



THE CITY OF SAN DIEGO

DATE: August 4, 2016

TO: Halla Razak, Public Utilities Department Director
Hadi Dehghani, Personnel Director

FROM: Eduardo Luna, CIA, CGFM, City Auditor
Office of the City Auditor

SUBJECT: Fraud Hotline Investigation of Abuse in the Public Utilities Department's
Selection Phase of the Hiring Process

Summary of Investigative Results

The Office of the City Auditor received an anonymous Fraud Hotline report alleging that the Public Utilities Department's (PUD) staff was manipulating the selection phase of the hiring process to create an unfair advantage for friends and family-members of City employees. We identified a risk that the City's job applicant selection process was being abused, resulting in a system that unfairly favored individuals with influence and connections. According to the Personnel Department, the aim of the selection procedures is "to ensure that all interviews and selections are conducted in a fair, practical, and professional manner that allows equal opportunity to all applicants."

We reviewed the interview processes for Laborers in the PUD Water Construction and Maintenance Division. Our results related to five interview processes that took place between December of 2012 and July of 2015.

We found that PUD should not have hired 41 out of the 120 applicants who were hired (34 percent), because staff did not use the approved applicant screening criteria. The Department's Appointing Authorities personally approved the screening criteria, but did not ensure that the staff actually used it. Friends and family-members of City staff were allegedly selected to be hired to the detriment of public job applicants. Although we did not confirm the relationships, our investigation found sufficient evidence to support the allegation of abuse in the applicant selection phase of the hiring process.



Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Background

The City's Personnel Manual, Administrative Regulations, and Ordinances govern the hiring process for classified (non-salaried) employees. Additionally, Departments that participate in hiring must be aware of numerous State and Federal laws¹ that apply to the process. The Personnel Department provides training, detailed instructions, and standardized forms related to the hiring process. For example, the selection criteria, interview panel composition, and candidate selection criteria are all documented using forms created by the Personnel Department. Each Department's Appointing Authority and the chair of all interview boards are required to attend an interview training class, sponsored by the Personnel Department, every five years. For the purposes of the hiring process, an Appointing Authority generally refers to a Department's Deputy Director, Assistant Deputy Director, Program Manager, or other senior manager designated by the Department Director.

According to guidelines provided by the Personnel Department, the Appointing Authority is responsible for the proper administration of the applicant selection phase of the hiring process. Specifically, Personnel Manual Index Code F-1 (II) states:

Each Appointing Authority is responsible for conducting job-related interviews and making selections in a nondiscriminatory manner, and may be held personally responsible for any violations of equal employment laws. The practices that constitute employment discrimination are broadly defined and discrimination does not have to be intentional or blatant for charges to be upheld. In fact, the employer will most often bear the burden of proving that hiring practices used are not discriminatory.

¹ According to Personnel Manual Index Code F-1, some examples of the legal requirements related to hiring include the "Federal Equal Opportunity Act of 1972 prohibits discrimination in employment on the basis of race, color, religion, sex, or national origin. The Federal Age Discrimination in Employment Act prohibits age discrimination against applicants over forty years old. The Federal Americans with Disabilities Act prohibits discrimination on the basis of disability, including AIDS/HIV. The California Fair Employment and Housing Act prohibits discrimination on the basis of race, color, ancestry, religious creed, national origin, sex, pregnancy, age, physical handicap, medical condition (history of cancer), sexual orientation, or marital status. The penalties for violating these State and Federal laws are severe, including back pay awards, wage adjustments, withdrawal of Federal funds from City programs, and other financial penalties. In addition, many of these prohibitions are also contained in City ordinances, such as the Human Dignity ordinance."

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

There may be significant consequences if Department personnel fail to follow the City's policies and procedures related to hiring, according to the City Charter. A Charter Section² states that it is a misdemeanor when any person, acting either alone or with others, "willfully or through culpable negligence violates any of the Civil Service provisions of the Charter, or any of the rules made in pursuance thereof..." Also, a separate Charter Section³ addresses fraud in connection with Civil Service rules. Another Charter Section⁴ empowers the Personnel Director to receive misconduct complaints and for the Civil Service Commission to investigate the allegations.

Laborer Hiring Process Overview

The hiring process for Laborers in the PUD Water Construction and Maintenance Division involves several steps. First, the Division identifies the Laborer position vacancy or vacancies. Next, PUD requests a certification list from the Personnel Department. The certification list contains the identifying information provided by Laborer job applicants. The applicant selection phase of the hiring process takes place at the Department level. The PUD Appointing Authority personally approves the applicant screening criteria that the staff will use to select candidates from the certification list. Staff are required to use the approved applicant screening criteria to invite selected job applicants to submit additional information for further review. In response to the PUD invitation, selected Laborer applicants send in additional materials, such as a driver's record, resume, and Laborer interest forms. PUD staff reviews and screens the additional documents and invites qualifying candidates to an interview. The Appointing Authority identifies and approves of an interview panel, consisting of a panel chairperson and two additional panel-members. The interview panel conducts interviews and rates the candidates based on established factors. Once the interview panel has completed the interview process and determined the final ranking of candidates (as Highly Qualified,

² See City Charter, Article VIII, Section 136, titled "Violations and Penalties."

³ City Charter Section 133, titled "Fraud on Civil Service Provisions," states "No person shall... in any manner commit or attempt to commit any fraud in connection with...Civil Service rules."

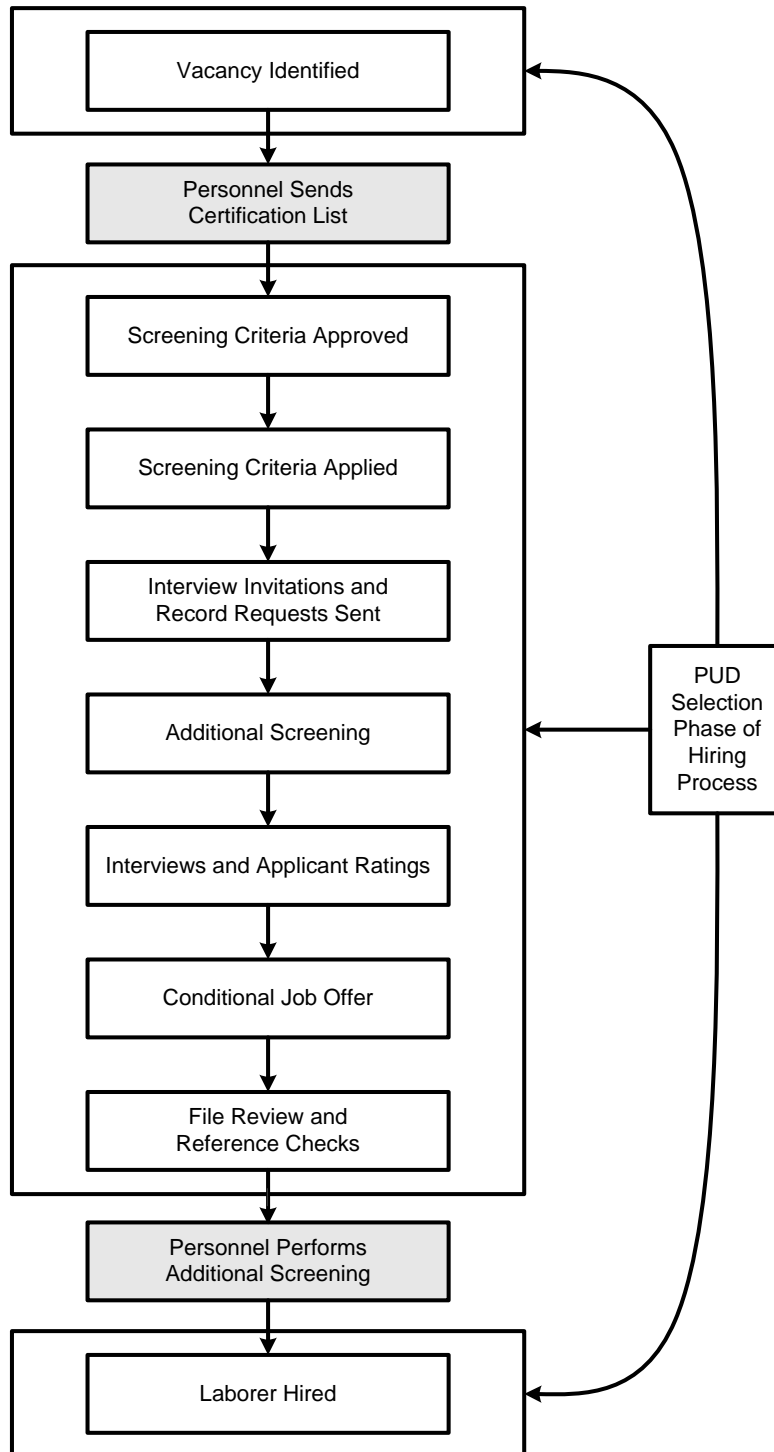
⁴ City Charter Section 128, titled "Investigations," states "Written charges of misconduct or inefficiency against any officer or employee in the classified service may be filed with the Personnel Director by any person. The Commission shall investigate any such charges, or cause them to be investigated, and report the findings of the investigation to the authority responsible for the appointment of the officer or employee against whom the charges have been made."

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Qualified, or Minimally Qualified), the Appointing Authority approves the interview results. Finally, PUD extends a conditional job offer to eligible candidates after the Appointing Authority reviews and approves the applicant selection documentation and checks references. Once the PUD applicant selection phase is complete, the City officially hires the candidates after the Personnel Department verifies that the medical, background, and other requirements are satisfied. A summary of the general steps in the hiring process appears in **Figure 1**, below.

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Figure 1
Overview of Hiring Process for Laborers



Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Applicant Screening Criteria

The certification lists for Laborer positions in the PUD Water Construction and Maintenance Division typically include an "Open" category that includes applicants from the public and existing City employees who apply for the position. The "Open" certification lists for Laborer positions may include over 1,000 candidate names. For instance, three of the certification lists reviewed contained 1,104, 1,052, and 1,049 applicants on the "Open" certification list. The certification lists may also include a category of existing City employees who have requested a transfer to a different Department or job assignment.

One of the first steps in the hiring process is when Departments use selection criteria to determine which candidates from the certification list to invite for an interview opportunity. According to the Personnel Manual⁵ regulations, the PUD Appointing Authority is personally responsible for reviewing the screening criteria to be applied to the certification lists and to approve each stage of the selection process. The Department uses the "Applicant Screening Criteria" form to document the criteria. The criteria typically involve a systematic selection method, such as every fifth name from the list of applicants.

The training material related to the interview and selection process for Departments, prepared by the Personnel Department, notes "While allowable, procedures such as using random numbers or choosing every fifth name are not as desirable as using job related criteria" when selecting "a reasonable number of candidates to interview from a large list." The guidance also notes, "...it would be best to establish selection criteria based upon job duties and Knowledge, Skills and Abilities (KSA's) which narrowly focus on the position in question. It is suggested that a review be made of candidates' application materials."

⁵ Personnel Manual Index Code F-1, titled "Appointing Authority Interviews and Selections" states (at section II(A)), "It is the policy of the Civil Service Commission to ensure that all interviews and selections are conducted in a fair, practical, and professional manner that allows equal opportunity to all applicants." Specifically, section (II)(H)(2) requires the Appointing Authority to personally "Review and approve the screening criteria to be used at each stage of the process."

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Applicant Screening Risks

Failing to confirm that the applicant selection panel applied the criteria could compromise the City's ability to defend against alleged violations of City regulations and State and Federal employment laws. Although the Appointing Authority is required to review and approve the screening criteria to be used, it is equally important to ensure that the approved criteria is accurately and consistently applied to the selection of candidates who will be invited to an interview. Otherwise, the Appointing Authority would have no assurance that the interview panel actually used a fair selection method that provided an equal opportunity to all applicants. Furthermore, each Appointing Authority personally certifies that the interview panel used a fair selection process.

An additional risk of noncompliance with the stated criteria for applicant screening is that interview panel members abuse the selection process. Without adequate oversight and monitoring, interview panel members may decide to invite candidates from the certification list for interviews based on personal friendships, family relationships, business connections, or other unfair process. The City's Code of Ethics and Conduct⁶ requires City employees to place the public's interests above their individual interests. Similarly, a City Administrative Regulation⁷ prohibits management from hiring family members or business associates.

One means of verifying that the stated criteria for applicant screening was accurately and consistently applied would be to record and preserve the final list of applicants who were sent an invitation letter and interest form (when applicable). According to interviews with PUD staff, a Department clerk generally generates and mails the invitation letters and interest forms based on the list provided by the chair of the interview panel. While there

⁶ Personnel Manual Index Code G-1 (II)(F), states, "Every City employee is expected to uphold the public interest as opposed to personal or group interests."

⁷ Administrative Regulation 95.60, titled "Conflict of Interest and Employee Conduct," states the following (at section 3.13): Supervisory or management employees shall not participate in the appointment or recommend the appointment of any member of their immediate family, or any other person with whom the employee has a close personal or private business relationship, to a classified position of any department, office, bureau or division over which they have administrative control... For purposes of this section, the term "immediate family" shall mean spouse, significant other, son, daughter, mother, father, brother, brother-in-law, sister, sister-in-law, mother-in-law, father-in-law, aunt, uncle, niece, nephew, step-parent, step-child.

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

is a City policy⁸ that states, "In order to document fair employment procedures, complete records of all facts surrounding selection decisions must be made and retained for three years," it does not specifically require that the list of candidates who were invited to participate in an interview be preserved as part of the applicant selection documentation.

Hiring Process Documentation

The Personnel Manual⁹ requires Departments to communicate the results of the selection process related to each certification to the Personnel Department. Possible results of the selection process include that the candidate was:

- Selected for hire;
- Interviewed but not selected;
- Notified of the position but not selected for an interview;
- Not contacted; or
- Other results (such as the candidate failing to appear for a scheduled interview).

The Department's Appointing Authority is required to sign the form indicating the official results of the applicant selection phase of the hiring process, return it to the Personnel Department, and retain a copy in the Department's files¹⁰.

In the past few years, the City has used its financial and human resources system, SAP, and the separate recruitment system NEOGOV to manage the hiring process. Although the City handles some aspects of the hiring process electronically, signed hard-copy forms remain an important part of the documentation process. Due to the legal and administrative requirements surrounding the hiring process, it is critical that the documentation related to the hiring process be accurate and complete.

In general, the number of candidates who a City Department contacts and interviews is up to the Department's Appointing Authority, but the guidelines from the Personnel Department recommend using as large a sample as practical. The Laborer position in the Public Utilities Department is in high demand and frequently involves significant turnover. Because the nature of the work is physically demanding, a more extensive

⁸ Personnel Manual Index Code F-1 (E).

⁹ See Personnel Manual Index Code E-5 (II) (K).

¹⁰ Personnel Manual Index Code F-1 (E) states, "complete records of all facts surrounding selection decisions must be made and retained for three years."

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

medical clearance is required for the Laborer position relative to other City positions. In fact, Laborer candidates, and other City employees, may not begin work prior to passing a medical examination and background check conducted by the Personnel Department. The Public Utilities Department may conditionally hire a candidate for a Laborer position, but they ultimately may fail to be hired, further increasing the need to select additional candidates.

Investigation

We obtained and reviewed certification lists, applicant screening criteria, and other relevant documents related to the PUD Laborer selection processes. Our results related to five selection processes conducted between December of 2012 and July of 2015. Although the original complaint related to a single selection process for Laborer positions in the PUD Water Construction and Maintenance Division, we expanded our scope after preliminary testing revealed that the stated selection criteria were not being used, consistent with what was alleged in the complaint.

In addition to reviewing the selection documents, we also interviewed current and former City employees regarding current selection practices, and prior candidate selection issues related to the Laborer position. Although we learned of specific allegations regarding friendships and family connections, substantiating these connections for each interview process we reviewed would require an extensive network analysis of thousands of potential relationships. Rather than focusing on substantiating the relationships, we focused on a comparison of the objective applicant screening criteria with the results of the Department's selection processes.

Improperly Combined Selection Processes

The Department combined the selection process for part-time, hourly Laborer positions and full-time positions. As a result, job candidates may not have understood whether the position they were applying for was hourly or full-time since the Department used the same process to fill both positions. This is important from the job candidate's perspective since part-time limited-hourly positions are not eligible to promote to a full-time position through experience, but full-time Laborer positions are eligible. For example, the Department rated some candidates as Highly Qualified and selected them to under-fill a Water Systems Technician position as a permanent, full-time Laborer with the understanding that they would be eligible to career-advance to a higher position over time. The Department selected other candidates who may have otherwise qualified for a full-time position as limited-hourly part-time Laborers. We found no documentation in

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

the selection materials to indicate which job-related factors were used to place the candidates into full-time or limited-hourly positions.

Recommendation 1

We recommend that the Public Utilities Department clarify the invitation letters sent to applicants for limited-hourly, part-time, and full-time Laborer positions when the processes are combined, and document the factors used to place candidates into these positions.

Certification List Documentation

While there may be either one or several certification lists used for a Laborer selection process, we found that the applicant screening criteria forms generally identified only one certification list. This led to some confusion and difficulty identifying which applicant screening criteria were associated with a given certification list. In some instances, the Department used the same certification list multiple times but applied different applicant screening criteria each time. Without documentation of the certification list, or lists, used in the selection process, it is difficult to ensure that the candidates hired to fill a position were certified by the Personnel Department as minimally qualified to fill that specific position.

There are current requirements for City Departments to list all certifications used in each selection process. Improved documentation would allow reviewers—including the Department's Appointing Authority who personally approves of the selection process—to ensure that the selection panel conducted the process fairly and accurately.

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Recommendation 2

We recommend that the Public Utilities Department document all certification lists used in each interview process, including the list used for applicant screening.

Manual Counting of Alphabetized Certification Lists

Using certification lists in alphabetical order increased the risk of biased selection. In the event of a manual miscount, where PUD staff hand-counts a long printed list of candidates but is off by one or more rows, the likelihood of improperly selecting an individual with a common surname would be higher when using an alphabetized list than when using a randomized list. As such, PUD staff would be more likely to select an individual with a common surname based on an accidental yet good-faith error.

Currently, the Personnel Department provides certification lists to Departments in alphabetical order. This has been the practice at the City for several years. In fact, the Personnel Department may have never provided randomized certification lists to City Departments. Using a randomized list would help to ensure that candidate names were evenly distributed and not potentially biased in favor of common surnames.

Another advantage of using randomized certification lists is that PUD staff would not need to use a manual counting method to achieve an unbiased selection. Since the Personnel Department would provide the certification lists in a form that is random, the PUD staff could simply select the desired number of candidates in the order in which they appear on the randomized list.

Furthermore, the randomized certification list will simplify the Appointing Authority's task of verifying that PUD staff applied the stated criteria. The Appointing Authority would only need to compare the names selected from the randomized certification list to the names of employees invited to interview to ensure that the PUD staff conducted the selection correctly.

Recommendation 3

We recommend that the Personnel Department Director randomize the certification lists for Laborer positions in the Public Utilities Department.

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Selection Process Abuse—Unfair Criteria

One interview process we reviewed attempted to use applicant screening criteria that failed to provide equal opportunity to all applicants. Specifically, the criteria stated that candidates would be offered interview opportunities based on the following (quoted directly from the form):

1. "Open list Candidates – whom called in requesting an interview after Personnel pulled Cert"
2. "Open list candidates – every 10th name on the open list"
3. "Transfer list candidates – current City employees from PUD"
4. "Candidates who called as word got out about the process"

The Department's Human Resources staff questioned the first and fourth criteria, but not before PUD staff sent invitation letters to approximately 20 candidates who called the Department about the position. These criteria likely favored applicants with connections to City staff, including family, friends, and relatives who presumably would have benefitted from a word-of-mouth selection process. Likewise, relying on word-of-mouth to select candidates for interviews is inherently unfair to the applicants who the PUD staff selected based on an objective, systematic method (every tenth name).

PUD management suggested that the interview chairperson remove the first and fourth criteria and rescind the invitations sent to roughly 20 candidates who requested invitation letters by calling in to the Department. However, a senior Human Resources staff person stated that the letter inviting candidates to apply put PUD under "no obligation" to interview the candidates. As a result, "No follow-up letter needs to be sent" to rescind the invitation to the candidates who called in about the position.

Although the invitation letter stated, "Only qualified candidates will be contacted and scheduled for an interview," an applicant who called in and was sent the letter would have had no way to know that they were eliminated from the Department's selection process through no fault of their own, rather than because they were not "qualified" for the position. These applicants were required to take the time to complete the job interest form, obtain a complete driving record from the DMV, and submit an updated resume for screening. If the Department had sent the proposed letter rescinding the inappropriate invitation letters, the applicants would have learned that the Department cancelled the

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

process, and the applicants would have understood that they still may be qualified for the position. Because the Department did not acknowledge their mistake, the applicants presumably had to guess about the reasons they did not pass the screening process.

Later in the process, PUD management changed the applicant screening criteria to invite every fifth name on the "Open" candidate list and transfer list candidates who were City employees. There was no official reference to the earlier criteria in the selection process documentation. In our review of this selection process, we identified 14 individuals who PUD selected in a manner that was not consistent with the stated screening criteria. Specifically, the 14 individuals appeared as the first, second, third, or fourth name on the "Open" certification list. We obtained information alleging that most of the individuals selected outside of the screening criteria were relatives and friends of City employees, but we did not attempt to verify the relationships.

In this case, since the applicant screening criteria changed during the selection process, the risk of non-compliance with the criteria was especially high. It appears that there was no verification to ensure that PUD staff actually applied the final version of the approved selection criteria. Similarly, there was no evidence that the Appointing Authority verified that PUD staff accurately and consistently applied the selection criteria related to any of the processes we reviewed.

Selection Process Abuse—Poor Execution of Manual Count Procedures

The PUD's applicant selection process related to a Laborer selection process applied three different selection criteria to the "Open" candidate list due to errors in the manual counting process. The first criteria stated that every sixth name on the "Open" candidate list was invited. However, a second criteria for "Open" candidates stated, "Sampling error on page 25 (5th name) resulted in additional names being selected for interview." It was not clear from the documentation how many additional names the panel selected due to the error. Also, it was not clear if the names selected due to the manual counting error were in addition to the names selected according to the original method (every sixth name). Based on our analysis of the candidates ultimately hired, we concluded that the panel did not apply either selection criteria accurately.

In fact, during our analysis we discovered that the PUD staff applied a third counting method due to an additional, undiscovered counting error. There was no documentation regarding this third counting method and it appears to have been a good-faith, systematic manual counting error. Nonetheless, the PUD staff did not identify or correct this error during the applicant selection process. Ultimately, we identified eight employees from

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

this process who the panel selected in a manner inconsistent with any of the stated criteria.

Recommendation 4

We recommend that the Public Utilities Department develop procedures to document and verify that the applicant screening criteria are accurately and consistently applied.

Candidates Were Not Selected Based on Approved Criteria

Our findings related to five interview processes conducted from December of 2012 through July of 2015. We found that the abuse of the stated applicant screening procedures resulted in 41 applicants being selected and hired who would not have been invited to interview, and ultimately not hired, had the objective applicant screening criteria been applied as approved by the Appointing Authority.

In total, the PUD Water Construction and Maintenance Division hired 120 candidates, including 41 (34 percent) not selected according to the stated screening criteria. We provided a detailed list of the candidates hired to PUD in a separate, confidential report.

Recommendation 5

We recommend that the Personnel Department review our findings and conduct an independent investigation to determine if interview process participants, including Appointing Authorities, violated City policies or Personnel regulations.

Missing and Incomplete Documentation

Missing and incomplete documentation limited the scope of our analysis and results somewhat. Specifically, the PUD staff did not maintain records of invitation letters sent to candidates, some candidate selection documentation was missing, and a list of employees selected for hire was incomplete. Personnel regulations require that PUD staff generate and maintain certain documents. Additionally, lack of documentation could

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

compromise the City's ability to defend itself against alleged violations of State and Federal employment laws. Other documents, while not necessarily required, would have provided evidence that PUD staff conducted the selections fairly and appropriately. Increased involvement from PUD Human Resources staff would most likely improve the documentation issues we identified.

Although PUD staff sent Laborer invitation letters to candidates, they did not maintain records regarding these mailings. These records would have allowed a quantification of the impact of the unfair selection process because it would have identified the applicants invited to participate in the interview screening process based on either the purported criteria or some other process. For instance, some applicants submitted Laborer interest forms even though the interview panel did not invite the candidates to submit the forms in the first place. This indicates that candidates obtained invitation letters outside of the approved selection process—such as through word-of-mouth from PUD staff. Maintaining lists of Laborer invitation letters sent would have allowed the Appointing Authority to verify that the PUD staff faithfully applied the stated criteria.

Because there was no documentation of the Laborer invitation letters sent, our analysis was limited to reviewing the final number of candidates hired, rather than the larger pool of candidates invited for interviews who would not have been invited had the approved selection criteria been applied.

Recommendation 6

We recommend that the Public Utilities Department develop procedures to record the names of applicants invited to apply for Laborer positions in PUD, and to ensure that all hiring-related documentation is complete.

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

No Procedures for Selecting Candidates Within Ranked Categories

We found that there are no documented procedures for selecting candidates from within the three ranked categories of Highly Qualified, Qualified, or Minimally Qualified. As described previously, interview panel members document each candidate's ranking. The panel chairperson then summarizes all of the panel members' individual rankings for each candidate, and an overall ranking for each candidate, on a separate form. Finally, the Report of Interview Results lists the consensus ranking for each candidate in alphabetical order within each of the three ranked categories. A problem arises when there are more candidates included within a ranked category than there are positions to fill.

For example, PUD selected 44 candidates in one selection process. The Report of Interview Results included 37 candidates ranked as Highly Qualified, 38 ranked as Qualified, and 16 ranked as Minimally Qualified (including three who did not show up for their interview). There was no documentation of the interview panel's process for selecting some, but not all candidates from the Highly Qualified category. Likewise, there was no documentation of the method used to select 16 of the 38 candidates from the Qualified category. It is not clear if the candidates who were not hired were offered the position and declined, for instance. Improved documentation would mitigate the risk that an arbitrary and unfair selection method was used to select some Highly Qualified or Qualified candidates over others.

As stated previously, City policy¹¹ requires the Appointing Authority to communicate the results of the selection process related to each certification to the Personnel Department. This requirement includes documentation of "Each action taken, such as appointed, waived, not contacted, not selected..." We found no documentation indicating that the interview panel contacted the candidate and offered them the position, but they declined it. We also learned from interviews that there is no systematic method used to select from among the Qualified candidates after the Highly Qualified list has been exhausted, such as every fifth name. Candidates are listed in alphabetical order in the Report of Interview Results, rather than being ranked within each category.

¹¹ See Personnel Manual Index Code E-5 (K).

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Recommendation 7

We recommend that the Public Utilities Department document the selection of candidates from within ranked categories, consistent with existing Personnel Manual regulations.

Recommendation 8

We recommend that the Personnel Department include a discussion of documenting the basis for candidate selection from within ranked categories in the Appointing Authority interview training materials.

Summary of Recommendations and Department Responses

Recommendation 1

We recommend that the Public Utilities Department clarify the invitation letters sent to applicants for limited-hourly, part-time, and full-time Laborer positions when the processes are combined, and document the factors used to place candidates into these positions.

Response: Agree with recommendation.

Public Utilities Department HR analysts will review the letters sent to candidates to ensure it is clear applicants are interviewing for all three options, and clearly state in the interview packet and instructions to the panel the interview responses that will qualify a candidate as Minimally Qualified (MQ), Qualified (Q) or Highly Qualified (HQ). Additionally, results of the interviews will clearly describe how candidates will be placed into the different positions.

Date to be completed: This recommendation is already being implemented and will be completed August 31, 2016.

Recommendation 2

We recommend that the Public Utilities Department document all certification lists used in each interview process, including the list used for applicant screening.

Response: Agree with recommendation.

Public Utilities Department HR analysts will ensure that all certification lists used in each interview and screening process are clearly documented.

Date to be completed: This recommendation is already being implemented and will be completed August 31, 2016.

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Recommendation 3

We recommend that the Personnel Department Director randomize the certification lists for Laborer positions in the Public Utilities Department.

Management Response: Agree with Recommendation.

The Personnel Department has implemented this recommendation and any request of eligibles for the Laborer classification from the Public Utilities Department (PUD) will be randomized.

Recommendation 4

We recommend that the Public Utilities Department develop procedures to document and verify that the applicant screening criteria are accurately and consistently applied.

Response: Agree with recommendation.

A signature line will be added to the bottom of interviewee listings to indicate that the screening criteria were followed. This will be signed by the panel chairperson.

Date to be completed: December 31, 2016

Recommendation 5

We recommend that the Personnel Department review our findings and conduct an independent investigation to determine if interview process participants, including Appointing Authorities, violated City policies or Personnel regulations.

Management Response: Agree with Recommendation.

The Personnel Department, Equal Employment Investigations Office will conduct an investigation.

Target Completion Date: June 2017.

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

Recommendation 6

We recommend that the Public Utilities Department develop procedures to record the names of applicants invited to apply for Laborer positions in PUD, and to ensure that all hiring-related documentation is complete.

Response: Agree with recommendation.

The Public Utilities Department will ensure that an accurate and complete list of all invitation letters will be maintained, as well as accurate and complete lists of all invitees who respond to invitations. Additionally, all interview packet materials will be returned to the appropriate PUD HR analyst for reference and storage.

Date to be completed: December 31, 2016

Recommendation 7

We recommend that the Public Utilities Department document the selection of candidates from within ranked categories, consistent with existing Personnel Manual regulations.

Response: Agree with recommendation.

The Public Utilities Department will ensure that the method of who will be considered for different positions from interview results is clearly documented. Additionally, a tool to document results of reference checks and written rationale for individual placement in different positions, based on reference check results, will be developed.

Date to be completed: December 31, 2016

Recommendation 8

We recommend that the Personnel Department include a discussion of documenting the basis for candidate selection from within ranked categories in the Appointing Authority interview training materials.

Management Response: Agree with Recommendation.

The Personnel Department will incorporate additional instructions to the Appointing Authority interview training material in order to further emphasize the importance of maintaining all pertinent documentation

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

related to each interview and selection process as stated in Civil Service Rule VII, Section 1, "The appointing authority shall fill vacancies by selecting the number of persons required from the list of eligibles certified by the Personnel Director ... "; and Personnel Regulation Index Code F-1, Section E, "In order to document fair employment procedures, complete records of all facts surrounding selection decisions must be made and retained for three years."

Target Completion Date: April 2017.

Conclusion

The allegation of abuse in the selection phase of the hiring process was substantiated. We performed a detailed analysis of five hiring processes for Laborer positions in the PUD Water Construction and Maintenance Division conducted between December of 2012 and July of 2015.

A total of 120 candidates were hired, including 41 (34 percent) who were not selected according to the stated criteria. We made recommendations to improve the selection process through randomized certification lists, verification procedures to ensure that the applicant screening criteria was applied, holding selection process participants accountable, and improving documentation practices.

This investigation was conducted under the authority of California Government Code §53087.6 which states:

(e) (2) Any investigative audit conducted pursuant to this subdivision shall be kept confidential, except to issue any report of an investigation that has been substantiated, or to release any findings resulting from a completed investigation that are deemed necessary to serve the interests of the public. In any event, the identity of the individual or individuals reporting the improper government activity, and the subject employee or employees shall be kept confidential.

(3) Notwithstanding paragraph (2), the auditor or controller may provide a copy of a substantiated audit report that includes the identities of the subject employee or employees and other pertinent information concerning the investigation to the appropriate appointing authority for disciplinary purposes. The substantiated audit report, any subsequent investigatory materials or information, and the disposition of any resulting disciplinary proceedings are subject to the confidentiality provisions of applicable local, state, and federal statutes, rules, and regulations.

Fraud Hotline Investigation of Abuse in the Public Utilities Department's Selection Phase of the Hiring Process

We appreciate all of the assistance we received from the Public Utilities Department during our investigation. Thank you for taking action on this issue.

Respectfully submitted,

A handwritten signature in black ink that reads "Eduardo Luna". The signature is written in a cursive style with a large initial "E" and a long, sweeping tail on the "L".

Eduardo Luna
City Auditor