



City of Chattanooga

Stan Sewell
Director

INTERNAL AUDIT
City Hall
Chattanooga, Tennessee 37402

Ron Littlefield
Mayor

October 20, 2009

Mayor and City Council
City of Chattanooga
City Hall
Chattanooga, TN 37402

RE: New Hire Policy & Procedures, Audit 09-07

Dear Mayor Littlefield and City Council Members:

Attached is the Internal Audit Division's report on New Hire Policy & Procedures.

We thank the management and staff of the Personnel department for their cooperation and assistance during this audit.

Sincerely,

Stan Sewell, CPA, CGFM
Director of Internal Audit

cc: Dan Johnson, Chief of Staff
Audit Committee Members
Donna Kelley, Personnel Administrator

**PERSONNEL DEPARTMENT
NEW HIRE POLICY & PROCEDURES
AUDIT 09-07
AUGUST 25, 2009**

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Auditor



Audit Director

**PERSONNEL DEPARTMENT
NEW HIRE POLICY & PROCEDURES
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INTRODUCTION

Sec. 2-139 of the Chattanooga City Code states “the city personnel department shall have the responsibility for carrying on a comprehensive personnel program for all city employees in keeping with the provisions of the city charter and ordinances as they apply to personnel matters.” However, such provisions limit that authority of the personnel department to positions included in the classified services (the Personnel Director has no control over the processing of temporary employees).

The Department of Personnel works with each department to develop specific standards for the recruitment and hiring of a qualified, diverse workforce, and to help identify those employees who should be considered for promotion. The Personnel department also assesses job classifications, compensation and benefits and offers employee training and skill development.

STATISTICS

During the first and second quarter of FY09, the Personnel department received 42 job requisitions and 5,177 job applications, referred 337 candidates to the hiring departments, and extended job offers to 94 candidates.

Source: ChattResults – Performance Overview – Q2 FY09 Ending 12/31/08.

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Division's 2009 Audit Agenda. The objectives of this audit were to determine if:

1. Personnel records for new employees included all required new hire forms and documentation for required testing, background checks, and policy receipt.

STATEMENT OF SCOPE

Based on the work performed during the preliminary survey and the assessment of risk, the audit period will cover the operations of the Personnel department's new hire policy and procedures from July 1, 2008 to June 30, 2009. Source documentation was obtained from the Personnel department. Original records as well as copies were used as evidence and verified through physical examination.

STATEMENT OF METHODOLOGY

We reviewed written policies and procedures and interviewed Personnel department staff to gain an understanding of the hiring process. In addition, we reviewed applicable State and Federal Laws and Regulations, the Internal Control and Compliance Manual for Tennessee Municipalities, the Chattanooga City Code and relevant City ordinances. In addition, we reviewed a sample of personnel records.

The sample size and selection were statistically generated using a desired confidence level of 90 percent, expected error rate of 5 percent, and a desired precision of 5 percent. Statistical sampling was used in order to infer the conclusions of test work performed on a sample to the population from which it was drawn and to obtain estimates of sampling error involved. When appropriate, judgmental sampling was used to improve the overall efficiency of the audit.

To achieve the audit's objectives, reliance was placed on computer-processed data contained in the City's financial systems. The City's financial system was previously determined to be reliable and no additional work was necessary. Based on these assessments, we concluded the data was sufficiently reliable to be used in meeting the audit's objectives.

STATEMENT OF AUDITING STANDARDS

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

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The personnel records included all required employment forms and documentation for new hires processed through the Personnel department. However, new hires not processed through the Personnel Department lacked assurance that prudent (and required) practices have taken place.

While the findings discussed below may not, individually or in the aggregate, significantly impair the operations of the Personnel department, they do present risks that can be more effectively controlled by the City as a whole.

DECENTRALIZED HIRING PROCESS

We learned the hiring/employment process for part-time and temporary employees usually occurs at the Departmental level. The completion of background checks and employment forms for temporary employees is done by the hiring department. During our review of personnel files, we noted the temporary and part-time employee records had no documentation to support adequate background checks were performed. The current practice of hiring temporary/part-time employees increases the risk of hiring undesirable employees in sensitive positions. Further, the disbursed method of hiring temporary staff within City departments creates a great deal of uncertainty with regard to whether the appropriate levels of background checks have been conducted and whether all necessary employment forms have been completed by employees.

We also learned that part-time, temporary and elected officials do not attend the new hire orientation. During our review of personnel files, we noted the orientation checklist was usually not present in the records of temporary employees, part-time employees and elected officials.

Since the current practice does not require attendance to orientation by temporary, part-time or elected officials, all employees may not be aware of nor have an understanding of the City's policies and procedures (e.g. Outside Employment Policy, Code of Ethics, Anti-Harassment Policy, Computer/Network Use Policies, and Drug & Alcohol Policies, etc.).

RECOMMENDATION 1

We recommend the Personnel Department manage the hiring process for all City employees (full-time, part-time, permanent, or temporary). This process would include ensuring all new hires receive proper background checks, complete necessary employment forms and attend a new hire orientation that provides, at minimum, information in regards to the City's Personnel policies and procedures.

We further recommend acknowledgement forms for policies received be completed by all new hires (regular, temporary, full-time, part-time, and elected officials) and maintained in centralized personnel files, along with all other employee documents.

AUDITEE RESPONSE

We concur. However, the current City Charter and Code do not vest the appropriate levels of authority in the Personnel Director to establish or enforce the necessary policies and/or procedures.

STAFFING ASSESSMENT NEEDED

During the audit period the City hired 263 employees (including permanent and temporary). During our review of sample records, we noted a substantial portion (the majority) remained in various stages of processing. Ultimately, personnel records were located for all the employees selected in the sample. It appears the Records Officer has an organized system in place. Further, it appears the Records Officer is diligent in the pursuit of assigned duties. However, we noted a substantial amount of responsibility and workload is vested in this single individual with limited back-up personnel. A personnel technician has been assigned to provide support to the Records Officer. However, this position is substantially devoted to work related to the City's General Pension Fund and to recent responsibilities for the new City Clinics. The City may be at risk due to a concentration of responsibilities placed in the Records Officer position. Further, regardless of the diligence exhibited by the current Records Officer, timely processing of records and other functions is lacking.

We noted that the Personnel Department has recently experienced a reduction of staff in multiple areas. We further noted that at one point in the past, an Assistant Records Officer position existed to provide back-up and support to the Records Officer.

RECOMMENDATION 2

We recommend Personnel Department management conduct an assessment of their staffing to determine if any adjustments or additions are needed to more effectively and efficiently operate the Personnel department.

AUDITEE RESPONSE

We concur. We have conducted an internal assessment and shifted resources within the Department of Personnel to address the referenced issue.