

## **Human Resources Department**

## Memorandum

May 16, 2011

To:

From:

Carl H. Crown, Human Resources Director

Response to B Response to Performance Audit of the Human Resources Department Subject:

Attached is the response to the Final Draft Report of the Performance Audit of the Human Resources Department (HRD). We reviewed the entire report and have prepared responses to each of the 50 Findings and Recommendations. The report is very comprehensive and will take substantial additional time and further vetting, with input from the County Executive Officer (CEO), to thoroughly and strategically address the best approach for moving forward with implementation of many of the recommendations.

While I agree with many of the recommendations, I disagree with the overall tone of the report which suggests that there are severe deficiencies which HRD has chosen to ignore. Many of the historical references used (e.g. previous audits, reports, etc.) are out-of-date and less relevant in today's changing culture and environment. Therefore, there has been no effort to ignore areas for improvement noted in earlier studies only an effort to concentrate on those still and most relevant in today's environment.

I do appreciate the recognition of HRD's many accomplishments and efforts over the years to increase its oversight role and become more efficient and responsive. I would like to highlight some significant accomplishments which are not included. Some of these include overseeing an FLSA audit conducted by outside counsel and implementation of the recommendations, greatly reducing the County's potential liability; the restructuring of overtime on hours paid instead of hours worked - a significant cost-savings achievement; completion of the Background Verification Guide as a result of a Grand Jury Report recommendation; development of the Working Retiree policy which reduced the cost and number of working retirees; completion of the new IT Classification structure; approval of the Work Furlough Policy, and successful negotiations with various labor groups to defer and/or eliminate salary increases, saving over 13 million dollars.

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In the area of Labor Relations, particularly with respect to labor negotiations, we have some fundamental and philosophical differences of opinion. The Report suggests that it is an inefficient use of the HR Director's time to participate as the Lead Negotiator for contract negotiations. The Report states that the "scale and volume of challenges facing the County in the upcoming 2012 labor negotiations...calls for a change in the practice of using the HR Director as the Lead Negotiator for the major bargaining units". Negotiations are extremely important to the Board of Supervisors and the CEO and a significant responsibility of HRD. I believe that, due to the scale, volume and complexity of challenges facing the County, it is critical that the Human Resources Director be highly involved in labor negotiations. The lead negotiator is the "face of the County" to our employees during negotiations. It is important that that person be forceful yet sympathetic to the issues presented by labor. This is best done by someone who routinely works and interacts with our employees and the various labor organizations.

Of particular concern is the implied questioning of the integrity of HRD staff. There are several references in the Report to salary increases, promotions, and other personnel actions which the report deems improper. Yet, there seemed to be little attempt during the audit to gain a better understanding of the background for some of the personnel actions, authorities, context, or other factors weighing in the decisions. The report suggests that it is fact, not opinion, that these are improper actions.

A recurring theme in the report is that power and decision making should be more centralized via review, documentation, approval, and various other means cited. The purpose of a support function, like Human Resources, is to enable operating departments to deliver service to the residents of Orange County. In these times of reduced staffing and increased demand for service, burdening departments with excessive documentation requirements for personnel actions that are clearly within their authority, policy and/or MOU provisions is counterproductive. This approach has benefitted your department as well as others.

Lastly, I take exception to the approach and the comments regarding how managers in HRD are evaluated. The Scope of Work did not include a review of HRD's performance appraisals, and commenting on the content of these performance appraisals is outside the purview of the Audit team. The report relied on this review as an example of how HRD is not a role model for other departments. I concur that HRD should be a role model for ensuring appraisals are complete and timely, and that HRD should stay within the parameters and guidelines for P4P. However, the content of these performance evaluations is not open for others to read or evaluate, so I fail to see how the content of performance evaluations is indication that HRD is failing in its duty to be a role model.

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Despite some of the fundamental disagreements with various findings and recommendations in the Report, HRD, working with the Board, CEO and County agencies and departments, intends to use it as a tool to pursue continued improvements to efficiency and effectiveness in the organization.

If you have any questions regarding our response, or if you would like to have further discussions, please call me.

Attachment: Response to Findings and Recommendations

cc: Chairman Bill Campbell, Board of Supervisors, 3<sup>rd</sup> District Members, Board of Supervisors Thomas G. Mauk, County Executive Officer

## Response to Findings and Recommendations

Finding 1: Several audits/studies of HRD have not been formally presented to the Board on the public agenda.

Recommendation 1: All formal studies conducted of HRD should be submitted to the Board, on the public agenda.

Partially concur - will continue to review this recommendation

Finding 2: HRD has a weak strategic foundation to guide its management and operations.

Recommendation 2: Develop a 5-year HR Strategic Plan for the County and a more robust HRD Business Plan that includes a mission statement, goals, and performance metrics consistent with industry best practices.

**Concur -** HRD is finalizing a Balanced Scorecard that identifies core functions, strategy, tactics and performance measures, which will serve as the strategic foundation for HRD

Finding 3a: HRD lacks a process to ensure that class specifications remain current.

Finding 3b: HRD lacks a compensation philosophy to guide pay practices.

#### Recommendation 3:

- a) HRD should assign the necessary staff to ensure that the Classification Plan is kept current.
- b) HRD and CEO, with Board input and approval, should develop a formal, total compensation philosophy for the County.
  - a) **Concur** while HRD has recently completed an extensive classification study and updated all Information Technology positions in the County and also led the effort to delete obsolete classifications, HRD recognizes the need to maintain a current classification system. HRD will be taking a proactive approach to updating current classification specifications. Given the significant number of classifications currently used in the County, this will be a long-term project.

#### b) Concur in concept

# Finding 4: HRD does not adequately fulfill its stated responsibility of overseeing the County's classification/compensation system.

Recommendation 4: HRD should fulfill its State mandated and Board-expected role of providing adequate oversight of the County's classification/compensation system. This includes immediately taking the following actions:

- a) Require that all classification and compensation requests are done according to County policy.
- b) Ensure that all classification/compensation requests (approved and denied) are documented in the OnBase automated file system.
- c) Per existing County policy, ensure that all major reorganizations include a discussion of potential classification/compensation changes prior to approval/implementation.
- d) Develop a policy which (1) requires that an Administrative/Executive Manager be in his/her position for at least one year before being considered for a discretionary salary adjustment, and (2) limits the number of management equity/salary increases in a specific time period (e.g., 1-2 years) for an individual employee in the same position.
  - a) HRD currently does this
  - b) Concur
  - c) Concur
  - d) Do not concur

Audit staff used the Classification Handbook to determine whether or not a personnel action adhered to established process and procedural standards. Audit staff were notified during the audit that the Classification Handbook, implemented in 2005, did not reflect current practices or procedures. HRD then removed this document from the HR Portal and is updating it to reflect current practices and procedures.

The percentage of personnel actions determined to be out of compliance is unknown since the sample size was not stated in the report. The 75 actions were reviewed and HRD found them to be in compliance with existing policies and MOU provisions. We note that particular attention was given to actions in the County Executive Office and HRD, and do not know how many total actions were reviewed. Some examples of what HRD found in researching the cited examples include:

- Seventeen (17) actions were listed because documentation was not entered into the OnBase document management system. HRD has followed up with Department staff to ensure documents have been scanned into the system;
- Twelve (12) actions were listed due to insufficient justification for the reallocation of vacant positions. The criteria for reallocating a vacant position is different than that for reallocating a filled position: it is based on the business needs and the duties to be performed as defined by the requesting Department. Until 2008, departments simply requested that an unneeded position be deleted and replaced with a position of a different classification. This request was reviewed by HRD and approved by CEO/Budget. Very little justification for the action was required.
- Ten (10) actions were listed because the incumbents were given multiple pay increases in a short time frame even though the actions were within the Board approved Personnel and Salary Resolution (PSR) or applicable Memorandum of Understanding (MOU) guidelines;
- Nine (9) actions were taken to address previously approved changes that were made necessary by the 2005 HRD reorganization, when the department separated from the County Executive Office;
- Eight (8) of the actions were a direct result of the Board-directed creation of OC Community Resources; and
- One (1) addresses an action that was within all applicable rules and guidelines and under the department's decision making authority so it did not require additional justification provided to HRD

## Finding 5: HRD's compliance program is limited.

Recommendation 5: HRD should improve its compliance program by:

- a) Following through on its commitment to the State to increase the percentage of recruitment reviews to 5-10%, with a portion of these done prior to implementation.
- b) Requiring agencies/departments, on a rotating basis, to submit the documentation for a random sample of personnel actions to the compliance team for review prior to implementation/entry into AHRS.
- c) Establishing a process for increasing scrutiny over agencies/departments that are frequently out of compliance.
  - a) **Concur -** in November 2010, in response to the CPS audit, HRD developed and implemented a recruitment audit process in order to begin auditing recruitments in progress, to ensure compliance prior to the hiring of a candidate.

The number of staff conducting recruiting audits was increased and should meet the commitment of up to 10% of recruitments audited

- b) Concur will review further
- c) Concur there is a process in place

Finding 6: HRD is not tracking: 1) the frequency and costs of salary increases given for non-management performance, 2) the frequency of PIP goal achievement, and 3) management Salary Adjustments. In addition, Salary Adjustments are not consistently recorded/represented in CAPS Data Warehouse.

Recommendation 6: HRD should identify and track critical classification/ compensation metrics necessary to fulfill its stated oversight role. In addition, the HRD Compliance Team should perform periodic reviews of an adequate percentage of Salary Adjustments to ensure compliance with HR policies and consistent recording in CAPS/CAPS+.

**Partially concur with the Findings; partially concur with Recommendation -** HRD has assessed and determined the more critical personnel actions/metrics based on risk and frequency, and will continue to enhance the oversight role

Finding 7: HRD has not been consistently completing the "Monitoring/Reporting Plan for Management Salaries".

Recommendation 7: HRD should complete its self-initiated oversight reporting responsibilities with respect to discretionary management salary actions.

**Concur with clarification** – the process described was developed in 2005, and many monitoring and oversight improvements such as documentation, justification and approval requirement have been put in place since then. The 2005 Plan will be updated to reflect current practice and these improvements

Finding 8: AHRS does not automatically prohibit agency/department staff from permanently promoting individuals into temporarily classified positions, nor does HRD consistently know when these violations occur.

Recommendation 8: In conjunction with the Auditor-Controller, HRD should revisit the need to prohibit the permanent promotion of an employee into a temporarily classified position.

**Concur** - the CAPS+ system does not currently prohibit the permanent placement of an employee into a temporary position. However, the Temporarily Filling A Position Policy developed by HRD in April 2010 prohibits departments and agencies from doing so and restricts temporarily filling the position to a period of nine months, except under certain circumstances.

Finding 9: Although there has been a migration of employees to the lower cost HMO plans over the last five years, there are other opportunities for the County to reduce costs through various cost savings strategies

Recommendation 9: Consider cost savings measures such as increasing reimbursement amounts for the Premier Sharewell plan, offering an "in-lieu" plan, implementing flat premiums, and decreasing the County's share of premiums.

**Concur** - with implementing flat premiums and decreasing the County's share of premiums with the understanding of the need to negotiate with the labor organizations to make these changes.

Do not concur with increasing reimbursement amounts for the Premier Sharewell plan and offering an "in-lieu" plan. HR/Employee Benefits has analyzed these benefits strategies in the past and determined that there is a concern with incenting employees to a \$5,000 deductible plan if that is the only insurance they have and there is very limited cost savings for the County for offering an "in-lieu" plan.

Finding 10: Many of the procedures associated with monitoring and managing the various Employee Benefits programs are not formally documented in any manual or reference document.

Recommendation 10: HRD should create important foundational documents for the Employee Benefits operation, including a set of workload/performance metrics and a more formal policies & procedures manual that documents the key operations and processes of employee benefits program management.

#### Concur

Finding 11: Performance metrics and associated penalties that were promised for inclusion are missing from the contract with the County's primary benefits consultant

Recommendation 11: In future benefits consultant contracts, or in amendments to the current contract, pursue and ensure that performance guarantees and appropriate financial penalties are included, and ensure that the Board is aware of price differentials associated with selecting a primary firm versus an alternate. In addition, the presence of a qualified, lower-cost alternate firm should be utilized to negotiate down the rates proposed by the primary consultant.

#### Concur

Finding 12: HRD does not require its benefits consultant to provide sufficient detail on invoices to track the actual work of its individual staff members

Recommendation 12: Modify invoice reporting to require detailed billing by each employee of the consultant firm, and request that Mercer provide a detailed breakout of hourly rates, on a confidential basis if necessary, in order to enhance visibility and accountability for this long-term (5 year) contract.

#### Concur

Finding 13: Performance standards are consistent for most major health plans and claims/benefits administration contracts, though there are some differences that warrant attention.

Recommendation 13: Program management staff should work to align performance metrics across similar contracts in order to ensure a consistent level of service to County employees.

**Concur** - HR/Employee Benefits will work with vendors, during contract renewal and RFP processes, to align performance metrics across similar contracts in those areas where it makes business sense and is appropriate for the contract, vendor and services.

Finding 14: The performance of the County's Self-Service Benefits Administrator was highly problematic during the last Open Enrollment process.

#### Recommendation 14:

a) Exercise existing accountability measures for poor contractor performance.

- b) Work with ACS to determine and implement more specific performance guarantees related to the Open Enrollment process.
- a) **Concur** However, HR/Employee Benefits is already "exercising existing accountability measures" for poor contract performance. We are monitoring contract performance quarterly. We finalized the 2010 evaluation and resulting penalty. We will continue to evaluate existing performance measures quarterly and can point to the steps we have taken, and are taking to deal with core performance issues outside of the contract penalties (strategy meetings, additional resources, projects and issues tracking on our logs and weekly calls, etc.)
- b) **Concur** HR/Employee Benefits will work with ACS to determine and implement more specific performance measures related to the Open Enrollment process. To the extent possible, HR/Employee Benefits will negotiate penalties associated with these new performance measures. The ability to negotiate new measures with additional financial penalties may be limited since we are within an existing contract.

## Finding 15: The administration of retiree health plans is being paid for by agencies/departments

Recommendation 15: Work with OCERS to prepare a cost-benefit analysis of transferring the administrative responsibility for retiree medical health plans.

**Concur** - HR/Employee Benefits will contact OCERS to see if they want to work on a cost-benefit analysis of transferring the administrative responsibility for the retiree health plans to OCERS.

Finding 16: There is no existing procedure/protocol for auditing the performance guarantee results that are self-reported by Employee Benefits vendors.

#### Recommendation 16:

- a) Program management staff should establish sampling procedures for ensuring accuracy and accountability in performance self-reporting on the part of third-party vendors in Employee Benefits.
- b) Consider having the Internal Audit Department conduct periodic performance measure validations.
- a) **Concur -** Staff will establish a procedure to periodically validate accessible samples of vendor self-reported results to ensure accuracy and accountability.

b) **Do not concur -** With the establishment of the above procedures, incurring the additional cost of an Internal Audit validation of over 20 separate contracts would seem unnecessary.

Finding 17: There is no Board-approved policy regarding the target account balance for the County's Self-Funded PPO Reserve

Recommendation 17: Employee Benefits staff should work with Mercer and CEO/Budget to create a target policy for the Self-Funded PPO reserve for Board approval.

#### Concur

Finding 18: Employee Benefits has not been actively managing the accrued account balances from the defined-contribution administration agreement with Great West. Additionally, Employee Benefits has not notified CEO/Budget of the amount of resources available in these accounts (\$2+ million).

Recommendation 18: Employee Benefits staff should work closely with CEO/Budget staff to determine how much of this money (\$2+ million) can be used to offset Net County Costs. In addition, Employee Benefits may want to consult with Mercer to determine the utility of auditing Great West records to ensure that the County is, in fact, receiving all the excess revenues it is due.

Do not concur - Great-West Retirement Services, as the Plan(s) administrator, reconciles and reports on the revenue sharing and the administrative funding accounts on a quarterly basis to Mercer Investment Consultants and the County. At Mercer Investment Consultants' recommendation, the County is retaining at minimum of 12 months of operating expenses in the revenue sharing account to ensure the County has adequate reserves to off-set recordkeeping costs in the event revenues decrease due to fund and/or plan design changes. Finally, as part of the new contract with Great West effective July 1, 2011, an audit of the Plans will be conducted every two years by an independent certified public accounting firm. It is anticipated that these audits will include a review of the administrative funding account and the revenue sharing account. The cost of the audit shall be funded by Great West Retirement Services under the new contract.

There is specific ERISA guidance that says plan assets as those in the revenue sharing account and the administrative funding account can be used only to pay benefits or to defray "reasonable expenses of administering the plan." The use of plan assets for any other purpose may be a breach of fiduciary duty. The County plan is not subject to ERISA, but like many public sector plans the County believes it is prudent to use it as a guideline for plan management purposes.

Finding 19: The Employee Benefits Finance team has made notable progress in formalizing its Desk Manual; however, there are still several missing procedures, and some sections have a superficial level of instruction.

Recommendation 19: Complete the Benefits Finance Desk Manual in order to bolster HRD's ability to respond to future staff changes and to maximize self-sufficiency of existing staff.

#### Concur

Finding 20: Despite the fact that the County's Extra Help Employee Defined Benefit Program is closed, agencies/departments continue to pay down the accrued liability, a portion of which will likely never be claimed. In addition, plan assets are not being managed to the target rate of return.

#### Recommendation 20:

- a) Work with County Counsel and the Treasurer-Tax Collector to determine if there is any mechanism whereby the County can demonstrate its due diligence in locating the 250+ vested participants in order to close out that portion of the Extra Help Defined Benefit Plan liability, or alternatively reconsider full funding of this liability in light of the fact that these individuals have been out of communication with the County for many years.
- b) Determine alternative options for more actively investing the Plan's assets in order to deliver a more consistent rate of return, both in raw terms and relative to the assumed rate of return utilized in the actuarial valuation.
- a) Do Not Concur HR/Employee Benefits has worked with the Auditor-Controller to perform searches to locate as many of the participants as possible. HR/Employee Benefits previously consulted with County Counsel and Mercer Investment Consultants and based upon the current plan document performing due diligent searches does not eliminate the liability.

In addition, HR/Employee Benefits does not concur with full funding of the liability because although the Annual Required Contribution (ARC) charged to the Departments includes the liability associated with these individuals that have been out of communication with the County for many years, it is based upon a 30 year amortization period. Based

upon the average age (59), Mercer Investment Consultants recommends a 6 year amortization. The ARC that is being charged to Departments is approximately the same as the recommended annual contribution associated with only the annuitants and active employees.

**b)** Concur - HR/Employee Benefits will evaluate with the Chief Financial Officer alternative options for investing the Plan's assets in order to deliver a higher rate of return which will more closely meet the assumed rate of return utilized in the actuarial valuation with consideration of the closed status of the plan, the plan assets, estimated benefit payments, cash flow requirements, administrative requirements, and investment management fees.

Finding 21: Employee Benefits does not have a procedure for invoicing employees who have outstanding health plan premium contribution debts and have separated from the County.

Recommendation 21: Work with Auditor-Controller to develop a simple mechanism to invoice separated employees for any outstanding health premiums owed to the County.

**Concur** - From 1992 to February 2011, HR/Employee Benefits collected \$1,815,500 of the \$1,860.700 in missed deductions. We will evaluate the feasibility of implementing a mechanism to invoice and collect outstanding health premiums owed to the County from separated employees.

Finding 22: There is a control weakness in the auditing of retiree medical grants for AOCDS retirees.

Recommendation 22: Modify the existing audit procedure to require documentation of Medicare-Part B-only enrollment for AOCDS retirees.

**Concur** - HR/Employee Benefits will work with AOCDS to implement a procedure to verify Medicare Part B enrollment for AOCDS retirees and their dependents.

Finding 23: The organizational culture of Employee Benefits has not been a management/leadership priority, despite several risks to employee morale

Recommendations 23: HRD management should conduct a Control Self Assessment (CSA) for all Employee Benefits staff, with the assistance of the Internal Audit Department, to identify organizational risks, including problems in organizational culture, and to develop strategies for improving the culture.

**Do not concur -** HR/Employee Benefits staff has been a priority to HRD management. We recognize the tremendous amount of work, stressful conditions and tight timeframes in which the Employee Benefits staff works. We will continue to stay sensitive to the needs of our staff and address their concerns.

Finding 24: Some HRD negotiators for the smaller bargaining units do not feel sufficiently trained to effectively fulfill their role.

Recommendation 24: HRD should only assign lead negotiator duties to employees that are confident in filling this role.

## Partially concur with the Finding; Concur with the Recommendation

Finding 25: The lack of HRD staff participation in professional organizations/events has a negative impact on identifying/utilizing creative approaches to addressing negotiation issues.

Recommendation 25: Ensure key staff have the time and resources to participate in professional organizations to keep up with industry best practices.

Do not concur - The HRD team includes staff that are members of, or attended training or conferences offered by, the Society of Human Resources Management (SHRM), Peace Officers Association of Los Angeles County (POLAC), Southern California Public Management Association-Human Resources (SCPMA), Personnel Testing Council of Southern California (PTC), California Public Employees Labor Relations Association (CALPELRA), Orange County Human Resources Consortium (OCHRC) and Liebert, Cassidy and Whitmore (LCW) Consortium. In addition, HRD has subscriptions to various industry related newsletters and distribution lists that focus on best practices in the Human Resources field, legal updates and employment law, negotiations skills and tactics, PERB decisions, news clips regarding State, City and County issues, and leadership insights and case studies. Participation is encouraged by HRD Leadership.

Finding 26: There are some "Side Agreements/Letters" with the various labor organizations that should be part of MOUs.

Recommendation 26: Review all side agreements/letters to determine which should be incorporated into an MOU or other official document.

**Concur -** in the most recent AOCDS contract negotiations, all Side Letters were reviewed and either incorporated into the MOU, continued as a Side Letter or deleted, and documented in an index available to all parties.

Finding 27: County Counsel is not always consulted on the legal implications of proposed MOU changes or Side Agreements/Letters; in cases where they are consulted, HRD does not always accept their advice.

Recommendation 27: Confer with County Counsel on the legal ramifications of all proposed agreements with labor organizations prior to implementation. In those cases where there is disagreement but HRD wishes to move forward, HRD should submit the issue to the CEO for resolution.

Concur – this is current practice. HRD and County Counsel collaborate on hundreds of issues; only 3 examples were cited

Finding 28: The current practice of utilizing the HR Director as the Lead Negotiator for the largest bargaining units: 1) has negatively impacted HRD's capacity to make internal operational improvements, and 2) significantly increases the risk that the County will be insufficiently prepared for the 2012 labor negotiations.

Recommendation 28: a) Engage an outside negotiator for the MOUs which have a 2011 salary reopener and for the larger bargaining units whose contracts expire in 2012 (e.g., AOCDS, OCEA)

b) Hire a Chief of Employee Relations who will directly manage all of the County's employee relations programs and activities, including negotiations, for the long term.

**Do not concur with the Findings** – contract negotiations are of the highest priority and have become more visible with a high level of public interest and Board of Supervisors involvement; utilizing the HR Director to lead critical negotiations, particularly with the largest units, lends credibility to and highlights the importance of the negotiations process

Recommendation a) **Do not concur** –there are significant advantages to having knowledgeable HRD staff lead and participate in negotiations; b) **do not concur** – as pointed out in the Audit Report under Labor

Relations/Accomplishments, HRD has done a number of things well; HRD has improved overall coordination of the contract negotiations process under the current organizational structure

Finding 29: There are a number of changes that could be made to current MOU language that would better position the County to manage its employees and resources.

Recommendation 29: Pursue the MOU modifications described above (i.e. Zipper Clause, County Rights Language, Workplace Disruptions/Concerted Activity, Special Seniority for OCEA Officer, and Premium Pays)

Concur – HRD will assess and prioritize the recommended modifications in the context of overall negotiations strategy

Finding 30: There are a number of improvements that could be made to the structure of County MOUs that would increase the effectiveness of the documents.

Recommendation 30: Utilize a subject matter expert from outside the County or provide training to an in-house resource to review the existing MOUs in depth, with the goal of better formatting and structuring future MOU documents.

Concur with Finding; partially concur with Recommendation; the expertise already exists in-house

Finding 31: The Employee Relations Resolution (ERR) is outdated and in need of revision.

Recommendation 31: HRD, in conjunction with County Counsel, should review and update the ERR as needed.

#### Concur

Finding 32: HRD has not requested labor organization financial reports as provided in the MOU.

Recommendation 32: Per the MOUs, require the labor organizations with financial reporting requirements to submit those reports each year.

**Concur with clarification** – HRD has requested the reports in the past, and concurs that we need to request the current financial information from the labor organizations

Finding 33: HRD does not keep important statistics and metrics regarding the discipline/appeals process.

Recommendation 33: Develop performance measures and procedures for the tracking of important employee discipline/appeals information and statistics.

**Do not concur with Finding** – HRD does keep statistics; **Concur with Recommendation** – will review the current process for improvements

Finding 34: The current MOU requirement of binding arbitration is considered a major obstacle to an effective employee discipline and appeals program by HRD, County Counsel, CEO, and agency/department management.

Recommendation 34: Pursue the discontinuation of binding arbitration during labor negotiations.

#### Concur

Finding 35: There are frequent delays in getting to arbitration.

Recommendation 35: During the next round of negotiations, pursue alternatives such as limitations on the types of issues that can go to arbitration and the use of additional arbitrators.

## Concur

Finding 36: There is notable disagreement and frustration between HRD and some agency/department management with respect to the handling of some employee discipline cases.

Recommendation 36: HRD should provide a series of work sessions to review with agencies/departments any issues related to the employee discipline process in general and the handling of specific employee discipline cases where the two parties disagreed.

**Partially concur -** HRD has strengthened efforts to collaborate with departments and County Counsel on discipline matters, including the implementation of a case conference requirement involving any case in which an employee is placed on administrative leave, various training sessions on topics such as conducting forensic IT investigations and writing disciplinary documents. The HRD Service Team Managers also make site visits to departmental HR staff to consult with them and provide guidance on discipline related matters. Even with all of these efforts and opportunities to review discipline issues, a certain level of disagreement among the parties involved may continue to exist.

Finding 37: The PIP goal element of the Performance Incentive Program (PIP) has not achieved its intended purpose of enhancing non-management employee performance, and instead has resulted in significant cost increases and productivity losses.

Recommendation 37: The County should pursue the discontinuation of the PIP Goal award at the next round of negotiations with OCEA.

#### Concur

Finding 38: A review of Management P4P results suggests that the program is not being applied consistently across the County.

Recommendation 38:

- (a) Consider the efficacy of increased performance evaluation training for management/supervisors
- (b) Work with the CEO to implement a stronger accountability structure for evaluators' adherence to established guidelines contained in the P4P program.
- a) Concur
- b) Need further clarification in order to respond

Finding 39: The current EMAP performance evaluation process is loosely defined, and the EMAP evaluation form requires modification.

Recommendation 39: Develop a more formal and robust Executive Management appraisal system that includes guidelines and is consistent with the standards of the Administrative Management P4P Program.

**Concur** – will review the EMAP Program

Finding 40: HRD does not do a thorough job monitoring and ensuring that Executive Managers receive an annual performance evaluation, especially when benchmarked against general employees.

Recommendation 40: The CEO, through HRD, should ensure the completion of annual performance evaluations for all County employees.

Will discuss and review this Finding and Recommendation with the CEO

Finding 41: A notable number of comments in HRD management performance evaluations are inconsistent with the associated performance rating score given.

Recommendation 41: HRD should adhere to State standards and County policies and fulfill its leadership role in performance appraisal by accurately documenting HRD employee performance and including suggestions for employee performance improvement where appropriate.

**Do not concur** - HRD managers are rated against the standards identified in the P4P system and the expectations of the Department. They are not rated based on the job they hold, i.e. if you work in HRD you should exceed expectations. If there are deficiencies in their performance, they would be noted in the evaluation. A rating of "Meets Expectations" does not mean "Needs Improvement". This approach is in keeping with County policy

### Finding 42: HRD does not track key recruiting and hiring metrics for itself or agencies/departments.

Recommendation 42: Take the following steps to fulfill HRD's oversight role of Countywide recruitment activities:

- a) Run regular reports in NEOGOV and CAPS data warehouse to determine whether agencies/departments are accurately and completely entering information into NEOGOV.
- b) Determine recruiting metrics to be included in HRD's Balanced Scorecard (currently in progress).

c) Consider increasing the number of HRD staff assigned to this function.

## Partially concur with the Finding

- a) Concur
- b) Concur
- c) Consider

Finding 43: The County does not have a strong Countywide training program, and the current decentralized training approach creates inefficiencies.

#### Recommendation 43:

- a) Assign training responsibilities to a dedicated training professional within HRD (rather than partial responsibilities to 2-3 employees), with the mandate to serve as the central coordination point and oversight entity for Countywide training.
- b) Develop a Training website on ocgov.com, including a Training Calendar that allows employees to view and enroll in upcoming training opportunities.
- c) Develop a repository for Training Consortium meeting agendas, minutes, and materials.
- d) Analyze existing training offerings (e.g., leadership, project management) to determine opportunities for consolidation.
- e) Develop an annual training plan for the County.
- f) Take on responsibility for monitoring training opportunities and participation for smaller agencies/departments.

**Concur -** The Training Consortium provides a valuable service to the entire County and performs many of the functions noted in the report. A dedicated resource within HRD could improve coordination of training, notification of training opportunities, etc. and perhaps identify some efficiency.

Finding 44: Despite efforts to provide training to HR staff throughout the County, a key area of concern remains the inconsistency of HR skill sets across the County.

Recommendation 44: Conduct a knowledge/skills assessment of current Countywide HR employees and develop a training plan to address any skills gaps. Encourage HR professional staff to obtain certification through an industry organization.

#### Concur

Finding 45: Though some agencies/departments engage in succession planning, there is no formal Countywide process and/or program.

Recommendation 45: Form a task force to immediately develop a formal succession planning strategy for the County. As part of the planning for all future cost savings proposals, HRD should identify potential impacts to employee reductions and include a discussion about how to mitigate its impact prior to implementation.

#### Concur

Finding 46: The current separation of labor relations activities between two different HRD functions has diluted the Department's effectiveness in this critical area.

Recommendation 46: Consolidate all Labor Relations activities (e.g., labor negotiations) under the ER&A function led by a Chief of Employee Relations. The remaining activities should remain with the S&S function (i.e., recruitment, classification, compensation, employee discipline, and training).

**Partially concur** – as pointed out in the Audit Report under Labor Relations/Accomplishments, HRD has done a number of things well; HRD has improved overall coordination of the contract negotiations process under the current organizational structure.

Finding 47: HRD's compliance staff reports to one of the Service Team Managers, creating the potential for a conflict of interest.

Recommendation 47: The Compliance Team should report directly to the Assistant HR Director/Services & Support

Do not concur - However, we are reviewing the organizational structure due to the staff changes we are experiencing

Finding 48: The Employee Benefits Finance organizational structure contains a redundant level of management that does not match the workload needs of the unit.

Recommendation 48: Modify the existing organizational structure of the Benefits Finance unit by deleting the Accounting Manager (Admin. Mgr. II) position and adding one or two Accountant-Auditor (I or II) positions.

**Do not concur** - HR/Employee Benefits believes the current organization structure is necessary to meet the workload of the unit as well as support the required technical and management skills to meet the accounting functions for Employee Benefits. The Accounting Manager (Administrative Manager II) is responsible for managing the fiscal accounting functions of the complex Employee Benefits programs including the ongoing accounting, auditing and fiscal reporting for approximately \$1 billion in 14 funds. The complexities of the accounting functions in Employee Benefits require a skill level at the Administrative Manager II level.

The Finance Manager (Administrative Manager II) has global oversight of Finance and Systems Staff and therefore provides technical direction to staff on complex accounting issues and sets overall priorities. In addition, the Finance Manager performs the development and monitoring of 7 Budgets.

Finding 49: HRD administrative activities are inappropriately combined with line HR operations.

Recommendation 49: Combine all HRD administrative activities in one location reporting to the HR Director.

#### Do not concur

Finding 50: The County's current hybrid HR system has inherent challenges that are exacerbated by HRD's deficiencies and by certain practices of agencies/departments.

Recommendation 50: a) Given the volume of challenges facing HRD, the audit team recommends maintaining the current level of centralization, but implementing an HR Governance Model in the near term. Subsequent to the 2012 negotiations, conduct a more thorough review of the costs and benefits associated with recentralizing a portion or all of the Countywide HR functions.

b) Regardless of the level of centralization pursued, the audit team recommends that CEO and HRD address the multiple deficiencies noted throughout this audit (e.g., develop an HR Strategic Plan, increase the amount and rigor of HRD oversight of agency/department HR actions, enhance HRD training resources).

**Partially concur -** HRD will make every effort to address the deficiencies noted within the limits of resource availability. Since the report does not describe what is envisioned by a "HR Governance Model", a comment cannot be formulated on that recommendation.