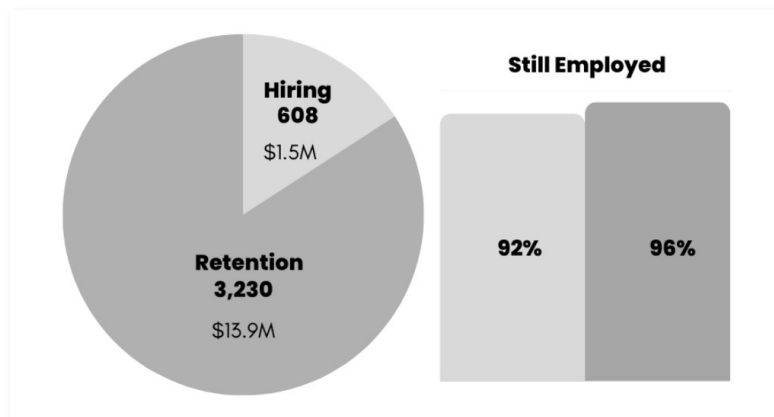
Incentives appear to be effective.

We noted that most hiring incentives were in the Parks and Police Departments. The Police Department had the most retention incentives with $13.4M.

Over $195,000 in hiring and retention incentive payments were not repaid as required by City policy.

AR 2.55 stated that if the employee resigns or is discharged, the incentive is subject to repayment, unless a waiver is obtained from the HR Director in conjunction with the City Manager. We reviewed hiring and retention incentives paid from February 1, 2022, through January 31, 2023. We found that 136 employees had received incentives and had separated from the City before the required time period. We learned that 73 of the separated employees had not repaid over $195,000 of incentive payments.

Repayment of Incentives

More than $195,000 of the incentives were not repaid.

Based on discussions with Police, Fire, Public Works, HR, and Finance staff, the repayment requirement was not clearly stated when the AR was first implemented. In addition, staff were not given instructions on when or how to process a repayment.

Finance staff stated that departments were required to process reversal exception pay from the final check and to notify Finance when the balance needed to be invoiced. However, as shown above, 73 employees still need to repay at least a portion of their incentive. Finance staff stated that the process to invoice former employees is time consuming, and only a small percentage of them pay their invoices. We provided the list of the former employees, who owe outstanding incentive pay, to Finance and department staff. They will determine if there is a benefit to the City to try to collect the funds.

Over 20% of exit survey results showed salary was the number one reason for leaving the City.

The City sends an exit survey to employees who separate from the City. We reviewed exit survey results from April 1, 2022, through March 31, 2023. We found that 39% of respondents indicated that they left the City for a new job. Of the people who left for a new job, the top three reasons were 1) salary (23%), 2) supervisor/management (20%), and 3) minimal opportunities for advancement (19%). When asked what they like least about working for the City, pay was the number one reason (20%), followed by lack of career growth (13%).

Recommendations

3.1   Work with Finance Central Payroll to develop procedures that department payroll liaisons can use to properly process incentive payments and repayments. Include when exceptions will be granted and how to document those exceptions.

3.2   Work with Finance Central Payroll determine if it is feasible to collect incentive payments that were not repaid as required by AR 2.55 and signed agreements.

Scope, Methods, and Standards

Scope

We reviewed HR's current recruitment process, and background checks and incentive payments for the period from February 1, 2022, through January 31, 2023.

The internal control components and underlying principles that are significant to the audit objectives are:

- Control Activities
    - Management should design control activities to achieve objectives and respond to risks.
    - Management should implement control activities through policies.
- Control Environment
    - Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
- Monitoring Activities
    - Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Methods

We used the following methods to complete this audit:

- We interviewed HR, Finance, and various department staff.
- We reviewed recruiting analytics.
- We tested background checks.
- We tested incentive payments.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Data Reliability

The data we used (Sterling background check data and SAP Payroll data) were previously determined to be reliable through an independent audit review. We assessed the reliability of eCHRIS Recruiting Dashboard data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable about the data. As

noted in this report, we were unable to determine the reliability of these data, other than the Dashboard Phase 80 (total recruitment process time).

Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.

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