

CITY AUDITOR 345 6th Street, Suite 600, Bremerton, WA 98337-1873 & Phone (360) 473-5369

December 11, 2009

Mayor Patty Lent

The Office of the City Auditor has completed a review of the Human Resources Division and has issued the attached report. Two findings were noted. Several observations were made of which most require assistance from outside the HR division to address.

The assistance provided by HR manager Carol Conley and HR analyst Charlotte Belmore is greatly appreciated.

Sincerely,

Gary W. Nystul

cc: City Council
HR

REVIEW OF HUMAN RESOURCES DIVISION

Purpose

The Office of the City Auditor reviews various phases of city operations. This review of the Human Resources Division was scheduled on the 2009 work plan.

Scope

This is a review of the procedures used by the Human Resources Division in the administration of city personnel. Policies and procedures used in 2008 and through July 2009 were included.

Statement of Auditing Standards

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards, except Standard 3.50 requiring an external quality control review. Those standards require that the auditor plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Objective

The objective of this audit was to:

- Review policies and procedures used for the administration of city personnel
- Review record retention system

Summary of the Results

- Performance evaluations are not being completed in a timely manner
- The performance evaluation forms are not useful to public safety departments
- HR policies have not been kept current

BACKGROUND

The Mission Statement for the Human Resources Division that is included in the annual city budget states as follows: “To provide consistent and timely guidance and direction to management and employees in all Human Resources functions including recruitment, selection, orientation, development and training, labor relations and to ensure compliance with established policies and procedures, labor contracts and employment laws.” The division was staffed by a HR Manager, Analyst, Payroll Clerk, and a Civil Service Officer/HR Assistant. In December 2008 the Civil Service Officer/HR position was eliminated. In May 2009 the payroll clerk and function was transferred to Financial Services.

HR was a “department” until March 2006, when reorganization made it a division of the Department of Financial Services. The division is responsible for recruitment, selection, orientation, benefits administration, and maintenance of employee records for approximately 367 regular employees plus seasonal and temporary employees. The HR Manager is responsible for developing and preparing written labor contract proposals, representing the city at the bargaining table and for contract administration of the four bargaining units. The department is also responsible for grievances, arbitrations and Unfair Labor Practice charges.

The division publishes and maintains the HR policies for the city. They should be commended for being the only city division that maintains an electronic copy of their directives on the city’s intranet. This copy is available to all city employees.

The department’s limited staff performs many functions to administer the city personnel system. These include maintaining a personnel file and medical file for every current and former employee. Entering in the computerized accounting system all new employee data and updates. Every change in pay requires a form prepared by HR with approvals. Leave forms are reviewed for potential Family Medical Leave Act issues. Year end leave balances are reviewed and adjusted as required by ordinance or contract. Notices are generated and sent to employees alerting them to their excess leave balances. Personnel evaluation completions are monitored and entered in the computer records.

One measure of the division workload is the number of employees hired and/or separated during the year. The following table reports the number of employees hired or separated for the years indicated. “Other” employees include seasonal and temporary. The separated fulltime column includes individuals retiring, leaving for jobs elsewhere or the result of layoffs or reduction in force.

	Employees Hired			Employee Separations		
	Fulltime	Other	Total	Fulltime	Other	Total
2005	32	69	101	23	50	73
2006	19	38	57	18	47	65
2007	29	52	81	17	51	68
2008	11	61	72	17	62	79

FINDINGS AND RECOMMENDATIONS

FINDING 1. A significant number of employee evaluations are past due.

CONDITION

All employees are required to have a formal written performance evaluation. On June 30, 2009, of the 343 employees who were required to have performance evaluations, 207 or 66% were past due. The number of performance evaluations overdue at June 30 is as follows:

Period Overdue	Number
6 months or less	37
6 months to 1 year	39
1 year	61
2 years	34
3 years	17
4 years	15
5 or more years	<u>4</u>
Total	207

In the Department of Public Works & Utilities, the evaluations of all 11 employees who are either division managers or other direct reports to the director were overdue 18 to 62 months. In the Engineering division, all 21 of their evaluations were overdue by 7 months to 3 years.

There were also many overdue evaluations from police and fire since the standard evaluation forms used by the city do not provide criteria relevant to evaluating the work of public safety employees. These departments have used other formal means to assess the performance of their staff.

In October 2001, the city auditor did a review of employee evaluations. For the period January 1, 2000 to July 31, 2001 the auditor found that 48% were past due.

CRITERIA

City Policy 3-40-45 requires all city employees to be evaluated at various intervals. For example, exempt employees are to be evaluated at an interval of six months for the first two years of service and annually thereafter. Civil Service and Teamsters employees are to be evaluated at the end of the first three months, six months, twelve months, and annually thereafter.

CAUSE

There are no penalties for failing to do the performance evaluations. The Human Resources Department does not have authority to require departments or managers to complete evaluations. The HR Department sends a monthly reminder to each department of evaluations due and those already overdue. The mayor, as the Chief Executive of the City, is responsible for enforcing the evaluation policy.

EFFECT

Without performance evaluations management is not able to recognize employees with outstanding job performance or note areas of job performance that need improvement. Cost of labor is a significant city expense. Expenditures for salaries in 2008 totaled over \$24 million. With such a substantial deficiency in performance evaluations the effectiveness of city staff cannot be assured.

RECOMMENDATIONS

- The mayor must set the tone for personnel evaluations to be performed on a timely basis and thus be of benefit to both the employee and the city. Department directors and managers should be held accountable for the timely execution of their management duties.
- HR should work with the public safety departments to develop appropriate evaluation forms.
- The city council should make periodic inquiry regarding the status of performance evaluations.

FINDING 2. HR policies have not been kept current.

CONDITION

HR policies are maintained electronically on the city intranet (COBWEB) and in paper format in the Policies and Procedures Manual. These policies provide a guide for the administration of city employees. They outline state and federal conduct policies with which employees must comply. They also address policies and procedures for employee assistance. Of the 47 HR policies in effect, 29 (62%) were last updated or revised over 10 years ago.

CRITERIA

Policies should reflect the current working conditions, laws and regulations that are not duplicated by other policies. They should also reflect the policies of the current city administration.

CAUSE

Responsibility for maintaining the human resource policies rests with the HR manager. An update or review of existing policies has not been done in recent years.

EFFECT

Some policies present outdated information or procedures. There are also several existing policies that could be eliminated because newer ones have been issued or the information or requirements are now in other documents such as union contracts. These include:

Modified Duty Policy 3-10-14
Temporary Hiring Policy 3-10-11
Downtown Parking 3-20-08
Unauthorized Absenteeism and Tardiness 3-50-04

RECOMMENDATIONS

- The HR department should undertake a periodic review of all of their policies and make recommendations to city management for updating and/or changes. Changes due to new laws or regulations, union contracts or agreements, should be considered and incorporated as appropriate.
- To reduce cost and city staff time, the HR manager should give notice that the use of paper copies of HR policies in the Policies and Procedures Manual is being

discontinued. The official source should be the city intranet (COBWEB). All city departments should then dispose of their paper copies.

OTHER RECOMMENDATIONS AND POLICY ISSUES:

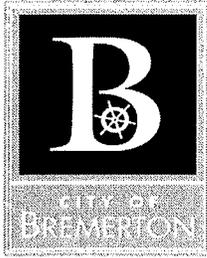
- A. Two sections of the Bremerton Municipal Code relating to HR activities should be reviewed and updated as appropriate.
- Chapter 2.28 is entitled Equal Employment Opportunity Program. It includes a provision that “all managers and supervisors will have an EEO/AA element in their performance appraisal.” It also requires the mayor to appoint a city-wide Equal Employment Opportunity Officer and establish an Equal Employment Opportunity Council. The City Attorney should review this chapter and recommend changes to comply with state law. If sections such as the requirement for an EEO/AA element of an appraisal are not changed, they should be clarified.
 - Chapter 2.46 is entitled Employee Award Program. The chapter creates an award board but does not indicate who should appoint the members. It is also a duplicate of HR Policy 3-40-09. The Policy should be repealed and the BMC clarified.
- B. In February 2008, nine new policies were issued by the Information Technology Division relating to city computer use. Although these policies were not issued by HR, each city employee who uses a city computer should acknowledge receipt of the policies and the acknowledgement filed in their personnel record. The only employees with IT policy acknowledgement forms in their personnel records are those hired after the policy issue date. City management should coordinate the issuance and documentation of receipt of these policies.
- C. There are other policies that are important for all employees to know, observe and acknowledge in the personnel records. Examples are the Sexual Harassment Policy and Child Abuse or Neglect Prevention Policy. New employees do acknowledge receipt of the policies during orientation. Employees who are already employed when important new policies are issued do not always have a record of receipt of the policy in their personnel files. City management procedures should ensure that a mechanism is in place to have employees acknowledge receipt of new policies.

- D. City policy 3-10-10 Workers Compensation has been included in the HR section. The last revision was 12/15/1994. The new Risk Manager has updated it and moved it to the Risk Management Section of the Policy and Procedures Manual.

- E. There are five policies on COBWEB that are not included or listed in the table of contents for the hard copy policy binders. There are also five different policies listed in the table of contents in the manual that are not on the intranet. HR should ensure that all current policies are on the intranet and give notice repealing all hard copy policies.

- F. The Policies and Procedures Manual kept in three ring binders by city departments also contains policies for Finance and General Administration. The city administration should require all city policies to be maintained in electronic form on COBWEB following the example set by the HR division.

- G. During a review of building keys testing of who has access to the HR personnel records file room, a key held by a city official was discovered to be a building master key. The official did not know it was a building master key. The building management did not have a record of or knowledge of the key. Such a master key could open almost every door in the building. The security of other tenants' spaces could have been compromised. These keys should be strictly accounted for. The building manager has destroyed the key. The building association should keep accurate records of master keys.



City of Bremerton
Department of Human Resources
Carol S. Conley, Manager

Memo

To: Gary Nystul, City Auditor
From: Carol S. Conley, Manager 
CC: Audit Committee Members;
Andy Parks, Financial Services Director
Date: December 9, 2009
Re: HR response to HR Audit Report

This memo has been prepared in response to the Human Resources Division audit performed by City Auditor, Gary Nystul.

I have read the audit report and findings and will respond below accordingly:

BACKGROUND:

- Under labor relations, the HR Manager is responsible for developing and preparing written contract proposals for successor contracts with input from affected departments, representing city management at the bargaining table and for contract administration, interpretation and compliance for the City's four (4) bargaining units. This also includes attending all Joint Labor Management Committee meetings to resolve contract or work-related issues; handling of all grievances, arbitrations and Unfair Labor Practice charges in concert with the affected department, City Attorney's office and outside labor counsel.

FINDING: Employee Evaluations

- The HR Analyst sends out notice to all departments on a monthly basis as a reminder of evaluations due and those already overdue. This is not required because each department should be tracking when their employee evaluations are due; HR does it as a courtesy.
- Police and Fire evaluations cannot be changed unilaterally without impact bargaining the effects of any proposed change with the BPOG and IAFF. This has come up several times over the years in labor negotiations and/or JLMC meetings.
- HR concurs with the Auditor's finding and would welcome the Mayor's support in holding management and supervisory personnel accountable for completing evaluations on a timely basis.

1. Finding: HR Policies have not been kept current

- **CONDITION:** The report does not indicate that 18 HR policies were revised and five (5) new policies were developed and added during this same period of time.
- **CAUSE:** As previously stated above, the report indicates that an update or review of existing policies has not been done in recent years; this is simply not true. As stated above under **CONDITION**, 18 policies have been revised and 5 new ones developed and added.
- **EFFECT:** Those policies listed in the report as no longer applicable have been rescinded and removed from Cobweb.
- **RECOMMENDATIONS:** HR has reviewed all the policies and drafted new and revised policies to comply with Federal, State or local laws and regulations as they are modified or added and there are several policies that are still in compliance and require no up-dating. All policy revisions or new policies require review and approval from the City Attorney's office including Risk Management, and the Financial Services Director prior to going to the Mayor for approval. Unfortunately, this may take anywhere from 3-9 months or longer depending on their workload and priorities.

2. Other Recommendations/Policy Issues

- A. Regarding the two sections of the Bremerton Municipal Code relating to HR activities, both these sections require review and changes recommended as appropriate by the City Attorney's office.
- B. Regarding the IT policies relating to city computer usage, it should be the issuing department's responsibility to ensure all employees receive a copy of the new policy and sign an acknowledgement. These acknowledgements should then be transmitted to HR for filing in employees' personnel files. HR will continue to review these policies with all new hires and have them sign off on the acknowledgement form.
- C. Training on the Child Abuse or Neglect Prevention Policy was undertaken last year for those employees who were in a position that may require contact with children on the job (Parks, Recreation, Fire and Police).
- D. Worker's comp is now included under the Risk Management Section of the Policies where it has always belonged.
- E. HR will insure that all current HR policies are on the City's intranet and ask that departments no longer refer to those in the Manual.
- F. HR agrees that all city policies besides those in HR should be on the Intranet only and hardcopies discarded.
- G. Although discovered during the HR Audit, I still do not believe the Master Key situation belongs in this report.

OVERALL REMARKS ON AUDIT FROM HUMAN RESOURCES MANAGER:

I would like to see a more in-depth type of audit performed that covers more than merely policies and procedures, but all the various processes and functions within HR or any other department/division being audited. It would also be nice to see both positive and negative findings, rather than focusing on primarily what didn't get done or what needs improvement. This approach would give a better picture of overall performance and would result in a greater acceptance of what could be done better or needs to improve. I have attached a copy of the HR Narrative for the 2010 budget, and as you will note, HR encompasses so much more than just following City policies and procedures.

I sincerely appreciate the opportunity to share my response to the audit with Gary and the Audit Committee.