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City of Chicago

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Report of the Office of Inspector General:

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Department of Human Resources and Office of Budget and Management Hiring Timeliness Follow-UpInquiry

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Joseph M. Ferguson Inspector General

OFFICE OF INSPECTOR GENERAL

City of Chicago

740 N. Sedgwick Sued. Suite 200 Chicago. Illinois 60654 Telephone: (773)478-7709
Fax: (773) 478-3949

July 6,2017

To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (OIG) has completed a follow-up to its December 2015 audit of the City's hiring process. Based on the Department of Human Resources (DHR) and Office of Budget and Management's (OBM) responses, OIG concludes that while the City has begun implementation of corrective actions related to the development, tracking, and analysis of performance goals, it has not implemented corrective actions to address other OIG recommendations.

The purpose of the 2015 audit was to determine if the City filled vacant positions in a timely manner. Our audit found that the City took an average of nearly six months to till vacant positions. OIG concluded that a significant portion of the six-month time lapse to fill a vacancy, which was intended to prevent annual personnel spending from exceeding City Council appropriations, in fact reduced personnel spending below City Council appropriation amounts to the potential operational detriment of City departments.[1] In addition, the City had not set formal goals for how long the full hiring process should take and did not otherwise track the time-to -hire for filling departments' vacancies. Finally, the City had no procedures in place to identify or measure hiring delays and had not established guidelines to assist departments in timing their hiring requests to meet the schedules set out in their budgetary hiring plans.

Based upon the results of our audit, we recommended that,

- OBM ensure the disposition of departmental requests to hire reflects the true disposition, and that it formally and expressly communicate to hiring departments any denial of a request (no matter the disposition) and the reason for denial;
- OBM reconsider requiring departments to postpone filling vacancies until they have achieved their budgeted turnover amount; and
- DHR work with OBM to define time-to-hire goals that include all relevant hiring process activities, and develop procedures to measure steps of the hiring process in order to identify and remedy sources of delay.

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' DHR and OBM disagree with this conclusion, stating in their response to this follow-up inquiry that "cost savings arc not the reason behind the City's average time to hire."

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In response to the audit, OBM and DHR described a number of corrective actions they would take regarding the development, tracking, and analysis of performance goals. They disagreed with the other findings and recommendations, however, and declined to take corrective actions.

In May 2017, OIG inquired with DHR and OBM regarding the status of the corrective actions the Departments committed to in response to OIG's audit and any other actions they may have taken. On the following pages we summarize the original audit finding and recommendations, as well as the Departments' response to our follow-up inquiry.

Based on DHR's and OBM's follow-up response, OIG concludes the Departments have begun implementation of corrective actions related to performance measures. Once fully implemented, OIG believes these actions may reasonably be expected to provide the tracking tools necessary to identify and address hiring delays. We urge the Departments to reconsider OIG's remaining recommendations and identify corrective action to fully address the finding in our original audit.

We thank the staff and leadership of DHR and OBM for their cooperation during the original audit and responsiveness to our follow-up inquiries.

Respectfully,

Joseph M. Ferguson Inspector General
City of Chicago

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OIG File #17-0224
DHR and OBM Hiring Timeliness Follow-Up Inquiry

Follow-Up Results

In May 2017, OIG followed up on a December 2015 audit of the timeliness of the City's processes for filling employment vacancies." OBM and DHR responded by describing the corrective actions they have and have not taken since receiving the original audit. We summarize the original finding, the associated recommendations, and the status of the Departments' corrective actions below. OIG's follow-up inquiry did not observe or test implementation of the new procedures, and thus makes no determination as to their effectiveness, which would require a new audit with full testing of the procedures.

OIG uses four categories for Status of Corrective Action:

- Implemented - The department has implemented actions that may reasonably be expected to resolve the core findings/concerns noted in the original audit.
- Partially Implemented - The department has implemented actions in response to the audit, but the actions do not fully address the findings/concerns raised in the original report.
- Pending Implementation - The department has initiated action plans that, if fully implemented, may reasonably be expected to resolve the core findings of the original audit. However, the department has not completed implementation.
- Not Implemented - The department has not initiated or implemented any actions responsive to OIG's findings.

Finding: The City took an average of nearly six months to fill vacant **positions.**

OIG Recommendation 1: OIG found 248 unfilled vacancies with the disposition code . "Submitted" in the personnel system, which meant the hiring department's request was awaiting OBM approval. However, OBM stated that it considered these requests to be denied because while some requests can be denied directly, others can be denied by taking no approval action. To ensure transparency and provide clear communication to departments so that they may anticipate operational impact, OIG recommended that OBM ensure the disposition of departmental requests to hire reflects the true disposition. Therefore, any requests which OBM considers "Denied" should show that disposition rather than "Submitted", which indicates the request is still being considered. In addition, we recommended that OBM formally and expressly communicate to hiring departments any denial of a request (no matter the disposition) and the reason for the denial.

The 2015 audit report is available on the OIG website: <http://chicauoinspectorgencral.org/wp->eontcntAiploads/2015/12/Citv-Hiring-Timcliness-Audit-.pdf.

DHR and OHM Hiring Timeliness Follow-Up inquiry

Status of Corrective Action: Not Implemented. OBM disagreed with this recommendation in its response to the original audit, and reiterated its disagreement in response to the follow-up inquiry, stating, "OBM has not made changes to its process for communicating with departments as it already has a process in place to communicate any hiring denials to departments. Denials are communicated to departments by the budget analyst responsible for the department. Since the decision on which positions to fill is subject to ongoing discussion between the department and OBM, a formal denial is not entered into the system. OBM may agree to hold the position vacant and reconsider the position after a certain time period."

OIG Recommendation 2: The annual personnel budget for each City department includes a gross amount for all budgeted positions, reduced by an estimated personnel turnover amount calculated by OBM. The net of these two amounts is approved by the City Council in the annual appropriation ordinance. OBM generally requires departments to submit a budgetary hiring plan-a proposed staggered schedule of hire dates for vacancies known or expected at January 1-that will ensure the department realizes its budgeted turnover amount. OIG found that hiring departments and OBM delayed hiring into vacant positions by an average of 100 days through the budgetary hiring plan process and, therefore, the City did not get the full operational benefit of City Council-approved positions.[3] OIG recommended that OBM reconsider the current budgetary hiring plan requirement that departments achieve estimated turnover amounts before obtaining permission to hire. This practice forces departments to delay hiring into vacant positions and to operate with less than their net personnel budgets. We also recommended that OBM consider ways to adjust the process and reduce the impact to the operational effectiveness of City departments. Alternative ways to prevent departments from overspending on personnel could include intervening only with those departments that are at risk of running over budget.

Status of Corrective Action: Not Implemented. OBM disagreed with this recommendation in its response to the original audit, and reiterated its disagreement in response to the follow-up inquiry, stating, "While OBM does require departments to achieve a certain level of savings in their personnel budgets and these savings are a critical part of the City's

It should be noted that in the response to the original audit, OBM asserted that the audit included departments and positions that arc not subject to budgetary hiring plans. During the audit, OIG had several conversations with DHR to determine which positions followed similar hiring processes and, thus, should be included in the analysis. In consideration of OBM's assertion, however, OIG recalculated the time from vacancy to scheduled hire date, excluding the departments identified by OBM, and determined that hiring departments and OBM delayed hiring by an average of 76 days through the budgetary hiring plan process for the remaining departments.

cost control efforts, the primary contributor to the City's time to hire is not the

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budgetary hiring plans. As noted in our response to the 2015 audit, there are many decisions made by departments, OBM, and DHR throughout the course of the year that impact the hiring process including position audits, training academy schedules, reorganizations, department reprioritization of hiring needs, lack of qualified candidates, and operational needs. Further, budgetary hiring plans take into account a number of factors other than the turnover target. As noted previously, these plans account for turnover that occurs throughout the course of the year due to attrition vacancies, and are adjusted throughout the year to meet each department's specific operational and hiring needs. Once the hiring plan is determined, it is the department's responsibility to initiate the hiring process based on their hiring plan and operational needs.

"With respect to any adjustments since the date of the audit, OBM has not made any changes as it already engages in the other suggested mechanisms for tracking personnel expenses and the delays noted in the audit are not primarily due to the budgetary hiring plans."

OIG Recommendation 3: OIG found that the City had not set formal performance goals for the timeliness of the full hiring process and did not otherwise track the time-to-hire for filling departments' vacancies. m the absence of robust system data, OIG attempted to identify specific points of delay in the hiring process by reviewing manually recorded dates. Such analysis was not possible, however, because the necessary information was not consistently documented. OIG recommended that DHR work with OBM to define time-to-hire goals that include all relevant hiring process activities. We also recommended that DHR develop procedures to measure steps of the hiring process in order to identify and remedy sources of delay. Finally, we recommended that DHR compare actual time-to-hire to the goal for each hire, analyze the results by department, and share its findings with the departments.

Status of Corrective Action: Pending Implementation. In their response to the original audit, DHR and OBM agreed with OIG's recommendation and stated that they would set time-to-hire goals, track milestones in the hiring process, and identify significant sources of delay. In response to the follow-up inquiry, they stated, "DHR and OBM acknowledge that identifying relevant data and tracking to consistent benchmarks can assist all departments in the hiring process and provide an objective means of improving the overall hiring process. To that end, in 2016 DHR began an audit, in

collaboration with OBM's performance management team, of various 2015 hiring sequences in order to more accurately capture and evaluate the time it takes to complete each step in the hiring sequence. DHR is in the process of implementing a hire checklist that will accurately capture time durations going forward allowing for quicker identification of bottlenecks and delays and better insight into the root cause(s) of these issues. DHR plans to meet with the hiring departments on a quarterly basis to review future hire priorities and discuss identified bottlenecks or

delays with past hire sequences. Collectively, this information will inform future target ranges that will be set for each step of the hiring process. These target durations are discussed below.

"DHR and OBM are working collaboratively on the development of a master time-to-hire tracking tool. This tracking tool will provide all entities (DHR, OBM, and hiring departments) with shared insight and accountability into where each hire sequence stands and the time it should take to complete each step. DHR will establish standard target duration ranges for each step in the hire process that provide realistic time targets yet sufficient flexibility to account for the variability of different hire sequences. During the intake meeting, the relevant DHR recruiter, OBM budget analyst, and the hiring department will then establish specific target completion dates for each step in the process that line up with the standard target durations set by DHR. The tracking tool will establish different time-to-hire targets for different positions, thus recognizing that the total amount of time it takes a department to hire for a 'willing and able' position will be different than hiring a 'senior manager' or 'non-senior manager' position because of the number and complexity of each required step. Therefore all positions will have an appropriate duration target for each step of the hiring process and a target completion date for the entire hire sequence based on the type of hire. It is DHR's goal to ensure this tool is successfully implemented by the start of the 2018 hiring process.

"Along with establishing a master time-to-hire tracking tool, DHR and OBM will also establish guidelines to assist departments in timing their hiring requests to meet the scheduled hiring dates set out in each department's budgetary hiring plan. Additionally, DHR has already made some process changes to reduce the time to hire. Most notably by allowing departments to schedule the intake meeting once pre-intake materials are submitted (versus when the prc-intake materials are approved) and allowing departments to post for all vacancies in a particular title that are specified on their hire plan (versus posting by division or as the individual vacancies

are approved). In collaboration with the hiring departments and OBM, DHR will continuously monitor and evaluate time to fill durations so that they are both consistent with budgetary hiring plans and responsive to the various exigencies, funding irregularities, and operational needs that are inherent with any hiring process.

"Once finalized, the tracking process will ensure time-to-hire targets reflect the complexity of the hiring process, provide measurable and attainable hiring duration guidelines to keep the process on track, and ensure departments are partners with DHR and OBM throughout the hiring process. DHR and OBM continue to work dclibcratively to develop and implement the time-to-hire tracking tool and subsequent guidelines and management processes."

City of Chicago Office of Inspector General

Public Inquiries	Danielle Perry (773) 478-0534 dpeiTv(o! chicaeoinspectoreeneral.ore
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Mission

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The City of Chicago Office of Inspector General (OlG) is an independent, nonpartisan oversight agency whose mission is to promote economy, efficiency, effectiveness, and integrity in the administration of programs and operations of City government. OIG achieves this mission through,

administrative and criminal investigations; audits of City programs and

operations; and reviews of City programs, operations, and policies.

From these activities, OIG issues reports of findings and disciplinary and other recommendations to assure that City officials, employees, and vendors are held accountable for the provision of efficient, cost-effective government operations and further to prevent, detect, identify, expose, and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

Authority

The authority to produce reports and recommendations on ways to improve City operations is established in the City of Chicago Municipal Code § 2-56-030(c), which confers upon the Inspector General the following power and duty:

> *To promote economy, efficiency, effectiveness and integrity in the administration of the programs and operations of the city government by reviewing programs, identifying any inefficiencies, waste and potential for misconduct therein, and recommending to the mayor and the city council policies and methods for the elimination of inefficiencies and waste, and the prevention of misconduct.*

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