

**Performance Audit 23-03:
City of Chattanooga
Recruitment and Hiring Process**

January 2024

City Auditor

Stan Sewell, CPA, CGFM, CFE

Senior Auditor

Jeff Connor, J.D.





OFFICE OF INTERNAL AUDIT

Stan Sewell, City Auditor

January 5, 2024

To: Mayor Kelly
City Council Members

RE: City of Chattanooga Recruitment and Hiring Process
Audit (#23-03)

Dear Mayor Kelly and City Council Members:

The attached report contains the results of our Recruitment and Hiring Process audit. Based on our findings, we determined the City's recruitment and hiring process complies with applicable Federal and State requirements. However, our audit identified key opportunities to improve workforce equity and internal control effectiveness.

To address the opportunities for improvement, we recommended the Human Resource (HR) Department update existing procedures, implement additional controls to minimize inherent risks associated with recruiting and hiring, and remove potential barriers to workforce equity and development pathways.

We would like to thank the management and staff of the HR Department for their courtesy, cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM, CFE
City Auditor

Attachment

cc: Audit Committee Members
Jermaine Freeman, Chief of Staff
Ryan Ewalt, Chief Operating Officer
Julia Bursch, Deputy Chief Operating Officer
Mande Lawrence, Chief Human Resources Officer
Daniel Harrigan, Deputy Chief Human Resource Officer
Shea Jefferson, CPD Director Organizational Development Training
Jim Arnette, Tennessee Local Government Audit jim.arnette@cot.tn.gov

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AUDIT PURPOSE

This audit was performed in accordance with the Office of Internal Audit's 2023 Audit Agenda. The objectives of the audit were to determine if the City's recruitment and hiring process: 1) complies with applicable employment laws, policies and procedures; and 2) creates accessible workforce development pathways consistent with the *One Chattanooga Strategic Framework*.

BACKGROUND

The *Employee Information Guide* (EIG) establishes the framework for the City's recruitment and hiring process. In accordance with the EIG, the Human Resources (HR) Department is responsible for assisting all City departments recruit and hire the best-qualified applicants, advance workforce equity, and comply with Federal and State employment laws.



To initiate the hiring process, the hiring department must submit a job requisition in the Oracle system for approval. Once approved, HR posts the job announcement on the City's website and works closely with the hiring department to develop a job description and recruitment plan, screen applicants for minimum qualifications, and coordinate interviews. Job announcements are posted for a minimum of five (5) business days and referred to additional recruiting sources as needed. Applicants can apply to job postings online through the City's website.

To be eligible for employment, all applicants must successfully complete a background check.¹ The components of the background check depend on the specific job requirements. In-service promotional

¹ The City also requires employees to reside in Tennessee.

candidates may also be required to complete a background check if the job requirements exceed the requirements of the current position.

Exhibit 1

HR and the hiring departments are responsible for completing each step in the hiring process.



Applicants may be required to undergo one or more of the following competitive examinations to establish job eligibility and fitness:

- A written knowledge-based examination to evaluate the applicant's knowledge and skills required to perform the job.
- An oral evaluation consisting of a personal interview to assess the applicant's interaction skills and similar qualifications. An oral evaluation may also be administered if a written examination is impractical or as a reasonable accommodation for an applicant with a disability.
- A performance test to evaluate whether the applicant possesses the physical ability and skills to perform the work required.

- A physical agility test to evaluate the applicant’s bodily conditioning, muscular strength, agility, and physical fitness for a specific position.
- A polygraph examination required for public safety positions within the Police and Fire Departments.



Statistics

HR Performance Measures	Actual FY21	Goal FY21	Actual FY22	Goal FY22
Time to fill position	104.5	<45	70	<45
First Year Turnover Rate	32.7%	18%	25%	25%
Annualized Turnover	13.5%	9%	12%	12%
Vacancy Rate	15.1%	5%	13%	12%
Incident Rate (OSHA)	6.6	7	--	7

Source: 2023 Comprehensive Annual Budget Report

FINDINGS AND RECOMMENDATIONS

Update recruiting and hiring procedures to ensure ongoing compliance with Federal and State requirements

We used reference materials published by the Equal Employment Opportunity Commission (EEOC) and White and Williams, LLP to identify Federal and State employment laws applicable to the City’s recruitment and hiring process. The specific laws we examined to determine compliance included:

- Title VII of the Civil Rights Act;

- Age Discrimination in Employment Act (ADEA);
- Americans with Disabilities Act (ADA);
- Equal Pay Act (EPA);
- Fair Labor Standards Act (FSLA);
- Pregnancy Discrimination Act (PDA);
- Immigration Reform and Control Act (IRCA); and
- Title 50 of the Tennessee Code

We did not identify any hiring policies, procedures or practices that deviated from Federal or State requirements. However, HR's *Standard Operating Procedures for Recruiting Regular Positions* (hereinafter referred to as the "Recruitment Procedures Manual") is outdated and requires revision. For example, since the last revision in 2022, Oracle has replaced the NeoGov system and the job responsibilities of the former HR Recruiting Coordinator have shifted to the HR Business Partners (HRBPs).

Recommendation 1: We recommend HR revise the Recruitment Procedures Manual to update changes to the recruitment and hiring process since the last revision.

Auditee Response: *We agree with the audit finding and recommendation.*

Estimated Implementation Date: January 31, 2024

Priority Level: 2

Minimize the risk of disparate treatment discrimination claims

Section 5.3 of the EIG requires HR to assist all City departments identify qualified candidates for hiring and promotional considerations, prepare and publicize job announcements, and work closely with the hiring departments to ensure the selection of the best-qualified applicants. However, our audit disclosed that the Chattanooga Police Department (CPD) administers its own recruiting and hiring functions with minimal support from HR. The exclusion of HR from the CPD recruiting and hiring process does not comply with the EIG and increases the potential for disparate treatment discrimination claims by applicants and employees.²

Recommendation 2: We recommend HR and the CPD comply with the EIG by reestablishing HR's role in the CPD recruitment and hiring process, or request authorization from City Council to revise the

² Disparate treatment discrimination arises when an applicant or employee claims to have been treated differently than others based on a protected characteristic, such as gender, race, age, religion, skin color, disability or national origin.

EIG to allow CPD to administer its own recruiting and hiring functions without HR's involvement.³

Auditee Response: *We agree with the audit finding and recommendation. HR will request authorization from City Council to amend the EIG to allow CPD to administer its own recruiting and hiring functions.*

Estimated Implementation Date: May 1, 2024

Priority Level: 1

Establish formal guidelines and standardized criteria for determining educational equivalency for minimum qualifications

City Council Resolution 28806 requires the City to allow an equivalency of relevant education, training or experience to satisfy the minimum qualifications for all positions, except positions that require a degree based on specific job responsibilities or for eligibility of job-related certifications, *e.g.* doctors, attorneys, CPAs. Notwithstanding City Council's directive, the City has not established formal guidelines or criteria to ensure educational equivalency determinations are consistent, equitable and reasonable.⁴

Recommendation 3: We recommend HR work with the City departments to develop appropriate guidelines and standardized criteria for evaluating educational equivalency for minimum qualifications. Additionally, if the position does not fall within the category of jobs that unconditionally requires a degree, the job description should state that a degree may be preferred, but is not required.

Auditee Response: *We agree with the audit finding and recommendation. HR has developed an Educational Equivalency Matrix that will be incorporated in the Recruitment Procedures Manual.*

Estimated Implementation Date: January 31, 2024

Priority Level: 1

Develop formal policy and procedures for evaluating background check information

Section 5.5 of the EIG requires applicants to successfully complete a background check as a condition of employment. According to the Recruitment Procedures Manual, if an applicant's background check contains "adverse information" within the last five (5) years, the applicant may not be eligible for employment. However, the

³ The CPD does not have a formal written policy or procedures governing recruitment and hiring for CPD personnel.

⁴ HR is responsible for screening job applicants for minimum and preferred qualifications.

Recruitment Procedures Manual does not describe what information in an applicant’s background check should (or could) be considered “adverse”. Moreover, HR has not established a formal policy or procedures for evaluating the employment eligibility of applicants with adverse background checks or criminal histories.

To avoid adverse impact when conducting background checks, the EEOC recommends employers develop narrowly tailored written policies and procedures for evaluating an applicant’s background information.⁵ Such policy or procedures should:

- Identify the essential job requirements and circumstances under which the jobs are performed;
- Determine the specific offenses that may demonstrate unfitness for performing such jobs and the time period during which offenses will be considered;
- Record the justification and research considered to develop the policy and procedures; and
- Provide an individualized assessment, which notifies applicants they may be excluded from employment based on a criminal history and provides applicants an opportunity to demonstrate why their criminal record should not result in exclusion from employment.

Recommendation 4: We recommend HR develop formal policy and procedures for determining when/if applicants with adverse background checks or criminal histories are eligible for employment, consistent with the EEOC recommendations.

Auditee Response: *We agree with the audit finding and recommendation. HR will work with the City Council HR Review Committee to develop formal criteria.*

Estimated Implementation Date: May 1, 2024

Priority Level: 1

Remove barriers to workforce equity and development pathways

Section 5.0 of the EIG affirms the City’s commitment to make *every* effort to attract qualified applicants for *every* position [emphasis added]. Likewise, creating robust and accessible workforce development pathways is a key component of the *One Chattanooga*

⁵Adverse impact discrimination (also referred to as “disparate impact discrimination”) refers to the application of a standard, requirement, test, or other screening process used for selection that, although appearing neutral, has an adverse effect on individuals who belong to a legally protected class. The U.S. Congress has incorporated disparate impact concepts in antidiscrimination laws, including statutes dealing with civil rights, education, housing, and employment.

Strategic Framework. The City’s process for internal job postings, on the other hand, creates barriers to workforce equity and development pathways by excluding qualified applicants with diverse skill sets from outside the organization from competing for City jobs.⁶

Recommendation 5: We recommend HR remove barriers to workforce equity and development pathways by eliminating internal-only job postings.

Auditee Response: *We agree that some may interpret internal-only job postings to be potentially excluding qualified applicants, but we do not agree with the recommendation that the City discontinue internal-only job postings. There is an argument that promotional opportunities should first be offered to current employees. There is a time and a place for internal-only job postings, and they are common in both private and public sector. Not only do they save time and money, but they can help engage and retain staff, and attract new talent as the City becomes known for growth opportunities from within. Theoretically, employees are motivated to give their best performance and discouraged from looking elsewhere. Internal promotions also minimize onboarding and training required to make employees independent in their new roles. If an internal-only posting does not yield a successful internal candidate, then we post external. We agree to further discuss with stakeholders but not necessarily to automatically accept the recommendation and make the change.*

Auditor Comment: The City has no formal guidelines or criteria, and justification is not required, for internal-only job postings. The decision to post a job internally is solely at the discretion of the hiring manager. At a minimum, HR should implement formal guidelines defining the proper “time and place” for internal-only job postings, consistent with the goals outlined in Section 5.0 of the EIG and the *One Chattanooga Strategic Framework*. Additionally, posting job openings externally does not preclude the hiring of current City employees. In most cases, qualified City employees applying for career path positions will have a distinct advantage over external applicants. However, excluding external applicants altogether diminishes the likelihood of identifying and hiring the best possible candidate.

Estimated Implementation Date: N/A

Priority Level: 3

⁶ Internal job postings are job announcements not available to the public and only current City employees are eligible to apply for those positions.

Improve consistency of personnel and recruitment file documentation

We examined a statistical sample of personnel and recruitment files and found inconsistencies in document retention and missing forms. Document retention consistency is essential to demonstrate compliance with legal requirements, ensure all required steps of the hiring process are completed, and to document support for recruiting and hiring decisions.

Additionally, other than a document titled *Interview Folder Checklist*, HR does not have a formal policy or procedures identifying the documents and other information that should be retained in recruitment files.

Recommendation 6: For personnel files, we recommend HR establish a checklist to ensure all necessary documents are maintained consistently for the duration of employment plus seven (7) years in accordance with the City's Records Retention Schedule.

Recommendation 7: For recruitment files, we recommend HR establish a formal policy identifying the information required to be retained in recruitment files, and a checklist to ensure required documents are maintained consistently for the duration of employment plus seven (7) years in accordance with the City's Records Retention Schedule.

Auditee Response: *We agree that you found what you found, but we do not agree to the recommendations. Of course we have inconsistent employee files. Having formal policy listing required documents is "impossible." Decades of different administrations, policies, laws, and practices has left us with what we have. To require specific documents, subject to additional audit, would mean we will be non-compliant every time. The list itself of required documents would be subject to change, and all existing files at that time could then be out of compliance. Additionally, with the implementation of Oracle many of these documents are electronic files, "acknowledged" digitally often without signature, and will never be exported to be included in files. They will "live" in Oracle - not in a personnel file. Standardizing personnel files is a moving target with way too many variables to set absolute requirements. Please consider these recommendations as "understood" but not things we necessarily can/will commit to.*

Auditor Comment: Uniformity and consistency are key drivers for a successful records management system. Personnel and recruitment files can be maintained in either paper or digital format. However, clear policy and procedures set the standard for a compliant records management system, ensuring documents are retained properly and can be efficiently located when needed.

Further, as required by Tennessee Law and the City's *Record and Information Management Policy*, "all records related to personnel... must be retained consistent with the appropriate category..." and stored in a manner allowing "for efficient data retrieval". The Human Resources categories in the Records Retention Schedule include a broad spectrum of hiring and recruitment records. Ensuring clear and consistent policies and procedures are in place for the retention, storing and efficient retrieval of personnel and recruitment records is not at the discretion of the department.

The scope of our audit and the deficiencies identified were for positions filled during the prior fiscal year (July 1, 2022 through June 30, 2023). The findings and recommendations in this audit are unrelated to any prior administration's policies or actions.⁷

Estimated Implementation Date: N/A

Priority Level: 2

⁷ Our review of personnel and recruitment documentation was limited in scope to records related to the recruitment and hiring process. We did not assess the adequacy of other personnel records such as commendations, disciplinary actions, *etc.* The City should have policies and procedures in place to ensure sufficient and appropriate documentation for such other personnel actions is retained and accessible to document support for management decisions and reduce legal risks.

APPENDIX A: SCOPE, METHODOLOGY AND STANDARDS

Based on the work performed during the preliminary survey and our assessment of risk, this audit covers the performance of the City's recruitment and hiring process from July 1, 2022 to June 30, 2023. When appropriate, the scope was expanded to meet audit objectives. As part of our analysis, we reviewed documentation and records from HR and the CPD. We used original records and copies as evidence verified through physical examination.

We examined evidence on a test basis and applied other procedures required to meet the audit objectives. The procedures included:

- Reviewing applicable employment laws, regulations and departmental policies and procedures;
- Reviewing the EIG requirements for recruiting and hiring;
- Evaluating best practices and industry standards for recruitment and hiring;
- Conducting a risk assessment to identify high-risk activities and potential fraud risks;
- Interviewing HR and CPD management and staff; and
- Examining statistical samples of personnel and recruitment file documentation.

The sample size and selection of the personnel files we reviewed were statistically generated using a desired confidence level of 95 percent, expected error rate of 5 percent, and a desired precision of 5 percent. The sample size and selection of the recruitment files we reviewed were statistically generated using a desired confidence level of 90 percent, expected error rate of 10 percent, and a desired precision of 10 percent. We used statistical sampling to infer the conclusions of test work performed on the sample to the population from which it was drawn and obtain estimates of sampling error involved.

To achieve the audit objectives, we relied on data maintained in the Oracle system. We assessed the reliability of the data and conducted sufficient tests of the data. Based on these assessments and tests, we concluded the data was sufficiently reliable to achieve the audit objectives.

We conducted this performance audit from June 2023 to November 2023 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 the evidence we obtained provides a reasonable basis to support the findings and conclusions expressed herein.

APPENDIX B: PRIORITY LEVEL DEFINITIONS

Priority 1: Critical control weakness exists that exposes the Auditee to a high degree of risk. Noncompliance with federal, state or local law, regulation, statute, charter or ordinance will always be considered a priority 1.

Priority 2: Control weakness exists that exposes the Auditee to a moderate degree of risk.

Priority 3: The opportunity for improved efficiency or reduced exposure to risk exists.

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www.chattanooga.gov/internal-audit