



Human Resources Department Performance Audit and Financial Expenditure Review by Matrix Consulting Group

Internal Audit Division

City Council
July 26, 2016

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BACKGROUND

1. On July 28, 2015, the City Council endorsed the City Manager's Performance and Financial Expenditure Audit Program.
2. The Program provides for rotating (every five years) comprehensive performance and financial expenditure audits of all departments, by independent experts.
3. Riverside Public Utilities, the Finance Department and the Human Resources Department were selected for FY 2015/16.



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BACKGROUND

1. On August 11, 2015, the City Council approved the scope of services for the audit contracts.
2. On December 1, 2015, the City Council approved the agreement with Matrix Consulting Group to conduct the performance and financial expenditure review of the Human Resources Department.



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Presentation of Final Report of the Human Resources Department by

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***Financial and Performance Audit –
Human Resources Department***

CITY OF RIVERSIDE, CALIFORNIA

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Project Overview

- ◆ **Performance of a financial and operational audit** of the Human Resources Department.
- ◆ **Operational audit** focused on evaluating efficiency and effectiveness of all operations of the HR Department including:
 - Recruitment and Selection
 - Safety and Training
 - Benefits and Wellness
 - Labor and Employee Relations
 - Classification and Compensation
 - Workers' Compensation
 - Administration
 - Technology and Development
- ◆ **Financial audit** included a three year (FY2013, FY2014, FY2105) look back at financial transactions for accuracy, consistency with City policy, and appropriate supporting documentation.

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Project Methodologies

- ◆ **Profile development** through staff interviews and data collection document existing staffing levels, operational practices, and use of technology.
- ◆ **Best Practices Assessment** evaluated the current operations against recognized best practices from the Human Resources industry and high-performing organizations.
- ◆ **Stakeholder Input** through personal interviews with employees, department heads, and executive management to understand the customer's perspective on service delivery.
- ◆ **Financial audit** including conducting a high level risk assessment to identify key financial transactions, sampling from those transactions, and reviewing and evaluating individual transactions.
- ◆ **Draft documents** were reviewed with staff during the project for input.

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Recent Improvements in Service Delivery

- ◆ Partial streamlining of the recruitment process.
- ◆ Filling of some vacancies within the HR Department to provide the resources needed for service delivery.
- ◆ Enhanced cross-training of staff.
- ◆ Reorganization of executive management and staff realignment to increase technical competence within the Department.

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Best Practices Assessment

- ◆ As part of the assessment, the Human Resources Department's operations were assessed to identify strengths and improvement opportunities.
- ◆ Key Strengths noted include:
 - Recent improvements in streamlining the recruitment process have been implemented.
 - Reorganization of the Department to facilitate increased cross-training of HR staff.
 - Recent training programs to increase the technical competence of HR staff.
 - Detailed policy and procedures manual regarding policies and procedures.
 - New supervisors and managers are provided supervisory training.
 - Staffing at current level is generally appropriate if vacancies are filled.

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Best Practices Assessment

- ◆ Key Opportunities for Improvement noted include:
 - Need to develop a 5-year IT technology strategic plan for Human Resources.
 - Service level standards should be developed for major functional areas (recruitment timeframes, response to requests for assistance, resolution of grievances / complaints, etc.).
 - Need to fill all vacant budgeted positions to provide the staff resources necessary to appropriately serve other City Departments.
 - Wellness, Safety and Training programs should be enhanced. Currently offerings are minimal and the needs of City employees are not being met.
 - Human Resources should provide succession planning efforts as part of its service portfolio to other City Departments.
 - Enhanced focus on classification and compensation policies and more frequent review of positions for appropriateness.

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Key Themes

- ◆ Lack of progress in addressing internal service improvements and programs necessary to provide strong support to customers.
- ◆ Service levels to the organization fall below an acceptable level in both quality and timeliness in core areas (recruitment, classification, labor relations)
- ◆ Some functional areas functioning at minimal level (such as training and development, wellness programs).

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Key Recommendations:

- ◆ Evaluation includes over 50 recommendations related to service delivery / operational practices, staffing, and technology.
- ◆ The following chart provides a visual of the relative strengths of different aspects of the Department:

	Recruitment	Benefits & Wellness	Workers' Compensation	Classification and Compensation	Employee Relations	Safety	Training & Development	Personnel Records
Service Level	Orange	Yellow	Yellow	Orange	Orange	Yellow	Orange	Green
Workload/Staffing	Yellow	Green	Orange	Red	Red	Yellow	Red	Green
Technology	Green	Green	Yellow	Yellow	Yellow	Orange	Yellow	Yellow

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Key Recommendations:

◆ HR Administration:

- Generally, department appropriately staffed. A minor reorganization would balance spans of control and better align functions.
- Implement service level standards and performance measures for each service area.
- Fully implement changes to performance evaluation process and track completion.
- Develop a five-year technology strategic plan.
 - * Issue the learning management RFP and implement software.

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Key Recommendations:

◆ Recruitment:

- Implement proposed changes to recruitment process.
- Track and regularly report on recruitment performance of recruitment effort including diversity and qualification of candidates.
- Develop and implement succession planning capabilities.

◆ Benefits:

- High priority should be given to the completion of the benefits eligibility audit.
- Develop goals for each wellness activity and publish report on outcomes.

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Key Recommendations:

◆ Training and Development:

- Principal HR Analyst position should be filled to provide necessary training programs.
- An annual training needs assessment should be conducted to assist in prioritizing training courses / classes.
- Training evaluation forms should be available online.
- Professional development module for HRIS is needed to automate tracking of classes and attendance.
- Online training courses should be evaluated for implementation.

◆ Classification and Compensation:

- All classifications / job descriptions should be updated once every four years.
- Longer-term consideration should be given to broad banding positions.

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Key Recommendations:

◆ Safety:

- Increase in the level of safety training including during new employee orientation and on an on-going basis.
- Annual review of Health & Safety Policies and Procedures Manual should be conducted.
- Annual OSHA inspections should be conducted.
- Greater focus on prompt review and processing of preventable incidents.

◆ Employee / Labor Relations:

- Conduct an annual employee climate survey.
- Handle more employee complaints internally rather than through contracting.
- Place greater focus on handling disciplinary issues, investigations, and grievances in a timely manner in accordance with time standards.
- Automate processing of FMLA to increase consistency and compliance.
- Expand light duty program.

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Key Recommendations:

◆ Workers' Compensation:

- Number of open claims per adjuster should be targeted at 150 or fewer.
- Greater reporting to executive management regarding open and closed claims, status, financial impact, etc.
- Greater analysis of injury data to identify future areas of focus for prevention efforts.

◆ Financial Compliance:

- Monthly reconciliation of benefits and payroll deductions must be performed in a timely manner.
- Contracts for external investigators were not processed in compliance with appropriate procurement procedures.
- Increase the use of electronic payments to vendors to limit workload, enhance internal controls, and reduce risk.

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Next Steps / Questions

◆ Initial assessment by Human Resources staff of 54 recommendations:

- Agree 50
- Evaluating 2
- Disagree 3

◆ Staff will be developing an implementation plan based upon the findings and recommendations.

◆ Questions?

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RECOMMENDATION

That the City Council:

1. Review the findings and recommendations of the external auditor for the Performance Audit and Financial Expenditure Review of the Human Resources Department;
2. Receive and file the initial assessment of the findings and recommendations prepared by the Human Resources Department; and
3. Direct the Human Resources Department's staff to return in September 2016 with an Action Plan.



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