



CITY RECRUITMENT PROCESS:
Monitoring needed to ensure balance of
flexibility and fairness

A REPORT FROM THE CITY AUDITOR
October 2007



Office of the City Auditor
Portland, Oregon



CITY OF
PORTLAND, OREGON

OFFICE OF THE CITY AUDITOR
Audit Services Division

Gary Blackmer, City Auditor
Drummond Kahn, Director of Audit Services
1221 S.W. 4th Avenue, Room 310
Portland, Oregon 97204

(503) 823-4005 FAX (503) 823-4459
www.portlandonline.com/auditor/auditservices

October 10, 2007

TO: Mayor Tom Potter
Commissioner Sam Adams
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Erik Sten
Ken Rust, Chief Administrative Officer, Office of Management and Finance
Yvonne Deckard, Director, Bureau of Human Resources

SUBJECT: Audit of the City recruitment process relating to limited recruitments and temporary appointments, (Report #356)

Attached is Report #356 containing our review of the City recruitment process relating to limited recruitments and temporary appointments. Written responses to the audit from Mayor Tom Potter and Human Resources Director Yvonne Deckard are included at the back of the report.

We ask that the Commissioner in Charge direct the Director of the Bureau of Human Resources to prepare a status report in one year, or sooner, detailing steps taken to address the recommendations contained in our report. The status report should be sent to the Audit Services Division. We plan to follow-up on our recommendations in 2008.

We appreciate the cooperation and assistance we received from the Bureau of Human Resources as we conducted this audit.


GARY BLACKMER
City Auditor

Audit Team: Drummond Kahn
Kari Guy
Ken Gavette
Kristin Johnson

Attachment

CITY RECRUITMENT PROCESS:

Monitoring needed to ensure balance of flexibility and fairness

Summary The City's policy is to hire the best-qualified applicant for every City job, typically through a process open to all members of the public. The majority of City recruitments (75 percent) follow this open, competitive process.

However, the City also uses other methods to attract and maintain a qualified workforce.

One method is to limit recruitments to current City employees, in order to provide greater opportunities for current, qualified employees. Over the last four years, 25 percent of City job recruitments were limited to current City employees. These limited recruitments can reduce hiring time and cost, and capitalize on investments in recruiting, training, and developing current employees.

A second method is to hire employees on a temporary basis, with no public announcement of the job and no competition. Temporary appointments provide flexibility for bureaus to act more quickly, or to meet project-specific needs. Over the last four years, 19 percent of new hires to City jobs were temporary employees who did not have to compete for the jobs. Bureau of Human Resources officials told us that both limited recruitments and temporary appointments are valuable tools managers use to attract and sustain a diverse workforce.

While temporary hiring and limiting recruitments are each useful tools for City managers, both have the potential for misuse. For example, allowing temporary employees to apply for jobs limited to City employees may present a challenge to the City's goal of open, competitive recruitments. The City Ombudsman has received complaints from City employees, who are concerned that hiring

temporary employees through limited recruitments is unfair. In our sample of limited recruitments from the last four years, the applicants chosen for permanent positions had previously been temporary employees in 23 percent of the cases. These temporary employees achieved permanent job status without ever competing against non-City employees.

Hiring temporary employees for permanent City jobs without opening the jobs to the public may mean the City misses hiring the most qualified candidate, and may lead to a pool of current employees that is largely shaped by an earlier, non-competitive selection of temporary employees.

Our review of hiring records for the past four years showed that limited recruitments and temporary appointments have not increased significantly. We did find instances of temporary employees achieving permanent job status without competing against other members of the public.

While we did not find clear industry standards or benchmarks, regular monitoring and reporting on the use of limited recruitments and temporary employees are essential to flagging potential abuse and guiding future policy development.

We recommend:

- The Mayor direct the Bureau of Human Resources to develop criteria for the use of limited recruitments, and appropriate performance measures for limited recruitments and temporary appointments. The Bureau should report this information annually to Council. This will provide an early warning system for any misuse or excessive use of temporary appointments and limited recruitments.
- The City Council evaluate the current practice of hiring temporary employees through limited recruitments, and either validate the current practice, or restrict limited recruitments to permanently appointed City employees.

Objectives, Scope and Methodology

The objective of this audit is to evaluate whether the use of temporary appointments and limited recruitments is consistent with the civil service goals of open and competitive examination, and a fair and equal opportunity for public service for all candidates.

To accomplish this objective, we reviewed available data on full- and part-time temporary appointments for the years of 2003 to 2006, and limited recruitments for the years of 2002 to 2006. For the purposes of this audit, we looked only at temporary appointments in authorized permanent or limited term positions -- appointments that could be filled by a permanent or limited duration employee hired through a civil service process. We did not review seasonal appointments to unbudgeted positions, or the rehiring of retired City employees. We reviewed total numbers of appointments and recruitments, and evaluated compliance with adopted policies, but did not evaluate the quality of any individual hiring decision. We interviewed Bureau of Human Resources administration and recruitment and development staff, Human Resources Site Team Managers, and staff involved in human resources issues for Bureau of Development Services, Bureau of Technology Services, and Parks and Recreation. We reviewed past reports on the City's Bureau of Human Resources, and literature on public and private sector human resources management.

We conducted our work in accordance with generally accepted government auditing standards.

Background

The City of Portland's hiring process is based on a civil service system that requires personnel to be selected by examination and promoted on the basis of merit. The intent of the civil service system is to provide all candidates with a fair and equal opportunity for public service, and to separate the recruitment and advancement of employees from political patronage and favoritism.

Both an audit we conducted in 1993 and a Human Resources Assessment in 2000 criticized the City's Bureau of Human Resources for an overly regulatory approach to implementing the civil service system. There were concerns that the recruitment process was lengthy and

time consuming, but did not ensure fairness in hiring. Temporary appointments were widely used to bypass the civil service merit system, but were not tracked or monitored. Limitations to both the recruitment and appointment processes led to perceptions of unfairness among City employees and the public.

In 2001, the Bureau of Human Resources undertook a major reorganization, and updated the City's Human Resources policies. Bureau of Human Resources management notes that there has been an intentional shift in the Bureau of Human Resources away from a regulatory approach and towards a consultative approach, where Human Resources staff serve as advisors and assistants to other bureau managers and employees.

This audit focuses on two parts of the recruitment and hiring process: temporary appointments and limited recruitments. "Appointment" is the term used in the Human Resources rules for filling a vacant position. Permanent and limited duration appointments are made through a civil service process, with the candidate appointed from a certified list of eligible candidates following an examination process. Temporary appointments are outside the civil service process. Full-time temporary employees are eligible for all City-paid benefits.

"Recruitment" is the process used to attract, evaluate and select the most qualified candidates to fill vacancies for permanent and limited duration positions. Most City positions are filled through an open competitive recruitment, open to all individuals who meet the qualifications. A limited recruitment is open only to current City employees, either permanent or temporary, and those that have been employees within the last six to nine months or are on a redeployment list.

Temporary Appointments

The City Council adopted rules governing temporary appointments in 2002 that mirror requirements in the City Charter. Temporary employees may be hired for emergencies, to meet short-term workload needs, or if there is no current eligible list. Temporary appointments are limited to one year, unless extended by the Director of Human Resources. While temporary appointments are explicitly allowed by the current City Charter, the Charter also specifies that the use

of temporary appointments “shall not be used to defeat the open competition and objective selection procedures established by the Director.”

The Bureau of Human Resources developed an approval system for temporary appointments that requires hiring managers to document the rationale for the temporary appointment. The Bureau of Human Resources also maintains a tracking system for all new temporary appointments and extensions to temporary appointments. These new systems are intended to ensure that all temporary appointments are consistent with the adopted rules, and Bureau of Human Resources officials told us that abuses of temporary appointments identified in our earlier audit have been largely eliminated.

The City Charter and rules also require that the Bureau of Human Resources provide an annual report to Council on the use of temporary appointments. While Bureau of Human Resources tracks and monitors temporary appointments, we found no record of a formal report ever being completed, although Bureau of Human Resources officials told us they can run such a report quickly when requested.

Ballot Measure 26-90, passed by the voters on May 15, 2007 eliminates both the reporting requirement and the limitations on temporary appointments in the current City Charter. The Charter changes will take effect January 1, 2008.

While the Bureau of Human Resources provides the approval to fill a position with a temporary appointment, each City bureau is responsible for selecting and hiring the employee. The use of temporary appointments provides flexibility for bureaus to act more quickly, to backfill for an employee on leave, and to meet project-specific needs. Managers told us they may use temporary appointments for a grant-funded project, to meet an unusual or emerging workload, or to cover a job while recruiting a permanent employee. Bureaus may also hire a qualified temporary employee rather than contract with an external consultant to save money on certain projects. Managers told us that the hiring process for a temporary appointment is much faster than hiring a permanent employee through an open recruitment. It may also be faster than contracting for services.

If there is no eligible list, bureau managers look to various sources for temporary appointments: the pool of seasonal workers; interns and volunteers; past City employees; and general searches through 'word of mouth.'

Without advertising the position, the City may miss hiring the most qualified candidate, and it may be perceived both internally and externally as unfair. In addition, numerous people we interviewed expressed concern that the use of temporary employees may thwart the City's goals of increasing diversity. Since temporary employees are often found through 'word of mouth,' they are most likely to mirror the pool of existing employees.

Limited Recruitments

Limited recruitments, not open to the general public, are also driven by the bureaus. When a bureau requests a new recruitment, Bureau of Human Resources staff will advise bureaus on the types of recruitment available, but the choice of type of recruitment is the decision of the bureau hiring manager. Unlike the approval process for temporary appointments, the Bureau of Human Resources does not require the hiring manager to document the rationale for limiting recruitments to City employees.

Limited recruitments can reduce hiring time and cost and capitalize on investments in recruiting, training, and developing current employees. Internal candidates can be more accurately assessed, and are likely to settle into a new job sooner. Hiring internally rewards qualified employees for past work, and signals to other employees that the City is committed to their development and advancement.

However, limiting recruitment may also mean the City misses hiring the most qualified candidate, and may prevent the public from having fair and equal access to City jobs. External candidates can bring new skills and approaches to the City workforce.

In addition, using a limited recruitment to hire an incumbent temporary employee may be inconsistent with the Charter requirement that temporary appointments "not be used to defeat the open competition and objective selection procedures." Other City employees and

the public may view the hiring process as unfair if the limited recruitment is used to make permanent a temporary incumbent who was not initially hired through an open process.

Managers we interviewed noted that they consider the strength of the internal candidate pool when determining whether to do a limited or open recruitment. If there is a diverse, qualified pool of internal candidates, bureaus will conduct a limited recruitment to save time and money. Staff noted that if a manager already has a candidate in mind, the manager may choose a limited recruitment to avoid misleading the public. One manager noted that the more specialized the skill set needed, the more likely a bureau is to use an open recruitment.

**Performance Measures
Indicate No Significant
Trends**

We reviewed Bureau of Human Resources records to identify positive or negative trends in the use of temporary appointments and limited recruitments. In our review of human resources literature we did not find clear benchmarks for the use of limited recruitments – both private and public sector agencies attempt to balance providing opportunities for current employees with bringing in new skills from external candidates. However, changes in the following performance measures could indicate a decrease in access to City employment for external candidates:

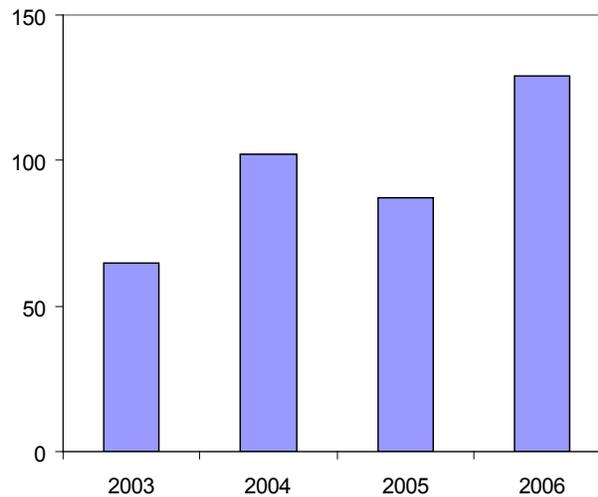
- An increase in the use of temporary appointments
- An increase in the use of limited recruitments
- Use of limited recruitments to hire temporary employees

Is the use of temporary appointments increasing?

No. While there is a short-term increase in temporary appointments, total appointments have decreased significantly from the period we reviewed in our 1993 audit.

The Bureau of Human Resources provided us with a list of temporary appointments for 2003, the first year after new rules were implemented, through 2006. The number of temporary appointments is shown in Figure 1.

Figure 1 New temporary appointments: 2003-2006



Source: Data provided by Bureau of Human Resources, June 2007

Both new temporary appointments, and temporary appointments as a percentage of the total appointments, have increased over the last four years. During 2006, new temporary appointments totaled 129, or 26 percent of all new appointments that year. Because the Bureau did not keep records prior to 2003, it is difficult to compare these numbers to past practices. However, our 1993 audit of personnel management found 258 temporary employees working at one time during 1993. This would indicate that overall use of temporary appointments has decreased from prior years. Further monitoring is necessary to determine a longer-term trend in the use of temporary appointments.

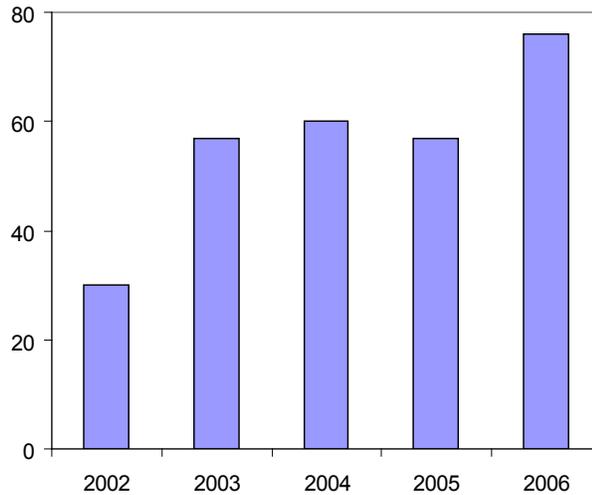
The majority of temporary appointments during the last four years were for less than one year (85 percent), with an average appointment of eight and a half months. However, there were some appointments that extended beyond two years, with one appointment approaching four years. In addition, a number of employees returned for subsequent temporary appointments after completing the initial appointment and leaving City employment.

Is the use of limited recruitments increasing?

No. As a percentage of total recruitments, limited recruitments have remained fairly stable, and have decreased from prior years.

The Bureau of Human Resources provided a list of limited recruitments from 2002 to 2006. While the number of limited recruitments rose, the total number of City recruitments rose as well. Limited recruitments as a percentage of the total recruitments remained fairly constant, and averaged 25 percent. The number of limited recruitments is shown in Figure 2.

Figure 2 Limited recruitments: 2002-2006

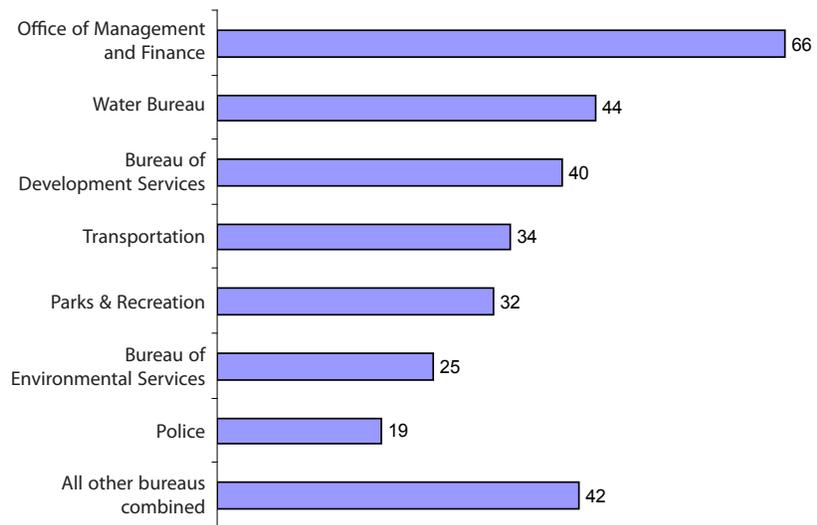


Source: Data provided by Bureau of Human Resources, June 2007

For comparison, our 1993 personnel audit found that during fiscal year 1992 to 1993, 34 percent of recruitments were limited to internal candidates. This data indicates that the use of limited recruitments has remained fairly stable over the past four years, and possibly decreased from prior years.

The use of limited recruitments varied greatly by bureau. The chart below shows the total limited recruitments for the past five years for the bureaus with the highest use.

Figure 3 Limited recruitments by bureau, 2002-2006



Source: Data provided by Bureau of Human Resources, June 2007

Are temporary employees hired to permanent positions with no open recruitment?

Yes. Nineteen percent of temporary employees in a sample were hired to permanent employment through a limited recruitment.

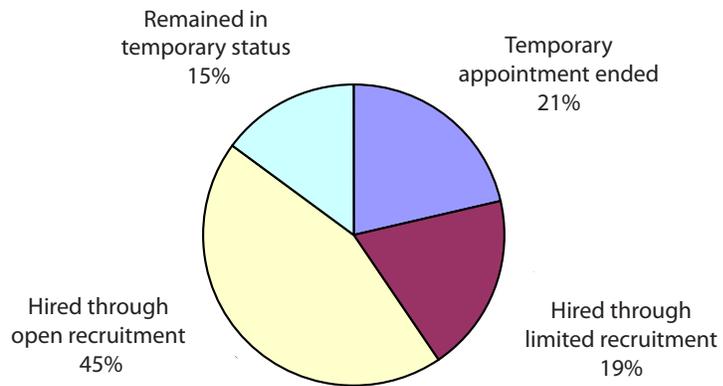
We conducted two tests to determine the extent that temporary employees are hired into permanent positions through a limited recruitment. First, we looked at a sample of temporary appointments, to determine what happened to those employees when the appointment ended. Second, we looked at a sample of limited recruitments, to determine the prior job status of the employees hired into those positions.

Temporary Appointments: We reviewed a random sample of 50 temporary appointments from 2003 to 2006. Of that sample, almost 80 percent of the temporary employees remained City employees at the time of our sample, either in temporary or permanent positions. The average time a temporary employee in the sample worked was eight

months, well within the one-year time limit established by rule. The duration of temporary appointments in the sample ranged from less than one month to over 26 months.

Nineteen percent of the employees in the sample were hired permanently through a limited recruitment that was not open to the general public. The status of each temporary appointment in the sample at the time of our survey is shown in Figure 4.

Figure 4 Status of temporary employees, sample from 2003 - 2006



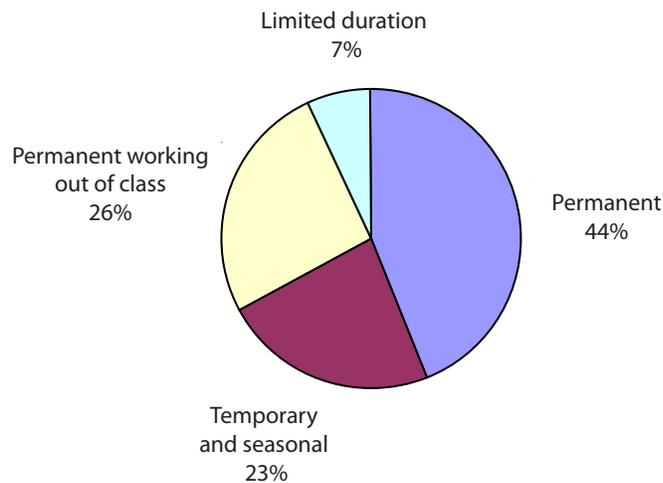
Source: Audit Services sample.

Most temporary appointments in the sample were clearly made to address an unanticipated workload. For example the then-Bureau of Licenses hired a number of temporary employees to process Multnomah County income tax receipts in 2004.

In some other cases, employees remained in temporary status through multiple extensions, or moved to different temporary assignments in other bureaus. In those cases, it is not clear why the bureau did not hire a permanent employee through an open recruitment.

Limited Recruitments: We also reviewed a random sample of 40 limited recruitments from 2003 to 2006 to determine the prior job status of employees that were hired through limited recruitments. The prior job status of employees hired through limited recruitments is shown in Figure 5.

Figure 5 Prior job status of employees hired into permanent positions through limited recruitment: 2003-2006



Source: Audit Services sample.

In 44 percent of the cases in our sample of limited recruitments, the person hired from the recruitment list was a permanent City employee. These were most often promotional hires -- for example, from a Development Services Technician I to a Development Service Technician II in the Bureau of Development Services, or Greenskeeper I to Greenskeeper II in the Bureau of Parks and Recreation.

An additional 7 percent of the people hired through a limited recruitment in our sample were limited duration employees, originally hired through an open, competitive process for a limited term project.

In 26 percent of the cases, the person hired was a permanent employee temporarily assigned to that position, working in a different job class. While these are permanent City employees, this raises the question of fairness of the limited recruitment process if the final appointee had previously been placed in that position, and was serving in the position, prior to the recruitment process.

The final 23 percent of the people hired through limited recruitments in our sample were temporary or seasonal/casual employees. These employees were not initially hired through an open, competitive process.

Are there controls in place to ensure that temporary appointments and limited recruitments are not misused?

The Bureau of Human Resources has an approval process and a temporary employment tracking system used to monitor approvals for individual appointments. They also include the number of temporary appointments in their internal fiscal year tracking reports. However, the Bureau does not formally report on the use of temporary appointments to Council, as required by the current City Charter, and does not analyze the use of temporary appointments for changes over time.

The Bureau of Human Resources does not require bureau managers to document the rationale for limiting recruitments to current City employees, and does not report on the use of limited recruitments.

Conclusions and Recommendations

The majority of new appointments to permanent City positions continue to be through open recruitments, which preserves the intent of the civil service to provide a competitive process available to all candidates. The use of temporary appointments and limited recruitments are legitimate personnel tools that give managers necessary flexibility. However, overuse of these methods has the potential to limit fair and equal access to City jobs for other members of the public.

We found that despite recent increases, the number of temporary appointments and limited recruitments is down from our previous audit in 1993. We did find temporary employees hired into permanent positions without an open recruitment process, which appears inconsistent with the existing City Charter.

Regular monitoring and reporting of key performance indicators, such as those used in this audit report, are essential to flagging potential misuse and guiding future policy development.

We recommend:

- 1. The Mayor direct the Bureau of Human Resources to develop written criteria for the use of limited recruitments, and appropriate performance measures for limited recruitments and temporary appointments.**

The Bureau should formally report the measures for limited recruitments and temporary appointments annually to City Council. This will provide an early warning system for any misuse or excessive use of temporary appointments and limited recruitments, and ensure accountability to the public.

- 2. The City Council evaluate the current practice of hiring temporary employees through limited recruitments, and either validate the current practice, or restrict limited recruitments to permanently appointed City employees.**

Restricting limited recruitments to permanently appointed City employees would ensure that all members of the public compete in an open process for permanent City employment.

RESPONSES TO THE AUDIT



Office of Mayor Tom Potter
City of Portland

MEMORANDUM

DATE: October 03, 2007

TO: Gary Blackmer, City Auditor

FROM: Tom Potter, Mayor *Tom Potter*

CC: Commissioner Adams
Commissioner Leonard
Commissioner Saltzman
Commissioner Sten

SUBJECT: Comments on Final Draft of audit of City Recruitment Process:
Monitoring needed to ensure balance of flexibility & fairness

Thank you for your review of the City's recruitment process. We appreciate the work that went into creating this report. It is extremely useful and important information that can be used as a baseline for years to come.

I have reviewed the Bureau of Human Resources' (BHR) response to the report and encourage you to work with them to discuss their issues in greater detail.

I fully support any and all efforts to increase diversity in the work place. This audit makes it clear that it is important to monitor our recruitment practices to ensure that the process is flexible and fair. I look forward to working with BHR and the Auditor's Office to monitor and continue to improve this process.



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE
Tom Potter, Mayor
Kenneth L. Rust, Chief Administrative Officer

Bureau of Human Resources
Yvonne L. Deckard, Director
1120 SW Fifth Ave., Room 404
Portland, Oregon 97204-1912
(503) 823-3572
FAX (503) 823-4156

September 24, 2007

TO: Gary Blackmer, City Auditor

FROM: Anna Kanwit, BHR Operations Manager
Yvonne L. Deckard, Director BHR

SUBJECT: Response to City Recruitment Process Audit

Thank-you for the opportunity to respond to the audit and for incorporating changes we suggested during the working draft stage. It will be very useful to have this baseline information as we continue to monitor the use of both limited recruitments and temporary hires.

We agree with the principle that the use of limited recruitments to hire temporary employees into permanent positions should be monitored on a yearly basis and that information should be compared to the baseline data gathered in the audit. BHR will be able to provide this information to the Chief Administrative Officer, to the Mayor and to Council, but we propose doing so only if asked for a report, rather than a mandated yearly report.

We do not support the recommendation that BHR develop criteria for the use of limited recruitments. The current system is working well. As found by the audit, there are legitimate reasons for using limited recruitments, and the use of such recruitments does not violate the City Charter. Delineating criteria for limited recruitments is unnecessary, given not only the small percentage of limited recruitments (25%) compared to open recruitments but also the fact that this percentage has remained constant over time. These factors demonstrate BHR is already ensuring that the majority of City jobs are open to the public.

We do not support the recommendation that City Council validate the current practice allowing temporary employees to participate in limited recruitments.¹ City Council adopted the HR Administrative Rules and those rules provide for the use of limited recruitments. We see no need for Council to adopt these rules again.

Finally, and most important, we do not support restricting limited recruitments to permanent City employees. Often, a person is doing the City a favor by accepting a temporary position to assist with a short term workload need. Why should this person then be penalized and not allowed to participate in a limited recruitment, particularly when they have already demonstrated their skills and abilities? In addition, the use of limited recruitments does not have a negative impact on the City's goal to diversify its work force. We believe the opposite may be true, as we have seen the use of limited recruitments increase diversity.

¹ The City does not have a "practice" of hiring temporary employees through limited recruitments. This statement in the audit report is somewhat misleading as the majority of temporary appointments last less than one year and most temporary employees do not become permanent City employees. Those that do are hired through both open and limited recruitments.

We Are An Equal Opportunity Employer

Please notify the City of Portland of the need for ADA accommodations no less than five (5) business days prior to any City-sponsored event by contacting the Bureau of Human Resources at 503-823-3572 or the City's TTY at 503-823-6868.

**Audit Services Division
Office of the City Auditor
1221 SW 4th Avenue, Room 310
Portland, Oregon 97204
503-823-4005
www.portlandonline.com/auditor/auditservices**

City Recruitment Process: Monitoring needed to ensure balance of flexibility and fairness

Report #356, October 2007

Audit Team Members: Kari Guy, Kristin Johnson, Ken Gavette

This report is intended to promote the best possible management of public resources. This and other audit reports produced by the Audit Services Division are available for viewing on the web at: www.portlandonline.com/auditor/auditservices. Printed copies can be obtained by contacting the Audit Services Division.

Gary Blackmer, City Auditor
Drummond Kahn, Director of Audit Services

Other recent audit reports:

Ending Homelessness: Many short-term goals met; now long-term success should be defined (#336, August 2007)

Portland Parks Facility Maintenance: Tracking, assessment and measurement have improved (#353, July 2007)

Portland Parks & Recreation Follow-up: New softball contract allows Parks to develop competitive request-for-proposals (#355, July 2007)

Strategic Sourcing: Projected savings not achieved - program poorly implemented (#349, July 2007)

