
PERFORMANCE AUDIT OF STRATEGIC HUMAN CAPITAL MANAGEMENT PART II: EMPLOYEE PERFORMANCE MANAGEMENT

The City Should Ensure All
Employees Receive Performance
Reviews, and Should Enhance
Controls to Ensure Consistent and
Appropriate Utilization of Employee
Incentive and Accountability Tools

Office of the
City Auditor

City of San Diego



Performance Audit of Strategic Human Capital Management II: Employee Performance Management

The City should ensure all employees receive performance reviews, and should enhance controls to ensure consistent and appropriate utilization of employee incentive and accountability tools

Why OCA did this study

Within the City of San Diego, personnel expenditures represent about 70% of total expenditures for the City's General Fund. Budgeted personnel expenditures for the City's more than 11,800 employees totaled approximately \$1.6 Billion in fiscal year 2020.

The objectives guiding our work for this report grew from past risks we identified as part of this series of audits, particularly the [Strategic Human Capital Management \(SHCM\) audit](#), issued in April 2020.

We initiated this audit in order to evaluate the extent of and several internal controls around efforts to monitor and address employee performance issues

What OCA found

Employee performance can affect an organization in multiple ways. Particularly in complex, team-based environments, if an organization does not effectively identify and address poor performance or misconduct issues, it may have a demoralizing effect on other employees, as well as ultimate impacts on serving the customer or the public. Additionally, employee appreciation and recognition can help engage employees and drive them to continue commendable performance.

Finding 1: The City should ensure all employees receive required performance evaluations to recognize and reward high performers as well as identify and address poor performance

Finding 2: The City utilizes multiple ways to recognize and reward commendable performance among employees, but utilization of the Rewards and Recognition Program varies widely among departments and its effect on employee satisfaction and retention is unclear

Finding 3: The Human Resources Department should strengthen its abilities to more strategically monitor aggregated discipline trends and issues within the City's workforce

Finding 4: Opportunities exist for the City to reform some elements of its disciplinary processes and discipline-related training for City supervisors



Source: City of San Diego Highlights and Successes report

What OCA recommends

We make 11 recommendations to mitigate some of these effects and strengthen the City's capabilities to have an engaged workforce providing high-quality public services. The Human Resources Department and the Personnel Department collectively agreed to implement all 11 recommendations.

Key recommendations include:

- Reporting Employee Performance Review completion rates among departments in the City's annual workforce report
- Reviewing and monitoring the Rewards and Recognition Program for conformance with limits on cash awards and D/L awards, as well as the extent of program participation
- Strengthening the City's ability to more strategically monitor aggregate discipline trends – such as discipline cases or issues over time
- Requiring HR and Personnel to develop a plan for actions the City can take to better utilize mechanisms such as the probationary period, if/as appropriate, as well as continuing their efforts to expand training requirements, availability, and guidance to supervising employees.

For more information, contact Andy Hanau, City Auditor at (619) 533-3165 or cityauditor@sandiego.gov



THE CITY OF SAN DIEGO

November 25, 2020

Honorable Mayor, City Council, and Audit Committee Members
City of San Diego, California

Transmitted herewith is a performance audit of the City's Employee Performance Management. This report was conducted in accordance with the City Auditor's Fiscal Year 2020 Audit Work Plan, and the report is presented in accordance with City Charter Section 39.2. The Results in Brief are presented on page 1. Audit Objectives, Scope, and Methodology are presented in Appendix B. Management's responses to our audit recommendations are presented after page 66 of this report.

We would like to thank staff from the Human Resources and Personnel Departments. All of their valuable time and efforts spent on providing us information is greatly appreciated. The audit staff members responsible for this audit report are Geoff Teal, Nathan Otto, Danielle Knighten, and Kyle Elser.

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Results in Brief

This is part of a series of audits from our office, initiated in recognition of the importance of the City's approach to workforce management.¹ Within the City of San Diego, personnel expenditures represent about 70 percent of total expenditures from the City's General Fund. Budgeted personnel expenditures for the City's more than 11,800 employees totaled approximately \$1.6 billion in fiscal year 2020 (FY20).

The objectives guiding our work for this report grew from past risks we identified as part of this series of audits, particularly the Strategic Human Capital Management (SHCM) audit, issued in April 2020.

We initiated this audit in order to evaluate the extent and use of several internal controls around efforts to monitor and address employee performance issues. Specifically, our objectives for this audit were to:

- Assess the overall extent of, and controls over the City's Employee Performance Review Program, disciplinary efforts, and the possibility for reforms to the disciplinary process; and
- Assess the overall extent of, and controls over the City's Rewards & Recognition Program, and whether the program is right-sized or appropriate for all City departments.

¹ Human Capital Fact Book, July 2018. Available at: https://www.sandiego.gov/sites/default/files/20-011_humancapitalmanagement.pdf

Compensation Reporting and Transparency, November 2018. Available at: https://www.sandiego.gov/sites/default/files/19-010_compensation_reports.pdf

Pay Equity, April 2019. Available at: https://www.sandiego.gov/sites/default/files/19-015_pay_equity_0.pdf

Strategic Human Capital Management, April 2020. Available at: https://www.sandiego.gov/sites/default/files/20-011_humancapitalmanagement.pdf

Finding 1: The City should ensure all employees receive required performance evaluations to recognize and reward high performers as well as identify and address poor performance.

Providing City employees with consistent, formal feedback on job performance is important for both recognizing high performers and identifying and addressing performance issues. Employee Performance Reviews (EPRs) may also provide documentation and support for any performance-related disciplinary action in the future.

We found that while most employees in the City appear to receive timely EPRs, there are opportunities for ensuring higher completion rates among classified employees in particular. Overall, we found that an average of 1 in 5 classified City employees, or about 2,000 employees per year, did not receive an EPR in a given year during the FY16–FY20 period. On a more granular level, EPR completion rates vary considerably across City departments, with some departments having EPR completion rates of 100 percent, and other departments having EPR completion rates closer to 60 percent and below.

Additionally, we found that higher EPR completion rates appear to correlate, to some extent, with lower annual quit rates across the City. Specifically, the City’s annual quit rate for classified employees during this period was 4 percent Citywide, while the quit rate for classified employees who did not have an EPR in the preceding year before their separation from the City was 6 percent.

To ensure that departmental management and the City’s Executive Team are aware of progress in completing EPRs and can hold management accountable, we make recommendations to facilitate better tracking and monitoring of EPR completion. Specifically, we recommend that the Human Resources Department (HR) and Personnel Department (Personnel) work collaboratively to report EPR completion rates for all eligible employees Citywide in the City’s Annual Workforce Report and continue collaborative efforts to implement an electronic EPR management system to more efficiently facilitate their EPR reminder and completion monitoring capabilities.

Finding 2: The City utilizes multiple ways to recognize and reward commendable performance among employees, but utilization of the Rewards & Recognition Program varies widely across departments and its effect on employee satisfaction and retention is unclear.

While fair and competitive compensation is a fundamental factor for recognizing and rewarding commendable performance, workforce management literature also emphasizes the importance of other elements such as purposeful work, recognition, and assignment selection. Supplementary pay-for-performance initiatives are another way to reward commendable performance, although they do carry risks.

The City utilizes multiple ways to recognize and reward commendable performance among employees, including robust utilization of public recognition and job promotions among the existing workforce. Additionally, while Administrative Regulation 95.91 encourages participation in the City's supplementary Rewards & Recognition (R&R) Program as a means of retaining high-performing employees, staff we spoke with in HR did not know how widely it was used across the City, how participation had changed over time, or what workforce effects the program may be having, if any.

We found that during FY17–FY20, an average of 18 percent of City employees received a cash award annually and approximately 40 percent of the City's workforce received paid time off awards in the form of discretionary leave (D/L). While some employees, such as Employee of the Year recipients, received up to \$1,800 in cash awards in a year, the vast majority of R&R cash awards consist of relatively modest amounts of \$25 or less. Overall, the average annual cash award was approximately \$100 per recipient. In addition, while some employees received more than 100 hours of D/L in a year, most D/L awards were smaller, and the average annual D/L award was 15 hours per recipient.

We also found that while overall participation in the R&R Program has been increasing, participation appears to be left up to departments' initiative and discretion, and departments use the program to widely varying degrees. In addition, the R&R Program's effect on employee satisfaction and retention is unclear.

We make recommendations to encourage continued usage of public recognition and job promotions among the existing workforce, to strengthen monitoring and oversight of the R&R

Program, and to encourage greater use of the program in departments with low utilization.

Finding 3: The Human Resources Department should strengthen its abilities to more strategically monitor aggregated discipline trends and issues within the City's workforce.

As discussed in a previous related audit, Strategic Human Capital Management principles emphasize taking a data-driven approach to examining, linking, and acting on characteristics and patterns within an organization's workforce—its most important and valuable asset—to help the organization carry out its varied strategic goals.

A strategic approach to the City's discipline management can help identify trends and trouble spots in the City's workforce. For example, identifying trends of whether total discipline cases are going up and down, skew more towards performance issues or misconduct, or are clustered in certain parts of the workforce. In addition, monitoring trends could also identify areas where disciplinary actions are overturned or unsuccessful, indicating a potential need for greater supervisory training on disciplinary practices. Tracking and monitoring could also identify components of the City's disciplinary process that are particularly onerous or time-consuming and help identify opportunities for streamlining.

Although we found that HR has made efforts to track discipline, it does not maintain accurate data on the number of disciplinary actions or appeals of disciplinary action. To address this, we recommend that HR, working with Personnel, strengthen its abilities to more strategically monitor aggregate discipline trends and issues within the City's workforce. Specifically, HR should develop and implement a process to provide this information periodically, or preferably on-demand, to City leadership and other stakeholders to better identify and mitigate performance and misconduct-related risks.

Finding 4: Opportunities exist for the City to reform some elements of its disciplinary processes and discipline-related training for City supervisors.

Just as there are various accepted philosophies about the best ways to recognize and reward high-performers, expert opinions are also wide-ranging about the best ways to use discipline to address performance or misconduct issues. Regardless, many best practices recommend addressing disciplinary issues early, proportionately, and predictably.

We found that the City has multiple internal control processes and procedures related to accountability and employee performance;

however, actual utilization rates are low for several of these controls, including probationary periods, Supplemental Employee Performance Reviews (EPRs), and discharges. For example, we found that from FY16–FY20, for most positions in the City aside from Police recruits and Fire recruits, the probationary pass rate was close to 100 percent. We also found that unrepresented employees were about twice as likely to be discharged as represented employees, although the annual discharge rates were less than 1 percent for both groups. Nevertheless, this was similar to other data we found for other state and local governments.

Several factors may be contributing to the low usage of these controls. The City's low utilization rate of some of the internal controls mentioned above is likely partly due to workforce protections and factors over which the City has limited control. Most City employees possess significant employment protections in the forms of civil service classifications and labor group representation. In addition to these factors, the City's philosophical approach to discipline emphasizes corrective behavior and developing an employee, rather than an approach rooted in punitive justice, collective punishment, or deterrence signaling to other employees. Our research found that there are a variety of disciplinary philosophies that are widely accepted, and the City's current approach is among them. Low usage of disciplinary tools may also be due in part to a high-quality workforce, and as noted in Finding 2, the City does a commendable job overall in recognizing and rewarding high performers. However, the low utilization rates of the controls above, and opportunities for further training requirements, availability, and guidance raise the possibility that at least some poor performance issues may go unaddressed.

Short of overhauling representation/civil service protections or adopting a different philosophical approach, City supervisors may benefit from additional training on the City's discipline policies and processes. Currently, while the City does offer training on EPRs, the importance of the probationary period, and disciplinary tools, supervisors are not required to complete all of these courses. We recommend HR and Personnel develop a plan for actions the City can take to better utilize mechanisms, such as the probationary period, if/as appropriate. We also recommend HR and Personnel

continue their efforts to expand training requirements, availability, and guidance to supervising employees.

We made a total of 11 recommendations to address the various issues identified above. The Human Resources Department and Personnel Department's management responses appear after page 66 in the report. The departments collectively agreed to implement all 11 recommendations.

Background

This is part of a series of audits from our office, initiated in recognition of the importance of the City's approach to workforce management.² Within the City of San Diego, personnel expenditures represent about 70 percent of total expenditures from the City's General Fund. Budgeted personnel expenditures for the City's more than 11,800 employees totaled approximately \$1.6 billion in fiscal year 2020 (FY20).

The objectives guiding our work for this report grew from past risks we identified as part of this series of audits, particularly the Strategic Human Capital Management (SHCM) audit, issued in April 2020. The SHCM audit addressed several key areas where the City can improve its monitoring of and response to workforce indicators, such as compensation competitiveness, employee satisfaction, and turnover and quits rates. In addition, research we conducted also identified employee performance management, including performance monitoring and feedback, incentives, and discipline, as other key areas of SHCM. Surveys of City management and employees also highlighted specific concerns about various aspects of employee performance management within the City. Thus, we subsequently initiated this audit in order to evaluate the extent of and several internal controls around efforts to monitor and address employee performance issues. Specifically, our objectives for this audit were to:

² Human Capital Fact Book, July 2018. Available at: https://www.sandiego.gov/sites/default/files/20-011_humancapitalmanagement.pdf

Compensation Reporting and Transparency, November 2018. Available at: https://www.sandiego.gov/sites/default/files/19-010_compensation_reports.pdf

Pay Equity, April 2019. Available at: https://www.sandiego.gov/sites/default/files/19-015_pay_equity_0.pdf

Strategic Human Capital Management, April 2020. Available at: https://www.sandiego.gov/sites/default/files/20-011_humancapitalmanagement.pdf

- Assess the overall extent and controls over the City's Employee Performance Review Program, disciplinary efforts, and the possibility for reforms to the disciplinary process; and
- Assess the overall extent and controls over the City's Rewards & Recognition Program, and whether the program is right-sized or appropriate for all City departments.

Employment in the City can be broadly divided into classified and unclassified service.

Employment in the City can be broadly divided into classified and unclassified service. Most positions in the City are considered classified positions. Classified positions typically contain more specific job requirements, more strictly defined pay schedules, and are subject to the Civil Service provisions of the City Charter.

Unclassified positions are rarer, often have more broadly allowable pay ranges for a given position, and are not subject to the Civil Service provisions of the City Charter. Unclassified employees include many management-level employees (e.g., Department Directors), although departments such as the Offices of the City Auditor, the Independent Budget Analyst, and the City Attorney, contain non-managing unclassified employees.

There are dozens of operational departments throughout the City that all play a role in employee performance management.

City employees perform hundreds of different jobs in dozens of departments throughout the City. These operational departments bear a large responsibility for day-to-day employee management, including providing timely feedback regarding employee performance, professional development of the workforce, etc.

The City also has professional support in place in the form of the Human Resources Department (HR) and the Personnel Department (Personnel). HR and Personnel provide additional performance management expertise, and occupy a broader view of the City's varied workforce management objectives, responsibilities, and resources as a whole. For example, HR negotiates labor contracts with all six of the City's Recognized Employee Organizations (REOs), while Personnel provides recruiting and hiring support for departments Citywide. Both

departments may become involved in discipline issues. An overview comparison of the departments of HR and Personnel is presented in **Exhibit 1** below.

The City's Human Resources Department is a Mayoral-controlled department that provides professional support on workforce issues—with a particular focus on Mayoral unclassified employees.

HR's mission is "to provide a connection between management and employees in an effort to enhance morale and productivity, limit job turnover, support a responsive and innovative workforce as well as help the City deliver services in a fiscally-sound and efficient manner." The department had 31 full-time equivalent (FTE) positions and approximately \$5.7 million in expenditures in the adopted FY21 budget.

The HR department is composed of various independent programs and activities that include Employee Learning and Development, overseeing the City's unclassified Employee Performance Review Program for Mayoral departments, ensuring City department participation in the Rewards & Recognition Program, addressing and guiding the City's management of discipline issues, providing trainings to City supervisors, and labor relations with the City's recognized employee labor groups.

The City's Personnel Department is a non-Mayoral controlled department that also provides professional support on workforce issues—with a particular focus on classified employees.

The mission of the City's Personnel Department is "excellence in personnel services." In the adopted FY21 budget, the department had about 70 FTE positions and approximately \$9.6 million in expenditures. Notably, Personnel is an independent department governed not by the Mayor's office but by the City's Civil Service Commission, as established by the City Charter.

Personnel's main responsibilities include providing supervision over the selection, promotion, and removal of all classified employees; conducting equal employment investigations; conducting classification and compensation studies; and maintaining a competitive merit system that provides equal opportunity for all applicants. Personnel also provides guidance for the City's management of discipline issues for classified employees. Additionally, Personnel manages the Employee Performance Review (EPR) Program for the City's classified workforce and provides trainings to City supervisors for the program.

Exhibit 1:

Summary Comparison of Personnel and Human Resources Departments

<i>Department:</i>	Personnel	Human Resources
<i>FY21 budget:</i>	\$9.6 million	\$5.7 million
<i>Full-time equivalent positions:</i>	70	31
<i>Reports to:</i>	Civil Service Commission	City Executive Management
<i>Employee workforce:</i>	Classified	Unclassified
<i>Programs managed:</i>	Employee Performance Review Program (Classified Employees)	Rewards & Recognition Program Employee Performance Review Program (Mayoral Unclassified Employees)
<i>Employee performance, incentive, and/or discipline trainings provided:</i>	Employee Performance Review	Employee Rewards & Recognition Employee Accountability (Discipline)

Source: OCA, based on FY21 Adopted Budget, department websites, and interviews with department management.

Audit Results

FINDING 1: The City should ensure all employees receive required performance evaluations to recognize and reward high performers as well as to identify and address poor performance.

Finding Summary

Providing City employees with consistent, formal feedback on job performance is important for both recognizing high performers and identifying and addressing performance issues. Employee Performance Reviews (EPRs) may also provide documentation and support for any performance-related disciplinary action in the future.

We found that while most employees in the City appear to receive timely EPRs, there are opportunities for ensuring higher completion rates among classified employees in particular. Overall, we found that an average of 1 in 5 classified City employees, or about 2,000 employees per year, did not receive an EPR in a given year during the FY16–FY20 period. On a more granular level, EPR completion rates vary considerably across City departments, with some departments having EPR completion rates of 100 percent, and other departments having EPR completion rates closer to 60 percent and below.

Additionally, we found that higher EPR completion rates appear to correlate, to some extent, with lower annual quit rates across the City. Specifically, the City's annual quit rate for classified employees during this period was 4 percent Citywide while the quit rate for classified employees who did not have an EPR in the preceding year before their separation from the City was 6 percent. There are many possible explanations for the higher quit rate, but given how important feedback is in maintaining employee engagement and satisfaction, the lack

of feedback these employees received may have been a contributing factor in their departure.

To ensure that departmental management and the City's Executive Team are aware of progress in completing EPRs and can hold management accountable, we make recommendations to facilitate better tracking and monitoring of EPR completion. Specifically, we recommend that the Human Resources Department (HR) and Personnel Department (Personnel) work collaboratively to report EPR completion rates for all eligible employees Citywide in the City's Annual Workforce Report and continue collaborative efforts to implement an electronic EPR management system to more efficiently facilitate their EPR reminder and completion monitoring capabilities.

Conducting timely and comprehensive performance evaluations is an essential component of tracking and communicating employee performance.

Both workforce management literature and City guidance emphasize the importance of timely performance feedback to aid employee development. While Employee Performance Reviews (EPRs) are not the only way to do this, and some research expresses skepticism on their efficacy, they are a widely used and accepted method of formalized feedback exchange. More importantly, City policy requires all classified employees, which make up more than 90 percent of the City's workforce, to receive an EPR on an annual basis.

EPRs can help both with recognizing high performers and identifying and addressing any performance issues. According to the Harvard Business Review, recognizing outstanding performance improves employee engagement, which in turn can improve both employee performance and retention. In addition, according to the City's Dimensions of Discipline Manual, EPRs provide managers an opportunity to discuss how an employee is meeting or exceeding job performance standards, as well as discuss performance issues that warrant attention.

Providing timely and comprehensive feedback to employees lays the foundation for rewarding and, if necessary, disciplining employees, and is thus an essential element in maintaining a motivated and high-performing workforce. The

City's Employee Performance Review (EPR) Program endeavors to ensure all classified employees receive formal, fair, and consistent job performance feedback once a year and that probationary employees receive such feedback on a quarterly basis during the first 12 months of their new position. The EPR process entails department supervisors providing employees with both verbal and written job performance feedback in a face-to-face appraisal meeting. Employees, supervisors, and appointing authorities sign and date a supervisor-employee conference form which includes a written overview, typically comprehensive and detailed, of the employee's annual performance.

While most employees in the City appear to receive timely EPRs, there are opportunities for ensuring higher completion rates among classified employees in particular

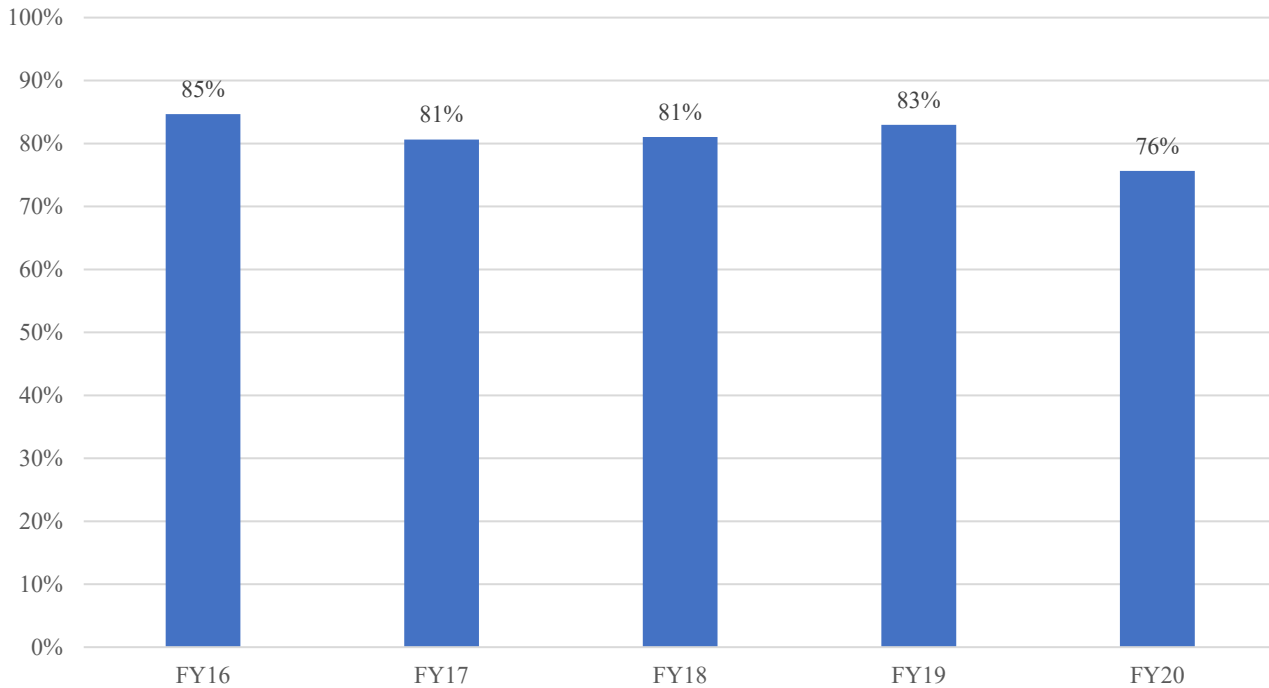
One of our objectives was to assess the overall extent of the City's Employee Performance Review Program. Based on our analysis of EPR data provided by Personnel, we found that approximately 81 percent of the City's classified workforce had a documented EPR in a given year during FY16–FY20, as can be seen in **Exhibit 2** below.³ While this completion rate indicates that most employees are receiving EPRs, it also indicates that in an average year, around 2,000 classified City employees, or approximately 1 in 5, did not receive an EPR.

³ We followed up with a selection of departments to confirm that EPRs not listed in Personnel's dataset were instead on file with the department. The departments were able to provide a fraction of the missing EPRs, and thus the true number of employees receiving EPRs is likely somewhat higher. However, the departments were not able to produce most of the missing EPRs, and our material conclusions remain that there appears to be wide variability in compliance across the City.

Exhibit 2:

While most classified employees received documented annual performance reviews, about 1 in 5 did not in a given year during the FY16-FY20 period.

EPR Completion Rates for Classified Employees (FY16 – FY20)



Source: OCA, based on data provided by the Personnel Department and workforce information from SAP.

Furthermore, our analysis of EPR data determined that there were considerable differences in EPR completion rates for classified employees across a range of City departments and divisions during the FY16–FY20 period, with some having 100 percent EPR completion rates, and others having EPR completion rates closer to 60 percent and below. When we asked Personnel about these variations, they stated that they have never analyzed this data to determine differences in completion rates across City departments.

Fewer unclassified employees do not receive an EPR compared to classified employees.

According to HR, approximately 95 percent of unclassified EPRs were completed in FY19. Although we could not verify that figure directly, based on our calculations of information we did have available, as well as several of the controls used by HR that we observed, we believe the number is reasonable and higher than the completion percentage for classified employees. HR deserves recognition for developing and maintaining a robust EPR tracking system for the City's unclassified workforce. See below for more detail on the factors affecting the different completion rates for classified and unclassified employees.

Consistent monitoring and feedback of employee performance is particularly important for new employees and should be an area of focus.

Providing feedback on job performance during the probationary period (typically the first 12 months of employment) is particularly important. Not only is it critical for new employees to know whether they are meeting job performance expectations, but monitoring and providing feedback to new employees on their performance can also help supervisors reflect on whether a new employee is a good fit for the position. Moreover, since newly hired employees retain more limited representation and appeal rights during their probationary period, consistent monitoring and feedback on employee performance assumes a greater significance as supervisors can more easily discharge or reassign under-performing employees during this period.

We found that during the FY16–FY19 period, on average, 83 percent of newly hired classified employees received at least two of the required four quarterly EPRs throughout their probationary period. Though this indicates that many new classified employees received at least a fair amount of formal, consistent feedback during their first year of employment, nearly 1 in 5 of these employees did not receive this additional coaching and feedback. As such, one likely result is that City department management missed potential opportunities to identify and address employee performance issues early on.

EPRs we reviewed generally reflect effort at providing substantive feedback and developing City employees.

We reviewed 60 EPR files for employees which we randomly selected from a dataset shared by Personnel, and found that City supervisors and managers generally provide robust performance-related feedback on EPR forms. Supervisors' comments are generally constructive, relevant, positive, and job-specific. Also, most performance narratives included multiple descriptive paragraphs, and in some cases, even pages of substantive content. Thus for the EPRs that are completed and recorded for classified employees, City supervisors appear to be putting in considerable time and effort at providing substantive feedback.

Providing both current and newly hired City employees with consistent, formal feedback on job performance is important for both recognizing high performers and identifying and addressing performance issues. As such, EPRs may provide documentation and support for any performance-related disciplinary action in the future.

Additionally, by comparing datasets for EPRs and employee separations, we found that higher EPR rates appear to correlate, to some extent, with lower annual quit rates across the City.⁴ Specifically, the City's annual quit rate for classified employees during this period was approximately 4 percent Citywide, while the quit rate for classified employees who did not have an EPR in the preceding year before their separation from the City was 6 percent.⁵ As shown in **Exhibit 3** below, classified employees who did not receive an EPR were more likely to quit.

⁴ This analysis was limited to classified employees only and based on the timeliness of EPR data availability.

⁵ The 2 percent difference between the City's annual quit rate for classified employees and the rate for classified employees who did not receive an EPR is equivalent to 40 additional classified employees quitting the City on an annual basis.

Exhibit 3:

Classified employees who did not receive an EPR were more likely to quit.

	Classified Workforce FY16–FY20	Classified employees who did not receive EPR in previous year
Annual quits rate for classified employees:	4%	6%

Source: OCA, based on data provided by the Personnel Department.

While employees may quit the City for a multitude of reasons that might not be directly related to the absence of performance-related feedback, EPRs are an opportunity for supervisors to discuss past, present, and future achievements of an employee. They may also help in identifying and addressing issues before they potentially lead to a high-performing employee separating from the City. Because nearly 2,000 classified employees per year did not receive their required EPRs during FY16–FY20, the City may have lost high-performing employees that might have been retained otherwise, and may not have identified and addressed performance issues with some lower-performing employees.

Multiple EPR processes and a lack of comprehensive monitoring have contributed to reduced EPR completion.

There are likely several reasons contributing to the different completion rates among classified and unclassified workforces. Some variation may occur due to the City's varied office- and field-based settings and operational demands and priorities. Additionally, as shown in **Exhibit 4** below, monitoring of EPRs is run in two separate processes by HR and Personnel—HR is generally in charge of EPRs for Mayoral unclassified employees and Personnel is generally in charge of EPRs for classified employees. As described below, the use of multiple EPR processes, combined with a lack of comprehensive monitoring and reporting of EPR completion rates, has led to inconsistent compliance with EPR requirements Citywide, especially for classified employees.

Exhibit 4:

Monitoring of EPRs is run in two separate processes by HR and Personnel—HR oversees EPR completion for a smaller unclassified workforce at the same time each year and Personnel oversees EPR completion for a larger classified workforce on a continuous basis.

	Classified Employees Requiring EPRs	Unclassified Employees Requiring EPRs
Workforce Size (FY16–FY20 average):	10,100	360
Timing of EPRs:	Continuous	End of October
Department overseeing:	Personnel	Human Resources
Submission of EPRs:	Manually	Electronically
EPR email reminders:	6 weeks before period review end date Every 2 weeks up until one year after period review end date	6–9 weeks before EPR review period

Source: OCA, based on data provided by and interviews with Personnel and HR.

Personnel and Classified Employees

Performance reviews for classified employees are due on a continuous rolling basis which is based on the employee’s hire date. We estimate that in FY20, about 10,500 classified employees should have received an EPR. The Personnel Department takes the lead on collecting data on classified employee EPR completion.

Personnel has implemented some internal controls around ensuring EPR completion for classified employees around the City. For example, Personnel stated that it sends automated reminders to supervisors throughout the City starting 6 weeks before an employee’s performance review is due. The reminders continue every 2 weeks until 1 year past the EPR due date. The reminders cease at that point, as City policy precludes issuing EPRs that are more than 1 year past due.

Personnel also stated that it has made several changes in the last two years to strengthen the controls for ensuring EPR completion across the City. For example, reminders are now sent to employee supervisors and payroll specialists, instead of just to payroll specialists.

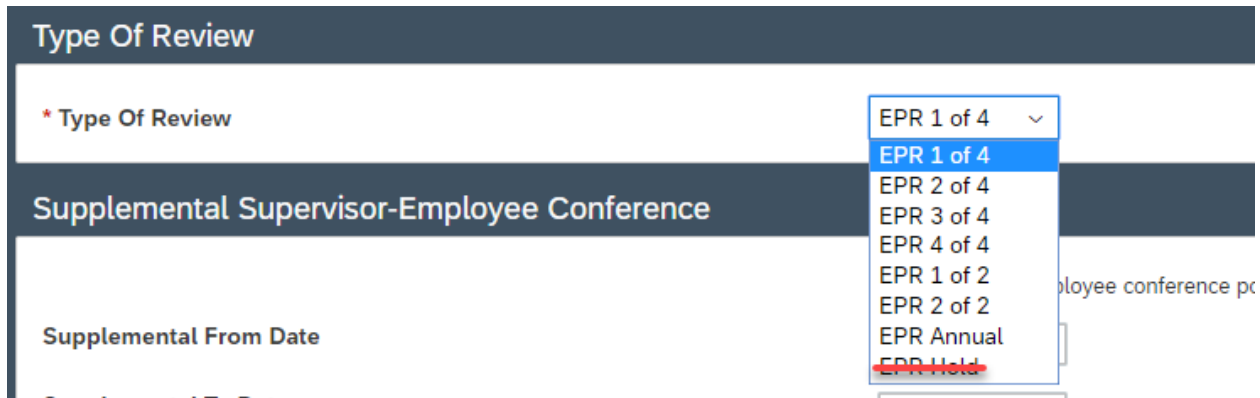
Though Personnel has implemented some internal controls around EPR notifications to departments, it does not monitor or report City departments' EPR completion rates to ensure EPRs are provided to all classified employees on a consistent basis. Personnel stated that it has calculated EPR completion rates for its own department for the last several years, but had not performed a similar analysis for all City departments prior to this audit. Personnel stated, however, that it has provided reports of EPRs received and past due to Executive Management and department heads on an ad hoc basis.

Consequently, whether or not an employee is receiving a timely performance review may be influenced by what department they are in, as it is left up to departmental management to take the initiative to ensure their employees are receiving EPRs. Further, because there is not currently any comprehensive tracking of EPR completion for classified employees, the City's executive leadership is unable to monitor which departments are falling behind on completing EPRs and hold departmental management accountable.

In addition to controls implemented more recently, Personnel also stated that it is working with the IT Department on creating a report via SAP, which is the City's workforce management and financial system, that will let departments know how they are doing with their EPR completion rates. Additionally, Personnel and the IT Department are exploring an online EPR management solution that may provide additional automated capabilities, as shown in **Exhibit 5** below. These efforts would strengthen the City's ability to monitor and manage EPR information for classified employees throughout the City.

Exhibit 5

Personnel and the IT Department are developing automated capabilities for completing EPRs.



Source: Screenshot of automated EPR management solution developed by the IT Department and Personnel Department.

HR and Unclassified Employees

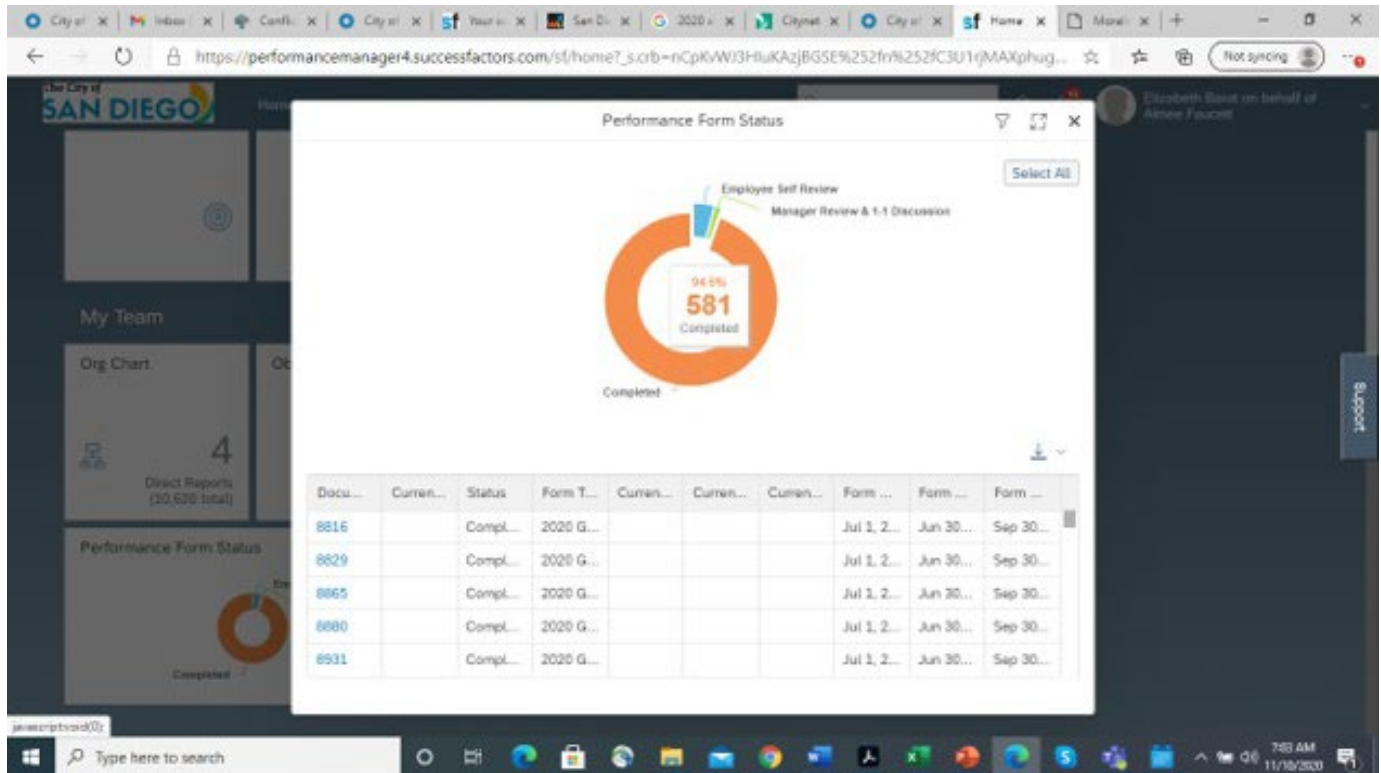
While Personnel collects data on classified employee EPRs, HR is the department responsible for monitoring EPRs for unclassified employees. HR also has controls in place for monitoring EPR completion. Specifically, unclassified employee EPRs are completed online via Success Factors, which is a component of the City’s financial system, SAP. Unlike classified employees, performance reviews for unclassified employees are all due at the same time each year, and HR is thus able to monitor progress of completed reviews within SAP as this shared due date approaches. Notably, the number of unclassified employees who require an EPR is also substantially smaller than the classified EPR workforce that Personnel oversees.

According to HR, unclassified employees are alerted via SuccessFactors 6–9 weeks prior to the EPR review period that they need to complete their self-evaluation for the year. Employees self-generate future goals and rank themselves on goals completed in the previous year. HR also sends reminders to departments regarding employees whose EPR still needs completion, and department directors and HR communicate updated information to each other. These

monitoring capabilities are displayed in **Exhibit 6** below. Independent departments can also opt-in to this system.

Exhibit 6

**Screenshot from HR Displaying Monitoring Capabilities and Status of 2019
Unclassified Performance Reviews**



Source: HR Department.

These controls and factors have contributed to HR’s ability to ensure relatively higher EPR completion rates for unclassified employees. Moreover, HR has shared results in recent years on an ad hoc basis with Executive Management in the City, who had placed an emphasis on the importance of completing timely performance evaluations.

Additionally, HR has recently assigned goals to supervisors throughout the City to complete all EPRs for employees whom they supervise, regardless of classification status; thus, this control may aid in driving higher completion rates for classified employees as well.

While Personnel and HR have made progress, additional monitoring and reporting of EPRs is needed to increase completion rates and ensure departmental accountability.

As described above, in recent years, both HR and Personnel have taken steps to improve controls over EPRs in an effort to improve completion rates. In addition, over the past few months, HR and Personnel have both adapted their processes to allow departments to provide late EPRs and/or issue EPRs remotely to employees during the COVID-19 pandemic. Both departments deserve recognition for adapting their EPR programs to accommodate the significant logistical challenges supervisors are facing in the COVID-era workplace.

While improvements have been made, to ensure that departmental management and the City's Executive Team are aware of progress in completing EPRs and can hold management accountable, additional steps should be taken by both departments to facilitate better tracking and monitoring of EPR completion. Specifically, to address the City's efforts at tracking and monitoring of its EPR programs, we recommend:

- Recommendation 1** The Personnel Department (Personnel) and Human Resources Department (HR) should work collaboratively to report Employee Performance Review (EPR) completion rates for all eligible employees Citywide in the City's Annual Workforce Report.
- a. The report should include some sort of breakout capability, such as results by department, type of EPR (e.g., annual, quarterly, etc.), and classified or unclassified status.
 - b. Personnel and HR should encourage the lowest-utilizing departments in particular—for example, via additional reminders or targeted trainings of supervisors and managers in those departments. (Priority 2)
- Recommendation 2** The Personnel Department and Human Resources Department should continue collaborative efforts to implement an online Employee Performance Review (EPR) management solution to more efficiently facilitate their EPR reminder and completion monitoring capabilities for classified

employees—for example, breakout capabilities discussed in Recommendation 1a. (Priority 2)

Finding 2: The City utilizes multiple ways to recognize and reward commendable performance among employees, but utilization of the Rewards & Recognition Program varies widely among departments and its effect on employee satisfaction and retention is unclear.

Finding Summary

While fair and competitive compensation is a fundamental factor for recognizing and rewarding commendable performance, workforce management literature also emphasizes the importance of other elements such as purposeful work, recognition, and assignment selection. Supplementary pay-for-performance initiatives are another way to reward commendable performance, although they do carry risks.

The City utilizes multiple ways to recognize and reward commendable performance among employees, including robust utilization of public recognition and job promotions among the existing workforce. Additionally, while Administrative Regulation 95.91 encourages participation in the City's supplementary Rewards & Recognition (R&R) Program as a means of retaining high-performing employees, staff we spoke with in HR did not know how widely it was used across the City, how participation had changed over time, or what workforce effects the program may be having, if any.

We found that during FY17–FY20, an average of 18 percent of City employees received a cash award annually and approximately 40 percent of the City's workforce received paid time off awards in the form of discretionary leave (D/L). While some employees, such as Employee of the Year recipients, received up to \$1,800 in cash awards in a year, the vast majority of R&R cash awards consist of relatively modest amounts of \$25 or less. Overall, the average annual cash award was approximately \$100 per recipient. In addition, while some employees received more than 100 hours of D/L in a

year, most D/L awards were smaller, and the average D/L award was 15 hours per recipient annually.

We also found that while overall participation in the R&R Program has been increasing, participation appears to be left up to departments' initiative and discretion, and departments use the program to widely varying degrees. In addition, the R&R Program's effect on employee satisfaction and retention is unclear.

We make recommendations to encourage continued usage of public recognition and promotions among the existing workforce, and to improve supervisor training on the tools the R&R Program provides to reward high-performing employees. In addition, we make recommendations to strengthen monitoring and oversight of the R&R Program, and to encourage greater use of the program in departments with low utilization.

Supplementary pay-for-performance initiatives are one way to reward commendable performance.

Expert opinions are wide-ranging about the best ways to reward employees for excellent performance. While fair and competitive compensation is a fundamental factor, workforce management literature also emphasizes the importance of other elements, such as purposeful work, recognition, and assignment selection—factors which may be particularly relevant motivators to a workforce oriented towards public service.

Supplementary pay-for-performance initiatives are one way to reward commendable performance, although they do carry increased risks when dollar amounts are large, and when work is complex, team-oriented, or not easily measurable.

Nevertheless, the City does have a Rewards & Recognition (R&R) Program established specifically for recognizing and rewarding commendable behavior across the City's workforce, and Administrative Regulation 95.91 encourages participation in the program as a means of retaining high-performing employees. **Exhibit 7** below shows the program's various awards and the maximum amount of D/L and/or cash that recipients can receive.

Exhibit 7

The City’s Rewards & Recognition Program consists of several different types of awards for high-performing employees and provides recipients with cash and/or discretionary leave awards.

Rewards & Recognition Program Awards	Cash Awards (maximum amount)	Discretionary Leave Awards (maximum amount)
Employee of the Quarter (Department):	\$300	8 hours
Employee of the Year (Department):	\$500	24 hours
Employee of the Year (Citywide):	\$1,000	N/A
Employee Service Award (Department):	N/A	8–24 hours (amounts vary depending on years of service)
Exceptional Merit Cash Payments (Department):	\$250 – \$1,000	N/A

Source: OCA, based on City Administrative Regulation 95.91.

One of our objectives was to assess the overall extent of the City's Rewards & Recognition (R&R) Program, and whether the program is right-sized or appropriate for all City departments. We looked at two elements within the R&R Program: cash awards and department-awarded paid time off in the form of discretionary leave (D/L).⁶ While the City's R&R Program

⁶ As noted by Finance, not all City employees are eligible for all elements of the program either due to their job classification (i.e., provisional and/or interns may not be eligible), their hire date in the department, and/or their last EPR rating. For example, the Exceptional Merit Cash Payment Program may be awarded to classified employees who are at E step or to unclassified employees. All employees are eligible for the Peer-to-Peer Program which awards gifts from \$0–\$25 (i.e., \$25 gift card). Classified, DCAA-represented, or unrepresented employees are eligible for the Employee of the Quarter (EOQ), Employee of the Year (EOY) Department and Citywide, and the Supervisor Level Reward programs. The EOY Department awards \$500 cash, EOY Citywide awards \$1,000, and the Supervisor Level Reward may award gift cards (up to \$25). The EOQ, EOY, Employee Service Award, the Appointing Authority Program, and the Supervisor Level Award programs award D/L.

appears to be popular throughout the City, according to staff we spoke with in the Human Resources Department (HR), Personnel Department (Personnel), and Department of Finance (Finance), none have analyzed how widely it is used across the City, how participation has changed over time, nor what workforce effects the program may be having, if any. We found that while overall participation has been increasing, participation appears to be largely left up to departments' initiative and discretion, and departments use the program to widely varying degrees. In addition, the R&R Program's effect on employee satisfaction and retention is unclear.

Sizes of cash awards and discretionary leave awards vary.

The City awarded an average of approximately \$223,093 per year in R&R cash awards to City employees during FY17–FY20.⁷ While some employees, such as Employee of the Year recipients, received up to \$1,800 in cash awards in a year, the vast majority of R&R cash awards consist of relatively modest amounts of \$25 or less. Overall, the average annual cash award was approximately \$100 per recipient.

In addition to cash awards, the City awarded an average of 85,540 total D/L hours per year to City employees during FY16–FY20. Again, while some employees received more than 100 hours of D/L in a year, most D/L awards were smaller, and the average annual D/L award was 15 hours per recipient. Furthermore, as D/L awards are more common than cash awards, they also might be more valuable to City employees. Using a Citywide average hourly wage of \$31.26, the City's total D/L hours per year during FY17–FY20 had a total cash value of approximately \$2.7 million per year, or \$470 in cash value per D/L recipient.

⁷ Since the City's Rewards & Recognition Program became effective January 1, 2016, department participation rates and award amounts were lower in FY16. Thus, we decided to limit our analyses to the FY17–FY20 period to ensure the R&R data in our calculations covered entire fiscal years.

Program participation rates for cash awards and discretionary leave have been increasing across the City.

We found that during FY17–FY20, an average of 18 percent of City employees received a cash award annually and approximately 40 percent of the City’s workforce received D/L awards. As shown in **Exhibit 8** below, Citywide participation for both kinds of awards has increased during this period. Overall, approximately 30 percent of the City workforce received at least one type of R&R award per year.

Exhibit 8

Program participation rates for cash awards and discretionary leave have been increasing across the City.

Fiscal Year	Percent of City Workforce Receiving D/L Awards	Average D/L Hours per Award Recipient	Percent of City Workforce Receiving Cash Awards	Average Cash Awards per Recipient
FY17	38%	16 D/L hours	15%	\$108
FY18	41%	12 D/L hours	17%	\$114
FY19	42%	16 D/L hours	20%	\$86
FY20	43%	16 D/L hours	20%	\$93
FY17-FY20 Average	41%	15 D/L hours	18%	\$100

Source: OCA, based on data provided by the Department of Finance and SAP workforce reports.

Program participation varies widely across City departments for both cash awards and D/L awards.

As shown in **Exhibit 9** below, participation rates vary considerably across City departments, but we found that overall all Mayoral departments participated in the R&R Program during FY17–FY20.

Exhibit 9

Program participation varied widely among departments across the City

Department	FY17-FY20 D/L Participation Rate Average	FY17-FY20 Cash Awards Participation Rate Average	Average of D/L and cash participation rates
Environmental Services	61%	66%	64%
SDCERS	95%	25%	60%
Department of Finance	97%	13%	55%
Parks & Recreation	39%	70%	55%
City Clerk	96%	10%	53%
Planning	89%	11%	50%
City Treasurer	68%	32%	50%
Public Utilities	76%	23%	50%
Purchasing & Contracting	88%	11%	50%
Transportation & Storm Water	67%	31%	49%
Human Resources	81%	13%	47%
Information Technology	82%	8%	45%
Risk Management	70%	19%	45%
Personnel	77%	7%	42%
City Attorney	65%	13%	39%
Economic Development	59%	11%	35%
Real Estate Assets	51%	10%	31%
Citywide Average	41%	18%	30%
Communications	48%	10%	29%
Development Services	49%	8%	29%
Fleet Operations	47%	6%	27%
Library	27%	2%	15%
Public Works	20%	5%	13%

Note: Department participation rates were calculated by dividing the number of D/L or cash award recipients per department in a given year by the average number of employees in a department during the FY17–FY20 period. Departments are displayed in descending order by averaging participation among both D/L and cash awards.

Note: Departments with fewer than 20 employees are not shown. Grand total is not shown in the middle due to different department sizes.

Source: OCA, based on R&R participation data provided by Department of Finance and workforce information from SAP.

The overall effect of the R&R Program is difficult to measure.

While departmental participation in the R&R Program has varied widely, overall department participation in the R&R Program does not appear to show a strong correlation to an increase or decrease in employee satisfaction or employee retention rates. However, this effect is difficult to measure.

For example, we found that Citywide, 5 percent of D/L recipients quit the City annually during the FY17–FY20 period. The City's overall annual quit rate during this period was also 5 percent, which suggests that D/L award recipients are just as likely to quit as the average City employee. Of course, it is possible that D/L recipients, who may be high-performers with other employment opportunities, would have had a higher-than-average quit rate absent their D/L awards, but we lacked the data needed to explore this possibility.

Employee of the Quarter and Employee of the Year recipients were less likely to quit.

Larger cash awards did appear to be correlated with lower quitting. We found that Employee of the Quarter and Employee of the Year recipients—who receive cash awards of \$300 and \$1,000 respectively, as well as more visible recognition—had a 1 percent annual quit rate during FY16–FY20. Although research from the Society for Human Resource Management (SHRM) indicates that high-performing employees generally have lower turnover rates than their colleagues, the results from the City's data indicate that this kind of R&R award is seemingly effective at or at least correlated with retaining high-performing employees.

For some of the smaller awards, it may be the case that the many of the awards are too small to make a detectable impact on employee behavior or are cancelled out by other

circumstances. It is also possible that our testing was not sensitive enough to detect more nuanced patterns or effects.

There are likely several reasons contributing to R&R participation rate variation among City departments.

As with EPRs in Finding 1, there are likely several reasons contributing to R&R participation rate variation across City departments. Some variation may occur due to the City's varied office- and field-based settings and operational demands and priorities. Additionally, according to Finance, cash awards affect a department's budget, which may dissuade cash award usage or make it difficult in departments with especially tight budgets. In those cases, departments may choose to award D/L instead. Conversely, paid time off to high-performers may make it more challenging to meet operational pressures for some departments.

Therefore, by monitoring program participation across City departments, HR could encourage awareness and program participation among lower-utilizing departments—for example, via targeted or required trainings of supervisors and managers in those departments.

Some employees received sizable D/L awards, but there are several controls to prevent abuse of the program.

In addition to ensuring that R&R Program participation is monitored and supervisors are aware of the various reward tools the program provides, it is also important for controls be in place to ensure that the program is not abused. We found that the overall internal controls for the program are functioning well, although additional automation would help prevent errors in award amounts and ensure that all required documentation is maintained. We also recommend that the City should consider a cap on D/L awarded per employee, similar to a cap that is already in place for cash awards.

There are several controls to prevent abuse of the R&R program. Specifically, according to Finance, there must be a supporting memo from an appointing authority (departmental management with hiring authority) authorizing R&R awards for an employee. Payroll specialists in operational departments enter D/L awards and Finance enters cash awards for employees. Additionally, according to Finance, the payroll system prevents individuals from entering in amounts for themselves.

Some City employees received sizable amounts of D/L hours and cash awards during the FY16–FY20 period. We identified 82 individual employees who had received more than 80 hours of D/L in a given fiscal year, and 31 individual employees who received more than \$1,300 in cash awards over FY16–FY20.⁸

We asked departments to confirm that awards of more than 80 hours of D/L or more than \$1,300 in cash were intentional and appropriate and went to the correct employee; we also asked departments to provide the supporting documentation for these awards. We also supplemented this sample of high-earning awardees with 27 randomly-selected employees who received any amount of D/L from FY16–FY20. Overall, we asked departments to provide corroboration and documentation for 140 awards recipients across 25 City departments. City departments generally corroborated the total number of D/L and cash award amounts, and were able to provide most of the accompanying supporting documentation.

Our review did identify several discrepancies, however, including issues of incomplete supporting documentation, and a few instances of inflated D/L hours for some employees.⁹ In cases of incomplete documentation, departmental management still corroborated that the recipient and reward amounts were correct, and in cases of inflated D/L hours, departmental management indicated that the excess D/L entries appeared to have been clerical errors and would be corrected. Finance stated that it has since built a revised report to be utilized in the future to address some of these

⁸ During FY16–20, in a given fiscal year, 5 of the 82 D/L recipients in our sample received more than 120 D/L hours.

⁹ Given our audit objectives, our review was primarily intended to alert departments to potential issues with award amounts and conduct limited testing regarding documentation support and controls; not to provide assurance about the extent of discrepancies Citywide. Working with responding departments to a judgmentally-sized sample of 109 high-earning awardees and random sample of 27 awardees of any amount, our review did identify 3 instances of duplicate entries for D/L awards. These instances involved a total of approximately 80 hours. We did not identify any instances of duplicate or inappropriate cash awards.

issues and that it has reached out to the IT Department to discuss options for automating D/L award entries to help prevent errors by all departments.¹⁰

In addition to these control improvements, we recommend that HR, working collaboratively with Finance, consider replacing the existing cap of 24 D/L hours per entry with a maximum cap on annual D/L awards per employee. This would be similar to the cash awards cap that already exists.¹¹ A cap could also help prevent the risk that the D/L program is being abused, or is perceived as being abused. In addition, we recommend an annual review by HR to ensure that cash and D/L award amounts are reasonable and conform to the established individual caps.

Beyond the R&R Program, the City makes commendable efforts to recognize good performance.

Workforce management literature supports recognizing employees publicly and promoting from within as a way of developing and engaging talent. We found that the City makes efforts in both of these areas and should be commended for it.

For example, we found the City promoted approximately 14 percent of its entire workforce on an annual basis during FY16–FY20. The ADP Research Institute reported a 9 percent annual promotion rate for the U.S. labor market during 2018. To that end, the City deserves recognition for providing promotional opportunities for a significant percentage of City employees.

As shown in **Exhibit 10** below, City leadership also engages in and distributes employee recognition emails and videos. Employee appreciation and recognition is not only a best practice for engaging employees, it is also a low-cost way to express support for exceptional performance within the workforce.

¹⁰ The revised report includes two critical fields that had been missing in the department's previous reports: one that identifies D/L hours as positive or negative and one that identifies D/L hours that were not transferred into the employee's leave bucket in SAP.

¹¹ City employees may receive monetary awards up to a maximum of \$2,000 gross amount in a fiscal year

Exhibit 10

Example of an Employee Recognition Email

What's Going On in the City?

Social Shots - Park Ranger Kim Duclo and Chief Battalion David Picone Receive Special Awards



Congratulations to Park Ranger Kim Duclo, who was recently awarded the Friends of Balboa Park's Lifetime Achievement Award!

Ranger Kim is a San Diegan by birth and by heart, having spent much of his childhood... [More](#)



Leslie McNabb and 330 others

31 comments 16 shares

Questions from park and

... Congratulations to Parks and Recreation Department Park Ranger Kim Duclo, who was recently awarded with the Friends of Balboa Park's Life Achievement Award!

Ranger Kim is a San Diegan by birth and by heart, having spent much of his childhood collecting memories in Balboa Park and at the Children's Zoo. Growing up, he became passionate about arts and culture and earned a degree in Communications and Visual Arts from University of California San Diego before starting a museum career at Balboa Park.

Source: City of San Diego.

Overall, we found the City's R&R Program to be a well-designed effort to recognize and reward exceptional employee performance. We encourage the City to continue its efforts at public recognition and job promotions. However, we found some areas where program performance could be improved,

and therefore we make the following recommendations to enhance awareness of R&R Program tools, increase program participation, and strengthen internal controls over program awards:

Recommendation 3 The Human Resources Department, working collaboratively with the Finance Department, should consider replacing or supplementing the existing cap of 24 discretionary leave (D/L) hours per entry with a maximum cap on annual awards per employee, and should revise Administrative Regulation 95.91 accordingly. (Priority 3)

Recommendation 4 The Human Resources Department, working collaboratively with the Finance Department, should conduct an annual review of the Rewards & Recognition Program for conformance with the cash and discretionary leave (D/L) caps within Administrative Regulation 95.91 and the extent of program participation.

- This review should be formalized in the form of a process narrative, and included within Administrative Regulation 95.91, or some other way to ensure that it will be performed each year. (Priority 3)

Recommendation 5 The Human Resources Department should develop and implement a plan to increase awareness of Rewards & Recognition Program tools and to encourage additional program participation in the lowest-utilizing departments in particular—for example, via targeted or required trainings of supervisors and managers in those departments. (Priority 2)

Finding 3: The Human Resources Department should strengthen its abilities to more strategically monitor aggregated discipline trends and issues within the City's workforce

Finding Summary

As discussed in a previous related audit, Strategic Human Capital Management principles emphasize taking a data-driven approach to examining, linking, and acting on characteristics and patterns within an organization's workforce—its most important and valuable asset—to help the organization carry out its varied strategic goals.

A strategic approach to the City's discipline management can help identify trends and trouble spots in the City's workforce. For example, identifying trends of whether total discipline cases are going up and down, skew more towards performance issues or misconduct, or are clustered in certain parts of the workforce. In addition, monitoring trends could also identify areas where disciplinary actions are overturned or unsuccessful, indicating a potential need for greater supervisory training on disciplinary practices. Tracking and monitoring could also identify components of the City's disciplinary process that are particularly onerous or time-consuming and help identify opportunities for streamlining.

Although we found that the Human Resources Department (HR) has made efforts to track discipline, it does not maintain accurate data on the number of disciplinary actions or appeals of disciplinary action. To address this, we recommend that HR, working with the Personnel Department, strengthen its abilities to more strategically monitor aggregate discipline trends and issues within the City's workforce. Specifically, HR should develop and implement a process to provide this information periodically, or preferably on-demand, to City leadership and other stakeholders to better identify and mitigate performance and misconduct-related risks.

The City can use SHCM principles to take a more data-driven approach to discipline.

Strategic Human Capital Management (SHCM) principles employ a data-driven approach to examining, linking, and acting on characteristics and patterns within an organization's workforce—its most important asset—to help the organization carry out its varied strategic goals. As discussed in a previous related audit, we found essential SHCM components of a large organization include tracking and monitoring of trends related to employee compensation, turnover, and quits.¹²

In addition, another SHCM component that was a particular area of interest within the City was discipline for poor performance. Poor employee performance can negatively affect an organization in multiple ways. Particularly in complex, team-based environments, if an organization does not effectively identify and address performance issues, it may have a demoralizing effect on other employees, as well as ultimate impacts on serving the customer or the public.

A strategic approach to the City's discipline management can help identify trends and trouble spots in the City's workforce. For example, trends indicating whether total discipline cases are going up and down, skew more towards performance issues or misconduct, or are clustered in certain parts of the City's workforce. In addition, monitoring trends could also identify areas where disciplinary actions are overturned or unsuccessful, indicating a potential need for greater supervisory training on disciplinary practices. Tracking and monitoring could also identify components of the City's disciplinary process that are particularly onerous or time-consuming and help identify opportunities for streamlining.

¹² See our April 2020 Strategic Human Capital Management audit, available at: https://www.sandiego.gov/sites/default/files/20-011_humancapitalmanagement.pdf

HR has made efforts to track discipline, but we found the dataset was incomplete, and HR was not able to provide an updated or more accurate version.

One of our objectives was to assess the overall extent of the City's disciplinary efforts. Within the City, the Human Resources Department (HR) assists with the oversight and processing of disciplinary actions for Mayoral departments, including for both classified and unclassified employees. As such, HR is well-positioned to track and monitor disciplinary actions and trends across the City's workforce, and to respond with additional supervisor training or changes to the City's disciplinary processes, as needed.

However, we found that HR does not maintain accurate data on the number of disciplinary actions or appeals of disciplinary action.¹³ For example, we compared the number of probationary failures listed in datasets provided separately by HR and the Personnel Department (Personnel), and found that while Personnel's data included 70 listed probationary failures over the FY16–FY18 period¹⁴, HR's dataset only included 16 probationary failures.¹⁵ HR confirmed that the 70 number was likely more accurate. HR also confirmed that it was unable to produce an updated dataset regarding discipline issues across the City's workforce. **Exhibit 11** shows an example of how HR could track disciplinary actions throughout the City.

¹³ HR typically receives documented disciplinary actions such as written warnings, reprimands, step reductions, suspensions, and terminations. HR does not typically receive verbal counseling or verbal warning disciplinary actions from City departments.

¹⁴ HR's discipline data only covered FY16–FY18 and therefore we limited our analysis with Personnel's probationary failure data to this time period.

¹⁵ Personnel maintains data on separations from the City, which gave us the ability to cross-check probationary failure figures between HR and Personnel's datasets. Both Personnel and HR could lead to better tracking of discipline data, and should work collaboratively, where needed. Because HR is a Mayoral department, however, we believe it is positioned to report issues with discipline to Executive Management and respond accordingly.

Exhibit 11

An example of how HR could track disciplinary actions throughout the City.

Conduct	Discipline Type	Length	Appealed	Disposition	Notes	General Violation	General Type
Failure to meet standards of position	Probationary failure	N/A	Yes	Denied	Appeal was denied	Excessive Tardiness	Performance
Insubordination, failure to follow City Policy	Suspension	2 days	Yes	Denied	Suspension was reduced to 1 day	Insubordination	Misconduct

Note: Incident notes are hypothetical examples for purposes of illustration based on data provided by HR Department.

Source: OCA, based on incomplete dataset provided by the HR Department.

HR is not required to track and analyze aggregated discipline data to identify performance or misconduct-related trends Citywide or within City departments.

According to HR, prior to consolidating Citywide HR functions in 2017, City departments did not report all employee disciplinary actions to a central point. Therefore, the discipline data that HR does have access to is limited in scope. Furthermore, since the City does not require HR to comprehensively and consistently track Citywide employee disciplinary actions for purposes of trend analysis, even for more severe disciplinary actions such as termination or demotion, HR was not able to provide us with any kind of aggregated discipline data for the City’s workforce.

Additionally, according to HR’s interpretation of the City’s MOUs, the City is precluded from tracking disciplinary actions that have passed their statutes of limitations, which is typically one year after the City records a disciplinary measure in an employee’s file. However, we found that the MOUs’ discipline-related language focuses on protections for individual employees and does not explicitly restrict the City from analyzing aggregated discipline cases for the purpose of tracking discipline trends across the City’s workforce and within departments.

According to the City’s Chief Compliance Officer (CCO), the Risk Oversight Committee (ROC) is now tracking and presenting discipline/fact-finding trends at its meetings, and the ROC is

working with HR on how to get discipline/fact-finding data reported to the committee on a consistent basis.

A strategic approach to the City's discipline management can help identify trends and trouble spots in the City's workforce.

Using a data-driven approach to track and monitor discipline-related incidents can help HR and City leadership have a more thorough understanding of the amount of discipline and disciplinary trends occurring across the City's workforce, and whether its discipline processes and procedures are effectively addressing employee performance or misconduct-related issues. Though supervisors may have access to resources and liaisons from HR and Personnel to assist them with any issues, HR can utilize its expertise and broader view to better identify and support departments that are experiencing problematic performance and discipline-related trends among their workforces. To address the issues outlined above, we recommend:

Recommendation 6 The Human Resources Department (HR), working as necessary with the Personnel Department, should strengthen its abilities to more strategically monitor aggregate discipline trends and issues within the City workforce—for example, trends over time or patterns across departments or other aspects of the City's workforce. Specifically, HR should develop and implement a process to provide this information periodically, or preferably on-demand, to the City Executive Team, the Risk Oversight Committee, the Civil Service Commission, and City departments' management to better identify and mitigate performance and misconduct-related risks. (Priority 2)

Recommendation 7 The Human Resources Department should incorporate strengthening its tracking and dissemination of performance and discipline-related information into its ongoing effort to outline and document its goals, responsibilities, and the organizational efforts it is undertaking internally to strengthen its emphasis on Strategic Human Capital Management (SHCM) efforts, agreed to as part of our first SHCM audit. See Recommendation #6 from our Performance Audit of the City's Strategic Human Capital Management.¹⁶ This should include

¹⁶ Available at: https://www.sandiego.gov/sites/default/files/20-011_humancapitalmanagement.pdf

analysis to determine if additional staffing resources are needed to successfully execute this plan to strengthen its SHCM capabilities. (Priority 2)

Finding 4: Opportunities exist for the City to reform some elements of its disciplinary processes and discipline-related training for City supervisors.

Finding Summary Just as there are various accepted philosophies about the best ways to recognize and reward high-performers, expert opinions are also wide-ranging about the best ways to use discipline to address performance or misconduct issues. Regardless, many best practices recommend addressing disciplinary issues early, proportionately, and predictably.

We found that the City has multiple internal control processes and procedures related to accountability and employee performance; however, actual utilization rates are low for several of these controls, including probationary periods, Supplemental Employee Performance Reviews (EPRs), and discharges. For example, we found that from FY16–FY20, for most positions in the City aside from Police recruits and Fire recruits, the probationary pass rate was close to 100 percent. We also found that unrepresented employees were about twice as likely to be discharged as represented employees, although the annual discharge rates were less than 1 percent for both groups. Nevertheless, this was similar to other data we found for other state and local governments.

Several factors may be contributing to the low usage of these controls. The City's low utilization rate of some of the internal controls mentioned above is likely partly due to workforce protections and factors over which the City has limited control. Most City employees possess significant employment protections in the forms of civil service classifications and labor group representation. In addition to these factors, the City's philosophical approach to discipline emphasizes corrective behavior and developing an employee, rather than an approach rooted in punitive justice, collective punishment, or deterrence signaling to other employees. Our research found that there are a variety of disciplinary philosophies that are widely accepted, and the City's current approach is among

them. Low usage of disciplinary tools may also be due in part to a high-quality workforce, and as noted in Finding 2, the City does a commendable job overall in recognizing and rewarding high performers. However, the low utilization rates of the controls above, and opportunities for further training requirements, availability, and guidance raise the possibility that at least some poor performance issues may go unaddressed.

Short of overhauling representation/civil service protections or adopting a different philosophical approach, City supervisors may benefit from additional training on the City's discipline policies and processes. Currently, while the City does offer training on EPRs, the importance of the probationary period, and disciplinary tools, supervisors are not required to complete all of these courses. We recommend the Human Resources Department (HR) and Personnel Department (Personnel) develop a plan for actions the City can take to better utilize mechanisms, such as the probationary period, if/as appropriate. We also recommend HR and Personnel continue their efforts to expand training requirements, availability, and guidance to supervising employees.

Many best practices recommend addressing poor performance early, proportionately, and predictably.

Just as there are various accepted philosophies about the best way to recognize and reward high-performers, expert opinions are also wide-ranging about the best ways to discipline performance or misconduct issues. Regardless, many best practices recommend addressing disciplinary issues early, proportionately, and predictably.

To that end, the City's philosophical approach to discipline emphasizes a model of corrective behavior and developing an employee to be able to get back to meeting standards. The Human Resources Department (HR) has developed guidance for supervisors and managers throughout the City in the form of the "Dimensions in Discipline" manual, which articulates this philosophy.

The manual also articulates a "2-track system" for addressing disciplinary issues—one relates to employee performance, while the other relates to employee misconduct. Performance

issues relate to an employee’s abilities and competencies for a given position, while misconduct-related discipline is intended to correct negligent or intentional policy violations and is not necessarily progressive—in other words, discipline may include more severe options up to, and including, discharge, even for an initial misconduct violation.

The City has multiple internal control processes and procedures related to discipline and employee performance, however, actual utilization rates are low for several of these controls.

We found that the City has multiple internal control processes and procedures related to discipline and employee performance, including probationary periods for newly-hired or newly-promoted classified employees, regular and Supplemental Employee Performance Reviews (EPRs), supervisor trainings on discipline and rewards, and others.¹⁷

However, we found that the actual utilization rates are low for several of these controls. Specifically, we found:

- The probationary pass rate for many City positions is close to 100 percent;
- Another performance correction tool—the Supplemental EPR—is also rarely utilized; and
- Discharge rates are low, but similar to other government data we found.

The probationary pass rate for many City positions is close to 100 percent.

We found that within the City of San Diego, approximately 1 percent of the City’s probationary workforce did not pass probation on an annual basis during FY16–FY20. Nearly all of those let go during their probationary period were Police recruits or Fire recruits; thus for most of the City, the probationary failure rate was close to 0 percent. The federal government’s probationary failure rate is 1.6 percent, and while we did not find specifically comparable figures for the private sector, we estimate the probationary failure rate in the private sector is likely higher.

According to the Society for Human Resource Management (SHRM), in unionized environments, it can be advantageous for the employer (in this case, the City) to negotiate for the

¹⁷ City discipline is a complex topic and other elements include investigatory reviews, fact-finding investigations, etc. The scope of our work was finite and covered the topics discussed in this report.

longest trial period (i.e., probationary period) possible, as the probationary period carries fewer due process restrictions and employees are early in their service. Thus, the City might be missing opportunities to better utilize this period to correct performance issues and ensure employees are a good fit for their hired roles.

Another performance correction tool—the Supplemental EPR—is also rarely utilized.

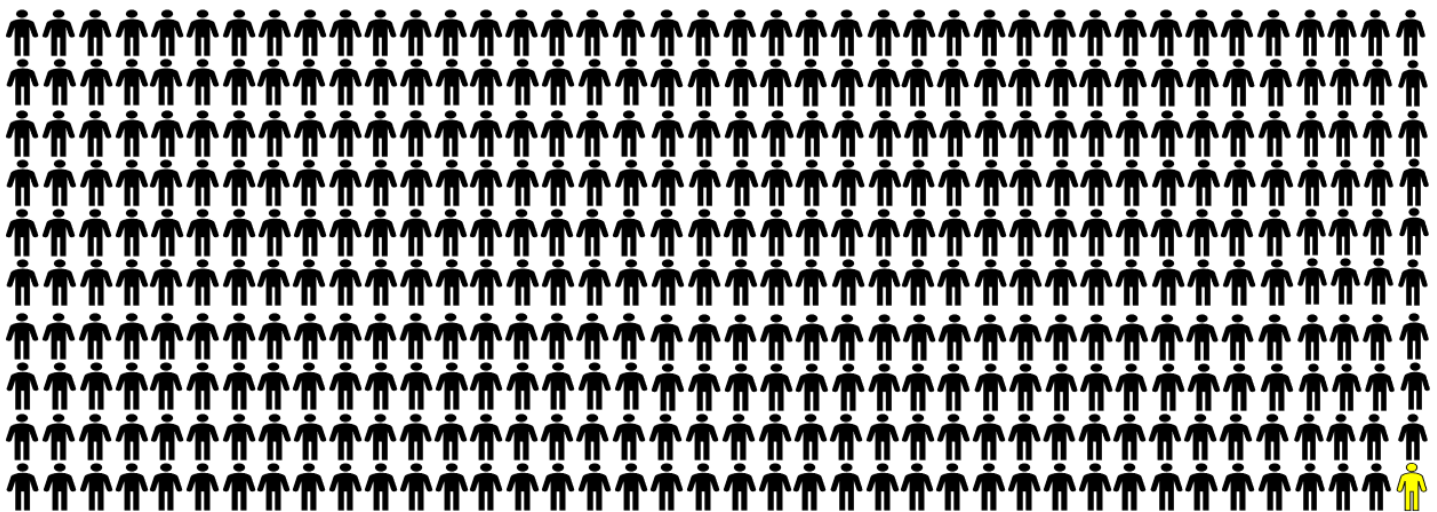
Finding 1 discusses the typical annual Employee Performance Review (EPR) process in more detail. If performance is below standard, however, City employees may be given Supplemental EPRs to provide additional and more frequent performance feedback.

We found that during FY16–FY20, the City issued 128 Supplemental EPRs, which equates to 0.25 percent of the City’s workforce per year, or approximately 1 in 400 employees. See **Exhibit 12**.

Because the additional feedback given through Supplemental EPRs may aid communication and expectations, the City might be missing opportunities to better utilize this option to correct performance issues and ensure employees are a good fit for their current roles.

Exhibit 12

1 in 400 City employees received a Supplemental EPR on an annual basis during FY16–FY20.



Source: OCA, based on data provided by Personnel and workforce data from SAP.

Discharge rates are low, but similar to data we found for other state and local governments.

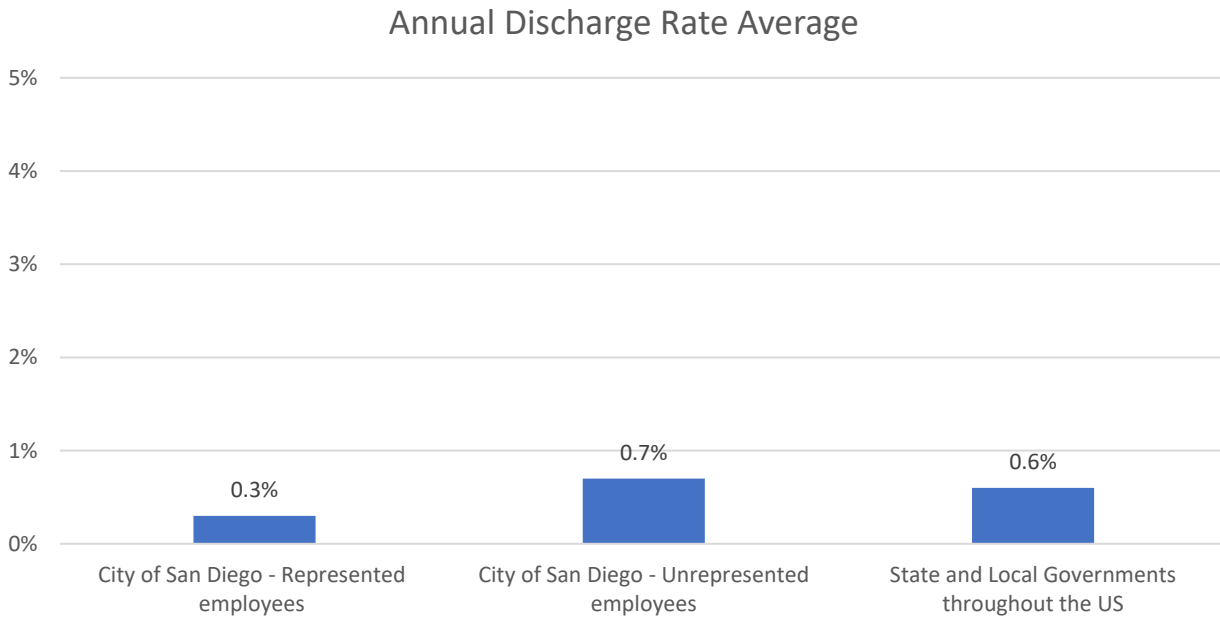
Potential underuse of probationary periods and Supplemental EPRs to identify and address work performance could lead to underperforming employees remaining with the City's workforce and the need for more severe corrective measures later.

We found that 0.4 percent of the City's workforce was discharged on an annual basis during FY16–FY20, or approximately 1 in 250 employees. US Bureau of Labor Statistics (BLS) data for state and local governments reports an annual discharge rate of 0.6 percent during 2015–2020. The City's low rate of discharges raises the question as to whether the City's lack of discipline tracking and monitoring results in missed opportunities to not only correct employee performance or behavior, but to make staffing changes if such an option is warranted.

According to the Personnel Department's (Personnel's) data and as shown in **Exhibit 13**, we also found that unrepresented employees are about twice as likely to be discharged as represented employees within the City of San Diego.

Exhibit 13

Unrepresented employees are about twice as likely to be discharged as represented employees, although the annual discharge rates are less than 1 percent for both groups.



Note: Time period for US Bureau of Labor Statistics data is calendar years 2015–2020 and time period for City of San Diego data is FY16–FY20.

Source: OCA, based on City of San Diego data from SAP and separations data provided by the Personnel Department and state and local governments data from the US Bureau of Labor Statistics.

Several factors may be contributing to low usage of these disciplinary controls.

Most City employees possess significant employment protections in the form of civil service classifications and labor group representation.

Part of the reason for the figures above is likely due to workforce protections and factors over which the City has limited control. Most of the City’s workforce, approximately 90 percent, is classified and thus is afforded due process and representation for any kind of formal discipline action. Perhaps most importantly, represented employees are entitled to the Skelly Process, which resulted from a ruling at the State-level that considers the employee’s paycheck to be a form of personal property; it thus affords represented employees the opportunity to appeal any disciplinary action that involves taking of that property, such as a suspension or termination. Notably, newly hired employees retain more limited representation and appeal rights during their probationary period. Additionally, as shown in **Exhibit 13**

above, unrepresented employees were nearly twice as likely to be discharged from the City.

The City's philosophical approach to discipline is informed by the principle of corrective behavior.

In addition to the workforce protections described above, the City's philosophical approach to discipline emphasizes corrective behavior and developing an employee, more so than emphasizing an approach rooted in punitive justice, collective punishment, or deterrence signaling to other employees. According to the City's Dimensions of Discipline manual, "discipline should encourage employees to correct or modify their unsatisfactory behavior, thereby restoring job performance to fully satisfactory levels." As such, the City coaches its managers and supervisors to use the discipline process to motivate poorly-performing or misconduct-prone employees to improve their performance or behavior. This philosophical emphasis may be part of the reason for the low utilization of probation, Supplemental EPRs, and discharges.

Short of overhauling representation/civil service protections or adopting a different philosophical approach, other contributing factors the City may be able to address may involve training.

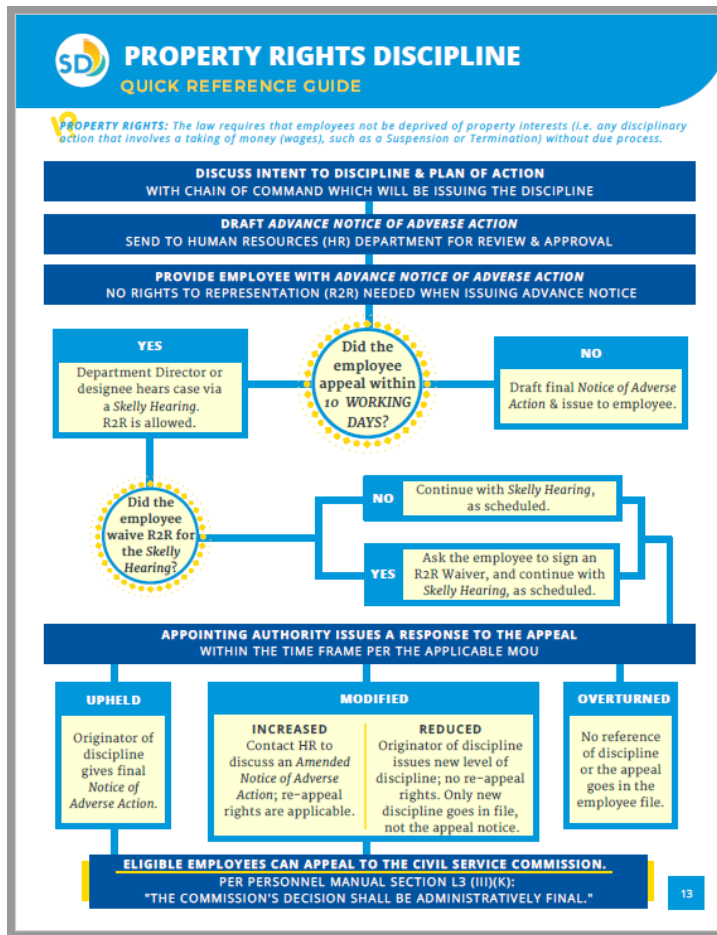
Short of overhauling representation/civil service protections or adopting a different philosophical approach, City supervisors may benefit from additional training on the City's discipline policies and processes.

HR already offers numerous trainings, including the Employee Accountability training, the Rewards & Recognition Program training, the Citywide Supervisors Academy, and the Citywide Management Academy. However, in recent years, many of these courses have had waiting lists or were unavailable to supervisors and managers who were interested. As shown in **Exhibit 14** below, the City's discipline process can be a complex undertaking involving multiple steps, which makes the timing and availability of discipline-related training all the more important, especially for new supervisors.

HR agreed that expanding training opportunities is a priority for the department, and that it hopes to have most of the employee performance courses available in a virtual format by the end of calendar year 2020, with plans to continue to expand on professional development offerings.

Exhibit 14

The City’s Property Rights Discipline Quick Reference Guide provides guidance and an overview of discipline steps necessary for most City positions.



Source: The Human Resources Department’s “Dimensions in Discipline” training.

Personnel also offers a course called Employee Performance Review Training, which covers guidelines for completing Supplemental EPRs for employees with performance-related issues. According to Personnel, 655 employees took the Employee Performance Review Training class from FY16–FY20. For context, the City’s total workforce is approximately 11,800 employees. Given that there is no requirement to take this training, a significant percentage of the City’s supervisory workforce may not have taken these trainings recently. However, it is commendable that the City has these courses in

place, and we recommend that both HR and Personnel continue efforts to expand these training opportunities.

While extenuating circumstances may vary widely, a set of guidelines can help provide a framework for supervisors of what is generally appropriate discipline for different performance and misconduct-related situations.

Outlining potential corrective action options for a wide range of performance or misconduct-related issues could help City supervisors determine what kind of discipline might be appropriate for a particular offense. To help supervisors and managers navigate their options while respecting employee protections, we also recommend that trainings include potential and/or allowable corrective actions for various types of performance and misconduct offenses in the Dimensions of Discipline training and manual. As shown in **Exhibit 15** below, the City of Los Angeles' discipline guidelines include a range of potential corrective action options available to supervisors for different performance issues.

Exhibit 15

The City of Los Angeles' discipline guidelines provide its supervisors and managers several disciplinary options for various performance and misconduct-based offenses.

JOB PERFORMANCE BELOW STANDARD

Standard: Employees must provide a high quality of service to the public and must consistently perform their duties effectively and efficiently.

OFFENSE and SUGGESTED ACTIONS

1. A violation of departmental rules.
FIRST OFFENSE: Oral warning to 5 day suspension.
SECOND OFFENSE: 6 day suspension to discharge.
THIRD OFFENSE: Discharge.
2. Requiring excessive supervision or instruction in performance of duties after completion of training for the position.
FIRST OFFENSE: Oral warning to Written Notice.
SECOND OFFENSE: Written Notice to 5 day suspension.
THIRD OFFENSE: 6 day suspension to discharge.
3. Misusing, or failing to use, delegated authority in the performance of duties.
FIRST OFFENSE: Oral warning to 5 day suspension.
SECOND OFFENSE: 6 day suspension to discharge.
THIRD OFFENSE: Discharge.
4. Personal appearance and hygiene not appropriate for the job in terms of employing department's standards and job safety.
FIRST OFFENSE: Oral warning to Written Notice.
SECOND OFFENSE: Written Notice to 5 day suspension.
THIRD OFFENSE: 6 day suspension to discharge.
5. Failure to perform work assignments adequately or promptly.
FIRST OFFENSE: Oral warning to discharge.
SECOND OFFENSE: 1 day suspension to discharge.
THIRD OFFENSE: Discharge.

Source: City of Los Angeles' Policies of the Personnel Department.

Discipline and accountability are important for fairness, employee morale, and service to the public.

Low usage of disciplinary tools may also be due in part to a high-quality workforce, and as noted in Finding 2, the City does a commendable job overall in recognizing and rewarding high performers. However, the low utilization rates of the controls above, and opportunities for further training requirements, availability, and guidance, raise the possibility

that at least some poor performance issues may go unaddressed.

It is important to have corrective discipline both for accountability and for high-performing employees. Lack of effective or fair discipline can impact morale across the workforce, particularly among employees who aspire to be high performers.

In the City's latest Employee Satisfaction Survey from 2019, only 37 percent of respondents agreed that poor performance is dealt with effectively in their department. And in a supplementary survey we developed, managers across the City identified difficulty disciplining/correcting poor performance as a major challenge that limits the potential of current employees. While we encountered research suggesting that this is a common sentiment in workforces beyond the City of San Diego, it still represents an area of sizable risk for the City. Aside from the direct impacts to the City's workforce, the ultimate impact can be undermining the City's ability to consistently provide high-quality services to the public.

To address some of the issues outlined above, we recommend:

- Recommendation 8** The Human Resources Department, working collaboratively with the Personnel Department, should develop and execute a plan for actions the City can take to better utilize mechanisms, such as probationary periods and Supplemental Employee Performance Reviews (EPRs), if/as appropriate. Strategies considered should include:
- a. Reexamining or reaffirming the City's philosophical approach to discipline issues;
 - b. Trainings for supervisors identifying the tools of probationary periods and Supplemental EPRs and their importance;
 - c. Ensuring quarterly EPRs are completed, especially for probationary employees; and

- d. A particular focus on these or other operationally appropriate efforts among departments that show lower EPR completion rates, especially for probationary employees. (Priority 2)

Recommendation 9 The Human Resources Department (HR) should continue its efforts to expand more general training opportunities pertaining to discipline processes, for example by creating or expanding virtual attendance options.

- a. Priority for registration should be given to supervising employees who have not taken City courses on supervision or discipline.
- b. HR should develop a mechanism to monitor and report compliance with the existing requirement for supervisors to take these courses, such as by requiring departmental appointing authorities to annually report all new supervisors and whether or not they completed such trainings. (Priority 2)

Recommendation 10 The Personnel Department (Personnel) should continue its efforts to expand its Employee Performance Review (EPR) Program training as well as more general training opportunities pertaining to discipline processes, for example by creating or expanding virtual attendance options.

- a. Priority for registration should be given to supervising employees who have not taken City courses on supervision or discipline.
- b. The Chief Operating Officer should implement a requirement that departmental appointing authorities require all new supervisors take the EPR Program course within one year of becoming a supervisor. Personnel should develop a mechanism to monitor and report compliance with this requirement such as by requiring departmental appointing authorities to annually report all new supervisors and whether or not they completed such trainings. (Priority 2)

Recommendation 11 The Human Resources Department, working collaboratively with the Personnel Department, should seek to improve guidance to supervisors for common discipline issues; for example, by including potential corrective options that may be appropriate for various types of performance and misconduct offenses in the Dimensions of Discipline training and manual. (Priority 2)

Conclusion

This is part of a series of audits from our office, initiated in recognition of the importance of the City's approach to workforce management. Within the City of San Diego, personnel expenditures represent about 70 percent of total expenditures from the City's General Fund. Budgeted personnel expenditures for the City's more than 11,800 employees totaled approximately \$1.6 billion in fiscal year 2020.

The objectives guiding our work for this report grew from past risks we identified as part of this series of audits, particularly the Strategic Human Capital Management (SHCM) audit, issued in April 2020.

Employee performance can affect an organization in multiple ways. Particularly in complex, team-based environments, if an organization does not effectively identify and address poor performance or misconduct issues, it may have a demoralizing effect on other employees, as well as ultimate impacts on serving the customer or the public. Additionally, employee appreciation and recognition can help engage employees and drive them to continue commendable performance.

The City, led by the departments of Human Resources and Personnel in particular, should continue strengthening collaborative and strategic efforts across a range of workforce management actions—including monitoring and reporting employee performance review rates; continuing smart usage of tools such as public recognition and employee job promotions; identifying and responding to incentive and discipline trends across the City's workforce; as well as expanding training available to supervisors and managers throughout the City on employee performance management tools available through the Rewards & Recognition Program and the Dimensions in Discipline Program.

As the City's Performance Review Guide states:

"Continuing to support employee development contributes to a workforce where everyone has a part in shaping the City's future and is prepared to fulfill San Diego's many goals for years to come."

Recommendations

- Recommendation 1** The Personnel Department (Personnel) and Human Resources Department (HR) should work collaboratively to report Employee Performance Review (EPR) completion rates for all eligible employees Citywide in the City's Annual Workforce Report.
- a. The report should include some sort of breakout capability, such as results by department, type of EPR (e.g., annual, quarterly, etc.), and classified or unclassified status.
 - b. Personnel and HR should encourage the lowest-utilizing departments in particular—for example, via additional reminders or targeted trainings of supervisors and managers in those departments. (Priority 2)
- Recommendation 2** The Personnel Department and Human Resources Department should continue collaborative efforts to implement an online Employee Performance Review (EPR) management solution to more efficiently facilitate their EPR reminder and completion monitoring capabilities for classified employees—for example, breakout capabilities discussed in Recommendation 1a. (Priority 2)
- Recommendation 3** The Human Resources Department, working collaboratively with the Finance Department, should consider replacing or supplementing the existing cap of 24 discretionary leave (D/L) hours per entry with a maximum cap on annual awards per employee, and should revise Administrative Regulation 95.91 accordingly. (Priority 3)
- Recommendation 4** The Human Resources Department, working collaboratively with the Finance Department, should conduct an annual review of the Rewards & Recognition Program for conformance with the cash and discretionary leave (D/L) caps within Administrative Regulation 95.91 and the extent of program participation.

- This review should be formalized in the form of a process narrative, and included within Administrative Regulation 95.91, or some other way to ensure that it will be performed each year. (Priority 3)

Recommendation 5 The Human Resources Department should develop and implement a plan to increase awareness of Rewards & Recognition Program tools and to encourage additional program participation in the lowest-utilizing departments in particular—for example, via targeted or required trainings of supervisors and managers in those departments. (Priority 2)

Recommendation 6 The Human Resources Department (HR), working as necessary with the Personnel Department, should strengthen its abilities to more strategically monitor aggregate discipline trends and issues within the City workforce—for example, trends over time or patterns across departments or other aspects of the City's workforce. Specifically, HR should develop and implement a process to provide this information periodically, or preferably on-demand, to the City Executive Team, the Risk Oversight Committee, the Civil Service Commission, and City departments' management to better identify and mitigate performance and misconduct-related risks. (Priority 2)

Recommendation 7 The Human Resources Department should incorporate strengthening its tracking and dissemination of performance and discipline-related information into its ongoing effort to outline and document its goals, responsibilities, and the organizational efforts it is undertaking internally to strengthen its emphasis on Strategic Human Capital Management (SHCM) efforts, agreed to as part of our first SHCM audit. See Recommendation #6 from our Performance Audit of the City's Strategic Human Capital Management.¹⁸ This should include analysis to determine if additional staffing resources are needed to successfully execute this plan to strengthen its SHCM capabilities. (Priority 2)

¹⁸ Available at: https://www.sandiego.gov/sites/default/files/20-011_humancapitalmanagement.pdf

Recommendation 8 The Human Resources Department, working collaboratively with the Personnel Department, should develop and execute a plan for actions the City can take to better utilize mechanisms, such as probationary periods and Supplemental Employee Performance Reviews (EPRs), if/as appropriate. Strategies considered should include:

- a. Reexamining or reaffirming the City's philosophical approach to discipline issues;
- b. Trainings for supervisors identifying the tools of probationary periods and Supplemental EPRs and their importance;
- c. Ensuring quarterly EPRs are completed, especially for probationary employees; and
- d. A particular focus on these or other operationally appropriate efforts among departments that show lower EPR completion rates, especially for probationary employees. (Priority 2)

Recommendation 9 The Human Resources Department (HR) should continue its efforts to expand more general training opportunities pertaining to discipline processes, for example by creating or expanding virtual attendance options.

- a. Priority for registration should be given to supervising employees who have not taken City courses on supervision or discipline.
- b. HR should develop a mechanism to monitor and report compliance with the existing requirement for supervisors to take these courses, such as by requiring departmental appointing authorities to annually report all new supervisors and whether or not they completed such trainings. (Priority 2)

Recommendation 10 The Personnel Department (Personnel) should continue its efforts to expand its Employee Performance Review (EPR) Program training as well as more general training opportunities pertaining to discipline processes, for example by creating or expanding virtual attendance options.

- a. Priority for registration should be given to supervising employees who have not taken City courses on supervision or discipline.
- b. The Chief Operating Officer should implement a requirement that departmental appointing authorities require all new supervisors take the EPR Program course within one year of becoming a supervisor. Personnel should develop a mechanism to monitor and report compliance with this requirement such as by requiring departmental appointing authorities to annually report all new supervisors and whether or not they completed such trainings. (Priority 2)

Recommendation 11 The Human Resources Department, working collaboratively with the Personnel Department, should seek to improve guidance to supervisors for common discipline issues; for example, by including potential corrective options that may be appropriate for various types of performance and misconduct offenses in the Dimensions of Discipline training and manual. (Priority 2)

Appendix A: Definition of Audit Recommendation Priorities

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below. While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration’s responsibility to establish a target date to implement each recommendation, taking into consideration its priority. The City Auditor requests that target dates be included in the Administration’s official response to the audit findings and recommendations.

Priority Class ¹⁹	Description
1	Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified.
2	The potential for incurring significant fiscal and/or equivalent non-fiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists.
3	Operation or administrative process will be improved.

¹⁹The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation that clearly fits the description for more than one priority class shall be assigned the higher priority.

Appendix B: Audit Objectives, Scope, and Methodology

This is part of a series of audits from our office, initiated in recognition of the importance of the City's approach to workforce management. In accordance with the Office of the City Auditor's Fiscal Year 2019 Audit Work Plan, we conducted a performance audit of the City's Strategic Human Capital Management, the first part of which was published in April 2020.²⁰

Due to the volume of information discussed in that report, we set aside our objectives guiding this report at that time.

We subsequently re-initiated this part of the audit in order to evaluate the extent of and several internal controls around efforts to monitor and address employee performance issues. Specifically, our objectives for this audit were to:

- Assess the overall extent and controls over the City's Employee Performance Review (EPR) Program, disciplinary efforts, and the possibility for reforms to the disciplinary process; and
- Assess the overall extent and controls over the City's Rewards & Recognition (R&R) Program, and whether the program is right-sized or appropriate for all City departments.

Scope Our scope period generally included the period from FY16–FY20 for most of the information in the report. However, it varied depending on the availability of information. As an example, we used data provided by the Personnel Department (Personnel) regarding EPRs for classified employees during the FY16–FY20 period; but due to limitations in information provided by the Human Resources Department (HR), the EPR

²⁰ Strategic Human Capital Management, April 2020. Available at: https://www.sandiego.gov/sites/default/files/20-011_humancapitalmanagement.pdf

rate for unclassified employees was limited to FY19. Citywide workforce data was exported from SAP as of January 1st of each year from 2011–2019. The Personnel Department provided us with separations data, which spanned the years FY16 through FY20. Additionally, the Department of Finance provided us Rewards & Recognition Program award recipient data for FY16–FY20, but most of our analyses used FY17–FY20 data as the program was implemented halfway through FY16 and therefore had lower participation rates and award amounts than subsequent years.

Methodology

We reviewed City trainings and resources related to employee performance, such as the City’s Personnel manual, Dimensions in Discipline manual, and training materials.

We reviewed employee performance review data and information provided by Personnel and HR and conducted interviews with HR, Personnel, the Department of Finance (Finance), and City Executive leadership. We analyzed workforce data based on size, probationary failure, and discharges; examined results from the Citywide Employee Satisfaction Survey from 2019; and surveyed hundreds of supervisors, managers, and executives in departments Citywide on a variety of issues as part of our Citywide Human Capital Fact Book in 2018. This Citywide Management Survey included 670 recipients, 431 of whom provided responses.

We reviewed best practices in literature and research related to Strategic Human Capital Management, such as Human Capital: Tools and Strategies for the Public Sector; the Society for Human Resource Management; and Gallup Workplace. We also compared discharge rates within the City of San Diego’s workforce to state and local government data compiled by the U.S. Bureau of Labor Statistics.

Data Reliability and Internal Controls

We considered the significance of data reliability and internal controls to our audit objectives. Due to the large number of different datasets in our analysis, we used a risk-based approach to conduct data reliability testing on key pieces of data and internal controls relevant to the audit objectives described in the report.

Specifically, for example, we requested data on discipline cases from both HR and Personnel, and compared the results. We found different numbers of cases listed in the datasets, and interviewed HR and Personnel regarding the differences. This testing led to key elements of much of Finding 3.

We also selected a judgmentally-sized sample of 50 employees who separated from the City and requested the physical supporting documentation for each of those employees. We found no material issues with the separations data. We also interviewed Personnel regarding internal controls to ensure the City was capturing documentation for all separating employees. Personnel listed several internal controls, including requiring supervisors to submit separation documentation and linking the provision of separation documentation with releasing last paychecks for separating employees.

We note, however, that it was not feasible to conduct thorough source data testing on every dataset. For example, we reviewed data from Personnel on the EPRs for classified employees. We followed up with a selection of departments to confirm that EPRs not listed in Personnel's dataset were instead on file with the department. The departments were able to provide a fraction of the missing EPRs, and thus the true number of employees receiving EPRs is likely somewhat higher. We note that this was a judgmental sample and cannot be extrapolated statistically to rest of the City. However, the departments were not able to produce most of the missing EPRs, and our material conclusions remain that there appears to be wide variability in compliance across the City. We also selected a judgmentally-sized sample of 60 EPRs provided by Personnel. We reviewed the physical files, verifying the presence of signatures, the relevance and thoroughness of supervisor comments, and other elements.

For Rewards & Recognition, we used data provided by Finance, and asked departments to confirm that listed awards of more than 80 hours of discretionary leave (D/L) or more than \$1,300 in cash were intentional and appropriate and were awarded to the correct employee; we also asked departments to provide

the supporting documentation for these awards. We also supplemented this sample of high-earning awardees with 27 randomly-selected employees who received any amount of D/L from FY16–FY20. Overall, we asked departments to provide corroboration and documentation for 140 awards recipients across 25 City departments. City departments generally corroborated the total number of D/L and cash award amounts, and were able to provide most of the accompanying supporting documentation.²¹ We found that the overall internal controls for the program appear to be functioning well, although additional automation would help prevent errors in award amounts and ensure that all required documentation is maintained.

Throughout the report, we included attribution to data sources where relevant. Additionally, prior to publication and presentation, we provided an outline of our report to HR, Personnel, Finance, and City Executive leadership and encouraged their feedback regarding material issues related to findings, conclusions, and recommendations as we were outlining and writing. We also shared a draft version of this report with HR, Personnel, Finance, and the City's Executive Management and incorporated elements of their suggestions and feedback as appropriate. We note that this audit was conducted during the coronavirus pandemic of 2020, which came with considerable operational disruption.

Compliance Statement

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

²¹ Given our audit objectives, our review was primarily intended to alert departments to potential issues with award amounts and conduct limited testing regarding documentation support and controls; not to provide assurance about the extent of discrepancies Citywide. Working with responding departments to a judgmentally-sized sample of 109 high-earning awardees and random sample of 27 awardees of any amount, our review did identify 3 instances of duplicate entries for D/L awards. These instances involved a total of approximately 80 hours. We did not identify any instances of duplicate or inappropriate cash awards.

provides a reasonable basis for our findings and conclusions based on our audit objectives.



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: November 25, 2020

TO: Andy Hanau, City Auditor

FROM: Julie Rasco, Director, Human Resources Department

SUBJECT: Management's Response to the Performance Audit of Strategic Human Capital Management Part II – Employee Performance Management

The purpose of this memorandum is to provide a response to the City Auditor's Performance Audit (Report) of Strategic Human Capital Management Part II – Employee Performance Management (EPM).

The Report contains helpful recommendations that will benefit the City of San Diego (City) in ensuring city employees receive timely and accurate performance reviews, as well as, strengthen the utilization of employee incentive programs and accountability tools. City management agrees with the recommendations provided in the Report and will work cooperatively with different stakeholders to ensure timely implementation of the recommendations.

RECOMMENDATION #1: The Personnel Department (Personnel) and Human Resources Department (HR) should work collaboratively to report Employee Performance Review (EPR) completion rates for all eligible employees Citywide in the City's Annual Workforce Report.

- a. The report should include some sort of breakout capability, such as results by department, type of EPR (e.g., annual, quarterly, etc.), and classified or unclassified status.
- b. Personnel and HR should encourage the lowest-utilizing departments in particular - for example, via additional reminders or targeted trainings of supervisors and managers in those departments.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

HR will continue to work with City departments to ensure completion of unclassified employee performance reviews and include completion rates in the City's Annual Workforce Report.

HR will work with Personnel to support the completion of classified employee performance reviews and include completion rates in the City's Annual Workforce Report.

TARGET IMPLEMENTATION DATE: December 2021

RECOMMENDATION #2: The Personnel Department and Human Resources Department should continue collaborative efforts to implement an online Employee Performance Review (EPR) management solution to more efficiently facilitate their EPR reminder and completion monitoring capabilities for classified employees – for example breakout capabilities discussed in Recommendation 1a.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

HR will assist Personnel in their efforts to implement an online EPR management solution for classified employees.

TARGET IMPLEMENTATION DATE: July 2021

RECOMMENDATION #3: The Human Resources Department, working collaboratively with the Finance Department, should consider replacing or supplementing the existing cap of 24 discretionary leave (D/L) hours per entry with a maximum cap on annual awards per employee, and should revise Administrative Regulation 95.91 accordingly.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

HR, working with City Management and the Department of Finance, will evaluate cap levels for D/L hours and revise Administrative Regulation 95.91 accordingly if necessary.

TARGET IMPLEMENTATION DATE: July 2021

RECOMMENDATION #4: The Human Resources Department, working collaboratively with the Finance Department, should conduct an annual review of the Rewards and Recognition Program for conformance with the cash and discretionary leave (D/L) caps within Administrative Regulation 95.91 and the extent of program participation.

- This review should be formalized in the form of a process narrative, and included within Administrative Regulation 95.91, or some other way to ensure that it will be performed each year.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

HR will work with the Department of Finance to conduct an annual review of the Rewards and Recognition Program to ensure compliance with cash and D/L caps. HR will update Administrative Regulation 95.91 to formalize the review process.

TARGET IMPLEMENTATION DATE: July 2021

RECOMMENDATION #5: The Human Resources Department should develop and implement a plan to increase awareness of Rewards and Recognition Program tools and to encourage additional program participation in the lowest-utilizing departments in particular—for example, via targeted or required trainings of supervisors and managers in those departments.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

HR will develop a plan to promote the City's Rewards and Recognition Program that includes a targeted marketing campaign and enhance current Rewards and Recognition trainings for supervisors, managers, and staff.

TARGET IMPLEMENTATION DATE: December 2021

RECOMMENDATION #6: The Human Resources Department (HR), working as necessary with the Personnel Department, should strengthen its abilities to more strategically monitor aggregate discipline trends and issues within the City workforce—for example, trends over time or patterns across departments or other aspects of the City's workforce. Specifically, HR should develop and implement a process to provide this information periodically, or preferably on-demand, to the City Executive Team, the Risk Oversight Committee, the Civil Service Commission, and City departments' management to better identify and mitigate performance and misconduct-related risks.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

HR will continue to improve its discipline trend analysis and reporting capabilities. Working with the City's Risk Oversight Committee, HR will identify potential trends and assist departments in developing action plans to mitigate risks.

TARGET IMPLEMENTATION DATE: December 2021

RECOMMENDATION #7: The Human Resources Department should incorporate strengthening its tracking and dissemination of performance and discipline-related information into its ongoing effort to outline and document its goals, responsibilities, and the organizational efforts it is undertaking internally to strengthen its emphasis on Strategic Human Capital Management (SHCM) efforts, agreed to as part of our first SHCM audit. See Recommendation #6 from our Performance Audit of the City's Strategic Human Capital Management.¹⁴ This should include analysis to determine if additional staffing resources are needed to successfully execute this plan to strengthen its SHCM capabilities.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

In the Human Resource Department's September 11, 2020 Memorandum to City Council, HR outlined three strategic goals that will assist the department in its efforts to strengthen their SHCM efforts. HR will include the tracking and dissemination of performance and discipline related information as a component of its Data Informed Strategic Direction Goals outlined in the Memorandum. In an effort to meet the data analysis and reporting recommendations outlined in parts I and II of the Performance Audit of Strategic Human Capital Management, HR will include a request during the FY22 Budget cycle for funding to support the creation of a HR Data and Innovation Manager to assist the department in its Strategic Human Capital Management efforts.

TARGET IMPLEMENTATION DATE: July 2021

RECOMMENDATION #8: The Human Resources Department, working collaboratively with the Personnel Department, should develop and execute an action plan for things the City may be able

to do to better utilize mechanisms, such as probationary periods and Supplemental Employee Performance Reviews (EPRs), if/as appropriate. Strategies considered should include:

- a. Reexamining or reaffirming the City's philosophical approach to discipline issues;
- b. Trainings for supervisors identifying the tools of probationary periods and Supplemental EPRs and their importance;
- c. Ensuring quarterly EPRs are completed, especially for probationary employees; and
- d. A particular focus on these or other operationally appropriate efforts among departments that show lower EPR completion rates, especially for probationary employees.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

HR will work with Personnel to develop and execute an action plan examining mechanisms available to improve utilization of probationary periods and Supplemental Employee Performance Reviews. The action plan will include tracking and notification efforts to ensure timely completion of EPRs, and incorporate information on probationary periods and Supplemental EPRs into supervisory training.

TARGET IMPLEMENTATION DATE: July 2022. Timeframe is driven in part by Meet and Confer Obligations with Recognized Employee Organizations.

RECOMMENDATION #9: The Human Resources Department (HR) should continue its efforts to expand more general training opportunities pertaining to discipline processes, for example by creating or expanding virtual attendance options.

- a. Priority for registration should be given to supervising employees who have not taken City courses on supervision or discipline.
- b. HR should develop a mechanism to monitor and report compliance with the existing requirement for supervisors to take these courses, such as by requiring departmental appointing authorities to annually report all new supervisors and whether or not they completed such trainings.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

HR currently provides priority registration to supervisors for courses related to supervision and employee accountability (discipline). HR will work with the Department of Information Technology to automatically assign new supervisors, as well as those who have not previously completed supervisory courses, those courses related to supervision and employee accountability. HR will provide departmental appointing authorities annual completion reports.

TARGET IMPLEMENTATION DATE: December 2021

RECOMMENDATION #10: The Personnel Department (Personnel) should continue its efforts to expand its Employee Performance Review (EPR) Program training as well as more general

training opportunities pertaining to discipline processes, for example by creating or expanding virtual attendance options.

- a. Priority for registration should be given to supervising employees who have not taken City courses on supervision or discipline.
- b. The Chief Operating Officer should implement a requirement that departmental appointing authorities require all new supervisors take the EPR Program course within one year of becoming a supervisor. Personnel should develop a mechanism to monitor and report compliance with this requirement such as by requiring departmental appointing authorities to annually report all new supervisors and whether or not they completed such trainings.

MANAGEMENT RESPONSE: The Personnel Department will respond to this recommendation.

TARGET IMPLEMENTATION DATE: N/A

RECOMMENDATION #11: The Human Resources Department, working collaboratively with the Personnel Department, should seek to improve guidance to supervisors for common discipline issues; for example, by including potential corrective options that may be appropriate for various types of performance and misconduct offenses in the Dimensions of Discipline training and manual.

MANAGEMENT RESPONSE: Management agrees with the recommendation.

HR will work with Personnel to include potential corrective options that may be appropriate for various types of performance and misconduct offenses in the Dimensions of Discipline training and manual.

TARGET IMPLEMENTATION DATE: December 2021

Sincerely,



Julie Rasco
Director, Human Resources Department

cc: Aimee Faucett, Chief of Staff/Interim Chief Operating Officer
Jeff Sturak, Assistant Chief Operating Officer, Operations
Almis Udry, Assistant Chief Operating Officer, Policy
Rolando Charvel, Chief Financial Officer
Jessica Lawrence, Director of Policy and Council Affairs, Office of the Mayor
Douglas Edwards, Personnel Director
Matthew Vespi, Department of Finance Director and Comptroller
Matthew Helm, Chief Compliance Officer




THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: November 25, 2020

TO: Andy Hanau, City Auditor

FROM: Douglas Edwards, Personnel Director 

SUBJECT: Management Response to the Performance Audit of the City's Strategic Human Capital Management Part II: Employee Performance Management

The Personnel Department has reviewed the City Auditor's findings and recommendations in the Strategic Human Capital Management Part II: Employee Performance Management audit report. We appreciate you and your staff continuing to address and analyze the City's Strategic Human Capital Management. Performance evaluations, rewards, recognition, and discipline are important components of maintaining standards of efficiency. The Personnel Department manages the Classified employee performance evaluation review process and may also provide guidance to managers and supervisors regarding employee rewards, recognition, and discipline.

The role of the Personnel Department in maintaining standards of efficiency is codified in City Charter Section 127 and Civil Service Rule XII. Personnel Department staff review requests for Classified employee exceptional merit increases, salary upon appointments, probationary period extensions and waivers, and provide advice on issues related to performance evaluations and discipline. In the event of an appeal, Personnel Department staff provide support to the Civil Service Commission at hearings.

Department Directors are expected to oversee the timely issuance of Classified performance evaluations within their departments in accordance with Personnel Manual Index Codes G-7 and G-7A. The Personnel Department sends electronic notices to departments six weeks in advance of a Classified performance evaluation being due. If a Classified performance evaluation is not received by the Personnel Department in a timely manner, then notices are sent biweekly for up to a year to remind departments of past due Classified performance evaluations. In Calendar Year 2019, the Personnel Department received over 10,000 completed Classified performance evaluations.

Personnel Department staff work hard each day to accomplish our mission to provide excellence in personnel service. While many improvements have been made to the Classified employee performance evaluation review process, more can certainly be done to ensure that every employee receives their performance evaluation in a timely manner and that all supervisors understand how to conduct this critical function. High performing employees should be recognized and rewarded. Conversely, when employees are not meeting performance standards, they should be developed and trained to achieve success. If an employee cannot bring their performance up to an acceptable level, then the employee should be disciplined accordingly. Fortunately, there are policies and rules in place to achieve these functions.

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Strategic Human Capital Management Part II: Employee Performance Management

November 25, 2020

The Personnel Department is committed to continuous process improvements. We have already implemented, or plan to implement, many of the recommendations made in this audit report.

Our response to each of the 11 audit recommendations is documented below:

Recommendation #1:

The Personnel Department (Personnel) and Human Resources Department (HR) should work collaboratively to report Employee Performance Review (EPR) completion rates for all eligible employees Citywide in the City's Annual Workforce Report.

- a. The report should include some sort of breakout capability, such as results by department, type of EPR (e.g., annual, quarterly, etc.), and classified or unclassified status.
- b. Personnel and HR should encourage the lowest-utilizing departments in particular - for example, via additional reminders or targeted trainings of supervisors and managers in those departments. (Priority 2)

Management Response: Agree.

The Personnel Department will work with the Human Resources Department and other appropriate departments to present an annual workforce report to the City Council. The contents of the report shall be determined collaboratively with these departments. The Personnel Department will focus additional efforts on encouraging departments to complete timely Classified performance evaluations.

The Personnel Department will submit a request for funding for an additional position to support its commitment to continuous process improvements, especially in the field of data analytics.

Target Implementation Date: By December 2021.

Recommendation #2:

The Personnel Department and Human Resources Department should continue collaborative efforts to implement an online Employee Performance Review (EPR) management solution to more efficiently facilitate their EPR reminder and completion monitoring capabilities for classified employees - for example, breakout capabilities discussed in Recommendation 1a. (Priority 2)

Management Response: Agree.

The Personnel Department is currently collaborating with the Department of Information Technology and Human Resources Department to automate the Classified employee performance evaluation review process. The proposed online workflow process will utilize the Success Factors Performance Management Solution in the City's SAP system. The online workflow process is intended to enhance the current method of presenting employee performance reviews to Classified employees (except for employees represented by San Diego City Firefighters, I.A.F.F., Local 145) by facilitating the timely presentation and processing of performance evaluations.

Target Implementation Date: By July 2021.

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Strategic Human Capital Management Part II: Employee Performance Management

November 25, 2020

Recommendation #3:

The Human Resources Department, working collaboratively with the Finance Department, should consider replacing or supplementing the existing cap of 24 discretionary leave (D/L) hours per entry with a maximum cap on annual awards per employee, and should revise Administrative Regulation 95.91 accordingly. (Priority 3)

Management Response: The Human Resources Department will respond to this recommendation.

Recommendation #4:

The Human Resources Department, working collaboratively with the Finance Department, should conduct an annual review of the Rewards and Recognition Program for conformance with the cash and discretionary leave (D/L) caps within Administrative Regulation 95.91 and the extent of program participation.

- This review should be formalized in the form of a process narrative, and included within Administrative Regulation 95.91, or some other way to ensure that it will be performed each year. (Priority 3)

Management Response: The Human Resources Department will respond to this recommendation.

Recommendation #5:

The Human Resources Department should develop and implement a plan to increase awareness of Rewards and Recognition Program tools and to encourage additional program participation in the lowest-utilizing departments in particular—for example, via targeted or required trainings of supervisors and managers in those departments. (Priority 2)

Management Response: The Human Resources Department will respond to this recommendation.

Recommendation #6:

The Human Resources Department (HR), working as necessary with the Personnel Department, should strengthen its abilities to more strategically monitor aggregate discipline trends and issues within the City workforce—for example, trends over time or patterns across departments or other aspects of the City's workforce. Specifically, HR should develop and implement a process to provide this information periodically, or preferably on-demand, to the City Executive Team, the Risk Oversight Committee, the Civil Service Commission, and City departments' management to better identify and mitigate performance and misconduct-related risks. (Priority 2)

Management Response: Agree.

The Personnel Department will work collaboratively with the Human Resources Department and other appropriate departments to monitor aggregate discipline trends. As necessary, the Personnel Department will provide this data to the Civil Service Commission.

Target Implementation Date: By December 2021.

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Strategic Human Capital Management Part II: Employee Performance Management

November 25, 2020

Recommendation #7:

The Human Resources Department should incorporate strengthening its tracking and dissemination of performance and discipline-related information into its ongoing effort to outline and document its goals, responsibilities, and the organizational efforts it is undertaking internally to strengthen its emphasis on Strategic Human Capital Management (SHCM) efforts, agreed to as part of our first SHCM audit. See Recommendation #6 from our Performance Audit of the City's Strategic Human Capital Management. This should include analysis to determine if additional staffing resources are needed to successfully execute this plan to strengthen its SHCM capabilities. (Priority 2)

Management Response: The Human Resources Department will respond to this recommendation.

Recommendation #8:

The Human Resources Department, working collaboratively with the Personnel Department, should develop and execute an action plan for things the City may be able to do to better utilize mechanisms, such as probationary periods and Supplemental Employee Performance Reviews (EPRs), if/as appropriate. Strategies considered should include:

- a. Reexamining or reaffirming the City's philosophical approach to discipline issues;
- b. Trainings for supervisors identifying the tools of probationary periods and Supplemental EPRs and their importance;
- c. Ensuring quarterly EPRs are completed, especially for probationary employees; and
- d. A particular focus on these or other operationally appropriate efforts among departments that show lower EPR completion rates, especially for probationary employees. (Priority 2)

Management Response: Agree.

Personnel Department staff train supervisors at our Employee Performance Review Program (EPRP) classes. Instructors teach supervisors how to present evaluations to employees that meet performance standards. In addition, supervisors are taught how to present Supplemental Performance Reports to employees who do not meet performance standards. The curriculum also focuses on probationary periods in accordance with Personnel Manual Index Code G-2. As a result of COVID-19, all EPRP classes are now taught online. The Personnel Department will work collaboratively with the Human Resources Department and other appropriate departments to encourage the timely completion of Classified performance evaluations.

Target Implementation Date:

Trainings related to Supplemental Performance Reports and probationary periods have already been implemented. Additional efforts to encourage departments to complete timely performance evaluations will be developed as part of the online Classified Employee Performance Review workflow process which is scheduled to be implemented by July 2021.

Recommendation #9:

The Human Resources Department (HR) should continue its efforts to expand more general training opportunities pertaining to discipline processes, for example by creating or expanding virtual attendance options.

- a. Priority for registration should be given to supervising employees who have not taken City courses on supervision or discipline.

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Strategic Human Capital Management Part II: Employee Performance Management

November 25, 2020

- b. HR should develop a mechanism to monitor and report compliance with the existing requirement for supervisors to take these courses, such as by requiring departmental appointing authorities to annually report all new supervisors and whether or not they completed such trainings. (Priority 2)

Management Response: The Human Resources Department will respond to this recommendation.

Recommendation #10:

The Personnel Department (Personnel) should continue its efforts to expand its Employee Performance Review (EPR) Program training as well as more general training opportunities pertaining to discipline processes, for example by creating or expanding virtual attendance options.

- a. Priority for registration should be given to supervising employees who have not taken City courses on supervision or discipline.
- b. The Chief Operating Officer should implement a requirement that departmental appointing authorities require all new supervisors take the EPR Program course within one year of becoming a supervisor. Personnel should develop a mechanism to monitor and report compliance with this requirement such as by requiring departmental appointing authorities to annually report all new supervisors and whether or not they completed such trainings. (Priority 2)

Management Response: Agree.

As noted above, our EPRP classes are now taught online. We can accommodate all supervisors within their first year on the job. The Personnel Department will work with the Department of Information Technology to develop a mechanism to monitor the completion of EPRP training by new supervisory employees.

Target Implementation Date: By December 2021.

Recommendation #11:

The Human Resources Department, working collaboratively with the Personnel Department, should seek to improve guidance to supervisors for common discipline issues; for example, by including potential corrective options that may be appropriate for various types of performance and misconduct offenses in the Dimensions of Discipline training and manual. (Priority 2)

Management Response: Agree.

The Personnel Department will continue to work collaboratively with the Human Resources Department and other appropriate departments to provide guidance to supervisors for common discipline issues in accordance with Civil Service Rule XI and Personnel Manual Index Code L-2. The Personnel Department is committed to continuous process improvements. As such, we will review additional ways to assist supervisors with disciplinary issues.

Target Implementation Date: By December 2021.