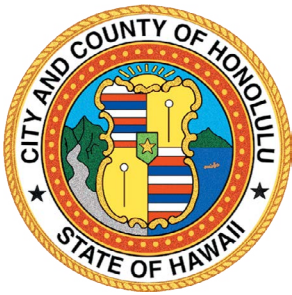**Office of the City Auditor**

**City and County of Honolulu
State of Hawai`i**

**Report to the Mayor
and the
City Council of Honolulu**

Audit of Select Management Issues Impacting the City's Ability to Effectively Hire and Sustain Its Workforce

Report No. 23-02
June 2023

Audit of Select Management Issues Impacting the City's Ability to Effectively Hire and Sustain Its Workforce

A Report to the
Mayor
and the
City Council
of Honolulu

Submitted by

THE CITY AUDITOR
CITY AND COUNTY
OF HONOLULU
STATE OF HAWAI`I

Report No. 23-02
June 2023

OFFICE OF THE CITY AUDITOR
CITY AND COUNTY OF HONOLULU

1001 KAMOKILA BOULEVARD, SUITE 216, KAPOLEI. HAWAII 96707 / PHONE: (808) 768-3134 / FAX: (808) 768-3135

ARUSHI KUMAR
CITY AUDITOR

June 29, 2023

The Honorable Tommy Waters, Chair
   and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Dear Chair Waters and Councilmembers:

Attached is a copy of our audit report, *Audit of Select Management Issues Impacting the City's Ability to Effectively Hire and Sustain Its Workforce*. This audit was conducted pursuant to Resolution 22-43, CD1, which was adopted on July 6, 2022. The resolution requested the city auditor to conduct an audit of the Department of Human Resources' selection and hiring process. The audit objectives were to:

1. Assess and examine the city's vacancy count over the five-year period from FY 2017-18 through FY 2021-22 to identify inefficiencies and potential cost savings;

2. Determine whether the Department of Human Resources met the mayor's hiring benchmarks as determined by the Bloomberg-Harvard report; and

3. Determine whether the Department of Human Resources complies with applicable civil service and collective bargaining requirements, and the impact they have on the city's hiring and retention processes.

Background

In adopting Resolution 22-43, CD1, the Honolulu City Council expressed concern about the 2,000+ vacancies that existed in the city and the need to fill them. Additionally, many of the theses vacancies have remained vacant for long periods of time, and the council received complaints from city residents about slow service from government agencies as a consequence of staff reductions and unfilled vacancies.

The Department of Human Resources (DHR) is the central personnel staff agency for the City and County of Honolulu. The department's primary purpose, as reflected in the City Charter, is to establish a comprehensive personnel management program based on merit principles and generally accepted methods governing the classification of positions and the employment, conduct, movement, and separation of public employees. DHR is responsible for building a career service designed to attract, select, and retain the best qualified civil servants on a merit basis. DHR negotiates and administers nine collective bargaining agreements covering city employees. The department also administers programs in training, safety, workers' compensation, equal employment issues, and incentives and awards.

Audit Results

One of our primary objectives was to analyze and assess the city's 2,458 vacancies to determine the actual number of position vacancies, how long positions were vacant, which positions were or were not being posted to fill, and potential cost savings from long-term vacancies. Due to unreliable and incomplete data, we were unable to perform this important analysis. More importantly, we found that DHR does not maintain sufficient data to accurately identify and report on the city's staff vacancies.

We also found that DHR and other city agencies did not meet four key hiring and processing objectives established by the mayor, but improvements were made. For example, based on the Bloomberg Harvard initiative report, the mayor established a benchmark for DHR and requesting agencies to fill a vacancy within 90 days; DHR reported that the average time to fill vacancies during our review period was 139 days. While this fell short of the benchmark, it was an improvement over the 181-day average it took the city to fill a vacancy in a prior evaluation.

In addition, we identified other risk areas to improve DHR's management of the city's vacancies. We found that the city does not have formal policies or procedures to abolish long-term, obsolete positions which may be skewing the city's vacancy rate and tying up city funds. Also, the department's reliance on four separate, stand-alone databases for managing the city's hiring and selection processes is inefficient and raises the risk of error because staff have to manually transfer data from one system to another. Finally, although we found that the state civil service system does not pose significant impacts to selection, the voting requirements for collective bargaining prevents the city from unilaterally implementing wage and benefit incentives.

The audit report makes 10 recommendations to improve the city's hiring and selection processes. Seven recommendations are directed to the Department of Human Resources, one recommendation is directed to the mayor, and two are presented to the Honolulu City Council for consideration.

The Department of Human Resources and Managing Director generally agreed with the audit findings and recommendations, with one exception. Based on the department's clarifying information, we amended the final audit report by revising one of the recommendations for the department and added recommendations to the mayor and city council. We believe the revised recommendations address the department's concerns and more appropriately assigns suggested actions based on responsibilities.

We would like to express our appreciation for the cooperation and assistance provided us by the staff and administrators from the Department of Human Resources, as well as other departmental staff we contacted during the course of this audit. We are available to meet with you and your staff to discuss this report and to provide more information. If you have any questions, please call me at Ext. 8-3134.

Sincerely,

Arushi Kumar
City Auditor

c: Rick Blangiardi, Mayor
       Michael D. Formby, Managing Director
       Krishna Jayaram, Deputy Managing Director
       Nola Miyasaki, Director, Department of Human Resources
       Andrew Kawano, Director, Department of Budget and Fiscal Services

Table of Contents

Appendix

List of Exhibits

Chapter 1
Audit of Select Management Issues Impacting the City's Ability to Effectively Hire and Sustain Its Workforce

Introduction

On July 6, 2022, the Honolulu City Council adopted Resolution 22-43, CD1, requesting the city auditor to conduct an audit of the Department of Human Resources' Selection and Hiring Process. The City Council was concerned about the 2,000+ vacancies that existed in the city and need to be filled. Additionally, many of these vacancies have remained vacant for long periods of time, and the council has received complaints from city residents about slow service from government agencies as a consequence of staff reductions and unfilled vacancies. The resolution requested that the city auditor:

1. Conduct a performance audit of the City's Department of Human Resources' selection and hiring processes; and

2. Make recommendations for the Department of Human Resources, the City Administration in general, and the Council to streamline the City's selection and hiring processes without a significant loss in the quality of applicants selected for City service and to reduce position vacancies throughout City government.

Background of the Department of Human Resources

The Department of Human Resources (DHR) is the central personnel staff agency for the City and County of Honolulu. The department's primary purpose, as reflected in the City Charter, is to establish a comprehensive personnel management program based on merit principles and generally accepted methods governing the classification of positions and the employment, conduct, movement, and separation of public employees. DHR is responsible for building a career service designed to attract, select, and retain the best qualified civil servants on a merit basis. DHR negotiates and administers nine collective bargaining agreements covering city employees. The department also administers programs in training, safety, workers' compensation, equal employment issues, and incentives and awards.

DHR organization structure

DHR organization can be seen in Exhibit 1.1. The department is organized into five divisions with Administration supervising Classification and Pay, Employment and Personnel Services, Industrial Safety and Worker's Compensation, and Labor Relations and Training.[1]

Exhibit 1.1
DHR Organizational Chart
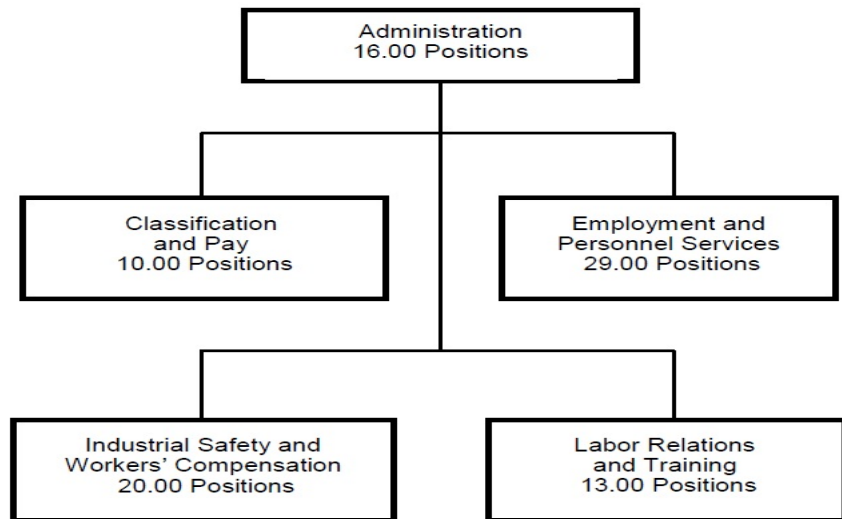
Note: This chart reflects the number of full-time equivalent positions appropriated in FY 2022

Source: Department of Budget and Fiscal Services

Classification and Pay

The Classification and Pay Division is responsible for administering the city's classification and compensation systems. The division also provides personnel management advisory assistance to departmental personnel managers and employees on a variety of classification, compensation, and organizational issues. To accomplish this, the division performs job audits and ensures positions are properly classified; establishes new classes and determines pricing levels; conducts classification and compensation studies; conducts research on classification and

---

[1] The Industrial Safety and Worker's Compensation Division is not involved in the hiring and selection processes in DHR, and therefore will not be discussed in more detail in this report.

pay matters; and conducts organizational reviews. Additionally, the division establishes compensation and classification policies, procedures, and guidelines; participates in collective bargaining wage negotiations; and develops salary adjustment recommendations for excluded managerial employees.

Exhibit 1.2
Classification and Pay Organizational Chart
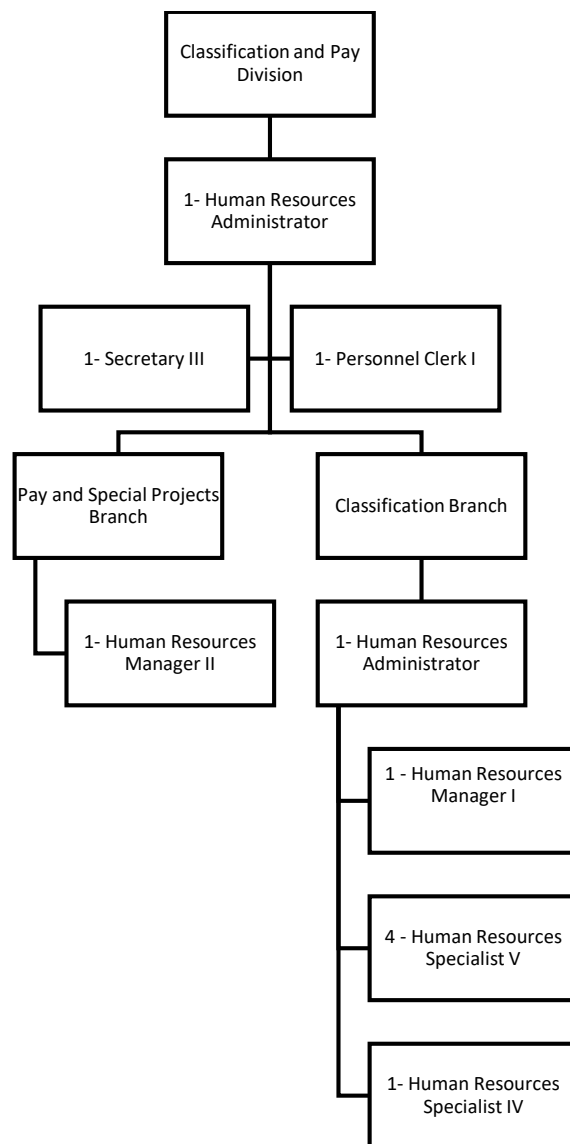
```
┌─────────────────────┐
│ Classification and Pay│
│       Division       │
└─────────────────────┘
           │
┌─────────────────────┐
│   1- Human Resources │
│     Administrator    │
└─────────────────────┘
           │
   ┌───────┴───────┐
┌──────────┐  ┌──────────────┐
│1- Secretary III│  │1- Personnel Clerk I│
└──────────┘  └──────────────┘
           │
   ┌───────┴────────┐
┌──────────────────┐  ┌──────────────────┐
│Pay and Special Projects│  │ Classification Branch│
│       Branch       │  │                  │
└──────────────────┘  └──────────────────┘
       │                      │
┌──────────────────┐  ┌──────────────────┐
│  1- Human Resources│  │  1- Human Resources│
│     Manager II     │  │     Administrator  │
└──────────────────┘  └──────────────────┘
                              │
                      ┌──────────────────┐
                      │  1 - Human Resources│
                      │      Manager I     │
                      └──────────────────┘
                      ┌──────────────────┐
                      │  4 - Human Resources│
                      │     Specialist V   │
                      └──────────────────┘
                      ┌──────────────────┐
                      │  1- Human Resources│
                      │     Specialist IV  │
                      └──────────────────┘
```

Note: This chart reflects the division staffing in FY 2019

Source: Department of Human Resources

Employment and Personnel Services

The Employment and Personnel Services Division is responsible for recruitment, examination, benefits, research, and transactions. The division recruits and examines applicants in accordance with merit principles, and advises departments and other personnel on requirements and resources to fill personnel needs. The division also provides advice on developing appropriate selection interviews, and researches, develops, and maintains economic, compensation, and related data in support of personnel activities. Additionally, the division conducts initial orientation of new employees and develops and coordinates the implementation and administration of benefits and awards programs.

Exhibit 1.3
Employment and Personnel Services Organizational Chart
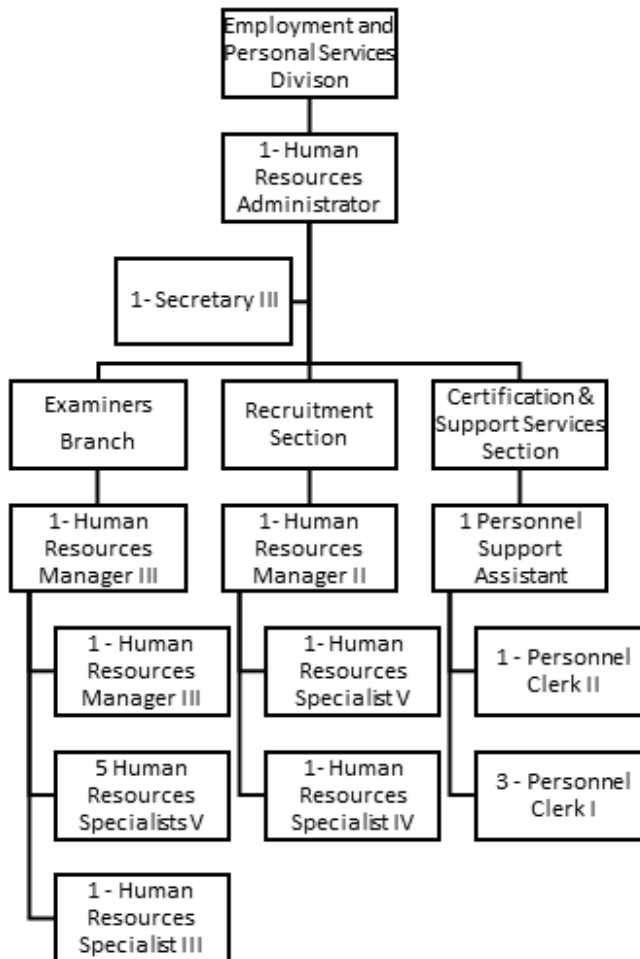
Note: This chart reflects the division staffing in FY 2019

Source: Department of Human Resources

Labor Relations and Training

The Labor Relations Branch within this division negotiates and administers nine collective bargaining agreements with four unions and provides assistance to management on employee-employer relations, contract administration, and training matters. The branch also represents the city in grievance meetings and serves as employer advocate in arbitration proceedings.

The Training Branch plans, develops, and implements personnel development and training programs to increase employee productivity; prepares employees of the City and County of Honolulu to assume broader responsibilities; and improves the efficiency, economy, and quality of public service provided by employees.

Exhibit 1.4
Labor Relations and Training Organizational Chart
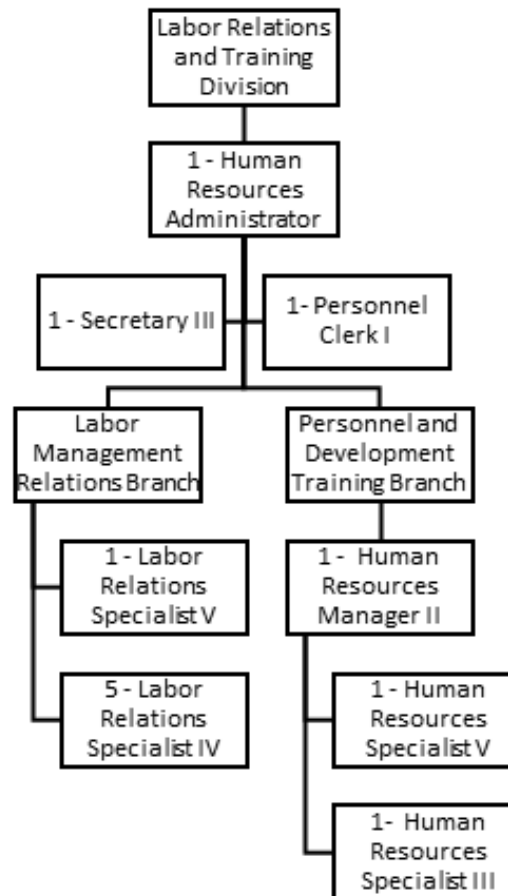
Note: This chart reflects the division staffing in FY 2019

Source: Department of Human Resources

Staffing and expenses

Staffing

For the last five fiscal years, the department has ranged from 88 to 89 employees, with 81-82 permanent employees and 7 contractual employees.

Exhibit 1.5
Department of Human Resources Staffing

	Total FTE	Permanent FTE	Contract FTE
2018	89.13	82.00	7.13
2019	88.13	81.00	7.13
2020	87.88	81.00	6.88
2021	87.88	81.00	6.88
2022	88.00	81.00	7.00

Source: Department of Budget and Fiscal Services

Expenses

Total expenses have remained consistent over the last five fiscal years, between $6,500,000 and $7,000,000. Staff salaries comprise the largest proportion of expenses, ranging from $6,128,957 to $6,467,324.

Exhibit 1.6
Department of Human Resources Expenses

	Total Expenses	Salaries	Non-Salary Expenses
2018	$6,629,553	$6,128,957	$500,596
2019	$6,906,765	$6,467,324	$439,441
2020	$6,823,002	$6,385,856	$437,146
2021	$6,697,958	$6,380,677	$317,281
2022	$6,613,438	$6,129,847	$483,591

Source: Department of Budget and Fiscal Services

City employee types

City personnel are comprised of three types of employment: civil service, exempt, and contract. Civil service makes up the majority of filled and vacant positions with over 90 percent. Exempt and contract employees make up less than 10 percent.

Exhibit 1.7
City Personnel

	Civil Service	%	Exempt	%	Contract	%	Total
Filled	8,275	92%	408	5%	319	4%	9,002
Vacant	3,121	94%	91	3%	110	3%	3,322
Total	11,396	92%	499	4%	429	3%	12,324

Source: Department of Human Resources

Civil Service

The City and County of Honolulu's civil service is based on Hawaii Revised Statutes (HRS), Chapter 76, and Revised Charter of Honolulu (RCH), Section 6-1102. These provisions establish and maintain a separately administered civil service system based on the merit principle. The merit principle is the selection of persons based on their fitness and ability for public employment and the retention of employees based on their demonstrated appropriate conduct and productive performance. It is also the purpose of this chapter to build a career service in government, free from coercive political influences, to render impartial service to the public at all times, according to the dictates of ethics and morality and in compliance with all laws.

Included Civil Service v. Excluded Civil Service Employees

Included Civil Service (CS) positions are members of a bargaining unit and receive benefits and adjustments in accordance with HRS Chapter 89. Excluded CS positions are not included in any bargaining unit and are not covered by HRS Chapter 89. By law, adjustments for excluded civil service employees result in compensation and benefit packages that are at least equal to included counterparts within the jurisdiction.

For the city, Excluded CS positions include only the following:

- individuals concerned with confidential matters affecting employee-employer relations;

- Part-time employees working less than 20 hours a week;

- Temporary employees of 3 months or less; and

- Certain employees of the Mayor's office depending on function

Exempt

Exempt positions are not part of the Civil Service system as determined by the Director of Human Resources based on Sections 6-1103 and 6-1104, Revised Charter of Honolulu. These positions are *exempt* from the requirements of selection by merit competition and from civil service status but should be fully qualified by experience and ability to perform the duties of the position or personal services. These positions include the following:

- Elected or appointed officials;

- Members of any board or commission;

- Top-level managerial and administrative personnel, including department heads, deputies or assistants to department heads, administrative officers, directors, chiefs of a state or county agency or major division, and legal counsel;

- Secretaries to top-level managerial and administrative personnel; and

- Employees of the governor, lieutenant governor, mayor, legislative staff, except county employees of the clerks' offices

Contract

Contract positions are temporary non-civil service positions offered by the City and County of Honolulu. They can either be full-time or part-time, and they can possibly be extended.

Vacancies and shortage of workers

As of July 2022, there have been reports regarding 3,000 vacancies not being filled in the City and County of Honolulu with some city departments having triple digit vacancies. The Department of Facility Management, which maintains city roads, oversees flood control systems, and repairs city buildings and equipment, has 268 openings. The Department of Environmental Services, which picks up the city's trash and handles its wastewater, has approximately 416 open slots.

Bloomberg Harvard City Leadership Initiative

In December 2021, Honolulu was one of a select group of cities to participate in the Bloomberg Harvard City Leadership Initiative.[2] The city hosted a graduate student fellow at no cost to the taxpayers to work for 10 weeks starting in June 2022. On July 29, 2022, the fellow issued a *Diagnostics Report of the City and County of Honolulu's Recruitment and Timelines and Practices*, which made several actionable recommendations. As a result of the report, the mayor established ambitious benchmarks for the city's hiring and recruitment processes. Upon review, we found that this comprehensive report addressed many of the concerns identified in city council Resolution 22-43, which the city council adopted before the Bloomberg Harvard report was issued.

Bloomberg Harvard initiative focused on the city's recruitment timelines and practices

The graduate fellow assigned to assist Honolulu focused on the city's multi-faceted and long-standing staffing challenges. Early on, it was evident that the no data-driven, comprehensive study had previously been undertaken by the city to assess the true nature of the bottlenecks impacting its civil service recruitment.

The report, which was based on empirical data analyses, made several recommendations:

- Shift from an anecdotal understanding of the source and magnitude of bottlenecks in the existing system to an empirically-grounded approach sustained by data;

- Achieve greater centralized visibility on the existing timelines involved in the city's recruitment on citywide and open competitive positions;

- Position the city to re-engineer existing processes and policies and augment head-count based on a more nuanced appreciation of the source and magnitude of the bottlenecks;

- Establish a baseline to measure future departmental performance on recruitment-related metrics; and

- Position the city to provide targeted and tailored training and head-count support to struggling departments to address their specific challenges and shortcomings.

---

[2] The Bloomberg Harvard City Leadership Initiative is a collaboration between Harvard Kennedy School, Harvard Business School, and Bloomberg Philanthropies to equip mayors and senior city officials to tackle complex challenges in their cities and improve the quality of life of their residents.

The study concluded that the city's staffing challenges have been years—if not decades—in the making and that there were unsurprisingly few *quick fixes*. The report noted that it would take a *whole-of-government* concerted effort that is sustained over time to make tangible progress. Any such effort must stay cognizant of the need to provide DHR and the Department of Budget and Fiscal Services (BFS) with the required resources, maintain a sustained focus on funding for hiring within the city's operating budget, and pursue process and policy improvements.

Mayor established ambitious, measureable benchmarks for the city's recruitment and hiring processes in response to the Bloomberg Harvard report

As a result of the Bloomberg Harvard report, the mayor established ambitious, measureable benchmarks for the first quarter of FY 2023. The benchmarks focused on key areas of the city's recruitment and hiring process. Exhibit 1.8 below details the mayor's performance benchmarks.

Exhibit 1.8
Mayor's Performance Objectives for the City's Hiring and Selection Process

The Mayor has set the following goals for departmental leadership for FY'23 Q1

Current State		Target	
181 days	→	**90 days**	

Approval to Fill			
62 days	→	**30 days** →	12 DEPT
			12 BFS
			6 DHR
Requisition to Referral			
49 days	→	**25 days**	DHR
Interview & Selection			
70 days	→	**35 days**	DEPT
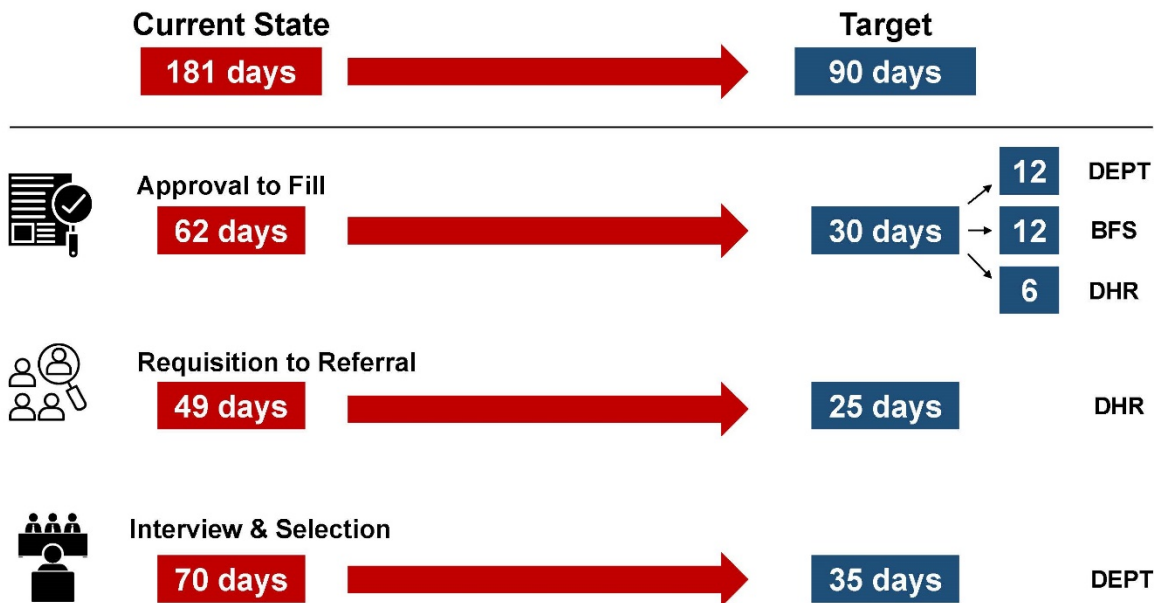
Source: Diagnostics Report of the City and County of Honolulu's Recruitment Timelines and Practices Bloomberg Harvard Initiative

Audit Objectives, Scope, and Methodology

This audit was conducted pursuant to city council Resolution 22-43, CD1, requesting the city auditor to conduct an audit of the Department of Human Resources' policies and procedures regarding the hiring and retention of city employees. We note that the Bloomberg Harvard Initiative released its report, *Diagnostics Report of the City and County of Honolulu's Recruitment Timelines and Practices,* after Resolution 22-43, CD1, was adopted. Upon our review, we found that the Bloomberg Harvard report sufficiently addressed many of the issues identified in Resolution 22-43, CD1, and provided analyses that exceeded the resolution's intent. To ensure that we did not duplicate the Bloomberg Harvard initiative and still added value to DHR, the city council, and the public, we identified other potentially high-risk areas to examine.

Our revised audit objectives were to:

1. Assess and examine the city's vacancy count over the five-year period from FY 2017-18 through FY 2021-22 to identify inefficiencies and potential cost savings;

2. Determine whether the Department of Human Resources met the mayor's hiring benchmarks as determined by the Harvard-Bloomberg report; and

3. Determine whether the Department of Human Resources complies with applicable civil service and collective bargaining requirements, and the impact they have on the city's hiring and retention processes.

This review covered the five-year period from FY 2017 to FY 2022.

To complete this audit, we reviewed applicable policies, procedures, and guidelines related to the city's hiring and selection process. We assessed internal controls, as applicable to our audit objectives. We interviewed various staff from DHR, BFS, and Department of Information Technology (DIT), and reviewed and analyzed hiring and vacancy data at DHR, BFS, and DIT. We conducted an initial data reliability test on a sample of 24 BF-130 forms. Results of this test and its impact on the audit are detailed in Chapter 2 of this report.

We also reviewed the Bloomberg Harvard Initiative report and related documents. We interviewed the Harvard Fellow that examined the city's hiring and recruitment process and drafted the *Diagnostics Report of the City and County of Honolulu's Recruitment Timelines and Practices.* The audit team reviewed documents related to DHR's progress in adopting the report's

recommendations and complying with the mayor's performance benchmarks.

In addition, we reviewed applicable laws, policies, and procedures related to the city's civil service framework. We examined collective bargaining agreements and interviewed appropriate DHR staff and union personnel, and we assessed applicable data related to civil service within the city.

This audit was performed in accordance with generally accepted government auditing standards from November 2022 through May 2023. These standards require that we plan and perform the audit to obtain sufficient and 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.

Chapter 2
We Were Unable to Conduct Meaningful Analyses of the City's Vacancies Due to Data Inconsistency and Unavailability

Prior to using data for analysis, Government Auditing Standards (GAS) requires auditors to conduct data reliability tests on computer-generated information. In accordance with these standards, we tested data on a sample of 24 forms used by the Department of Human Resources (DHR) to collect and report on employee status, including vacancies. We found that DHR data was unreliable due to inconsistency and unavailability. It took DHR nearly three months to provide sufficient data. As a result, we were unable to conduct meaningful analyses of the city's vacancy rate within the time constraints of this audit.

DHR Initially Did Not Meet Data Reliability Standards

An original objective of this audit included an examination of the DHR's records to gain an understanding of vacant positions with the City and County of Honolulu. We requested access to information which would, for example, allow us to determine the actual number of position vacancies, how long positions were vacant, which position were or were not being posted to fill, and other information that would allow us to understand and assess the current conditions pertaining to vacancies in the City and County of Honolulu.

According to GAS, Section 8.67(c), auditors can evaluate the effectiveness of information system controls to determine the reliability of computer-generated information before using the information for analysis. By assessing these controls, auditors can gather evidence about the reliability of the data. In accordance with this standard, we conducted a data reliability test on a sample of 24 BF-130 forms. The BF-130 forms, which became effective in 2008, are used by DHR and city agencies to create positions and are the basis for reporting on current vacancies. We found that the department's vacancy data did not meet reliability standards because of significant missing or erroneous data in our sample review.

We selected a random sample of 24 source documents (BF-130s) to determine if internal controls are in place to ensure that the data DHR provided is accurate. We tested a total of 14 fields for each sample. On February 7, 2023, we submitted a request to DHR to

review the 24 BF-130s in our sample review and was only able to furnish 1 sample. Staff directed the audit team to the Department of Budget and Fiscal Services (BFS) and the Department of Information Technology (DIT) to determine whether those departments had the information we were seeking. DIT was able to provide some of the data; however, most of the data was either incomplete or erroneous. Exhibit 2.1 depicts the errors noted in our sample review.

Exhibit 2.1
Sample Data Reliability Test Results on 24 BF-130 Forms, March 2023

Data Field	No. of Fields Verified	Error Rate
Department Name	6	75%
Division Name	3	88%
Position Title	6	75%
Position Number	1	96%
Bargaining Unit	4	83%
Civil Service Status	8	67%
Vacancy Date	1	96%

Source: Office of the City Auditor

Based on the high error rates, we concluded that DHR's data was unreliable and insufficient to conduct further analysis. We discussed these error rates with DHR staff who, at the time, confirmed that the department did not have complete, verifiable personnel data.

Conducting a Comprehensive Analysis of the City's Vacancies Within the Specified Timeframe Proved Unfeasible

During the course of our fieldwork, it took DHR and DIT over three months to locate certain requested documents for 22 samples out of the 24 vacancies in the review file. Exhibit 2.2 below details the timeline for our data request, which ranged from February 7, 2023 to May 11, 2023. Due to the untimely submission of the data, we did not have time to conduct our audit analyses within the time constraints for issuing this report.

Exhibit 2.2
Timeline for Receiving Personnel Data

SOURCE DOCUMENT RETRIEVEMENT TIMELINE

December 12, 2022
Requested for full universe of the City's vacancy data from the Department of Human Resources (DHR)

February 7, 2023
Selected samples from full universe and requested for the samples' corresponding sourced documents** from DHR

February 16, 2023
Referred to the Department of Budget and Fiscal Services for sourced documents**

March 9, 2023
Referred to the Department of Information Technology (DIT) for sourced documents**

March 17, 2023
Received some of the requested sourced documents** from DIT

April 10, 2023
Conducted a pre-exit conference indicating the results of the data reliability test

May 11, 2023
DHR provided relevant supporting documents we requested

**Sourced documents are documents that are used to create a position (Ex. BF-130)

Source: Office of the City Auditor

As a result, an analysis of the city's estimated 2,458 vacancies could not be conducted because DHR was initially unable to provide data in a form we could utilize. Furthermore, the data that DHR did provide was inconsistent and contained errors that rendered the data potentially unreliable. Even if complete data was received for the 2,458 vacancies, it would have been too late for us to conduct meaningful analysis given the audit's time

constraints. Based on the length of time it took for DHR to provide data for 22 position vacancies, we conclude that the department does not maintain historical personnel data that is readily available to conduct meaningful analyses nor use it to effectively manage the city's workforce.

One of the recommended goals for improving the city's hiring and selection process from the Bloomberg Harvard *Diagnostics Report of the City and County of Honolulu's Recruitment Timelines and Practices* was for the city to shift from an anecdotal understanding of the source and magnitude of bottlenecks in the existing system to an empirically-grounded approach substantiated by hard data. We agree with the report's recommendation. If the city intends to truly adopt the Bloomberg Harvard recommendation, DHR must have complete and accurate historical data in order to conduct meaningful analyses and identify areas within the hiring and selection process that need improvement.

Chapter 3
The Department of Human Resources and Other City Agencies Are Making Progress Toward Implementing the Bloomberg-Harvard Initiative Recommendations, but More Work is Needed

DHR and City Agencies Did Not Meet Four Key Hiring and Processing Objectives Established by the Mayor, but Improvements Were Made

As result of the *Bloomberg Harvard Diagnostic Report of the City's Recruitment Timelines – Baseline Analysis*, the mayor established four key hiring and processing objectives for departmental leadership for the first quarter of FY 2022-23:

1. Reduce the overall time from approval to selecting to fill a vacancy from 181 days to 90 days;

2. Reduce the time for approval to fill a vacancy from 62 days to 30 days;

3. Reduce the time from requisition to referral from 49 days to 25 days; and

4. Reduce the time from interview to selection from 70 days to 35 days.

The Department of Human Resources (DHR) and hiring agencies fell short of meeting the four ambitious hiring and selection benchmarks resulting from the Bloomberg Harvard report. However, DHR made improvements in various operational areas. As a result, processing times to select and hire personnel are trending in a positive direction.

City agencies and DHR took 139 days to fill vacancies; the mayor's objective was 90 days

From September 2022 through January 2023, the department reported that the timeframe for filling a vacancy was 139 days. The mayor's objective was to fill vacancies within 90 days. Although DHR did not meet the 90-day benchmark, the 139-day average was a 23 percent reduction in time from the 181 days it took to fill a vacancy in FY 2022, as identified in the Bloomberg-Harvard report.

The department implemented various initiatives to improve the timeframe for filling city vacancies. They include a more streamlined process within the Department of Budget and Fiscal Services (BFS) by re-routing straight fill request – those that do not have changes to vacant positions – directly to DHR after review

to confirm availability of funds. The department also hired retiree contractors in September and October 2022 to help process filling vacancies and authorized staff overtime to eliminate bottlenecks created by DHR vacancies.

City agencies and DHR took 36 days from approval to filling vacancies; the mayor's objective was 30 days

For the six-month period September 2022 through January 2023, DHR reported that it took 36 days for the approval to fill process with BFS. The mayor's objective was to reduce the approval to fill timeframe to 30 days. Although DHR did not meet the 30-day benchmark, the 36-day average was a 42 percent decrease from the 62 days it took to receive approval to fill in FY 2022, as identified in the Bloomberg-Harvard reported.

The reduction in time to approval to fill can be attributed to:

- Streamlined review process within BFS by re-routing straight fill requests directly to DHR review to confirm availability of funds;

- Position fills and reallocations directly passed from BFS Fiscal to DHR unless the hiring agency specifically requests that BFS conduct a courtesy review of the e-form; and

- A more streamlined process for position fills and reallocations as of January 2023 by focusing on key areas of class level review, legal requirements, and errors.

City agencies and DHR took 38 days from requisition to referral; the mayor's objective was 25 days

From September 2022 through January 2023, the department reported that the timeframe from position requisition to referral was 38 days. The mayor's objective was 25 days. Although DHR and city agencies did not meet the 25-day benchmark, the 38-day average was a 22 percent reduction in time from the 49 days it took to receive approval in FY 2022, as identified in the Bloomberg-Harvard report.

According to the department, DHR and city agencies made several processes improvements to improve efficiency and increase DHR capacity:

- Eliminated "related" lists (August 2022);

- Streamlined/shortened the process for "existing list" referrals (September 2022);

- Streamlined overall process between departmental sections (September/October 2022);

- Streamlined the process for screening and providing notice to applicants (September/October 2022);

- Hired DHR retiree contractors to increase capacity (September/October 2022);

- Filled DHR vacancies (September/October/November 2022); and

- Authorized staff overtime to eliminate bottlenecks created by DHR vacancies.

City agencies took 65 days to interview and select candidates; the mayor's objective was 35 days

For the six-month time period of September 2022 through January 2023, the department reported that the timeframe from interview to selection of candidates was 65 days. The mayor's objective was 35 days. The 65-day turnaround time represented a 7 percent decline from the 70 days it took hiring agencies to interview and select a candidate in FY 2022, as identified in the Bloomberg-Harvard report. Unlike other process objectives, the requesting agencies, not DHR, are responsible for the timeframe from interview to selection.

According to DHR, the modest decline in the processing timeframe can be attributed to the following continued challenges facing hiring agencies:

- Departments are experiencing more volume in the interview and selection process, which adversely impacts timeliness;

- Numerous vacancies and new staff hires at the departments' administrative level require additional training and are roadblocks to expedited hiring; and

- Department Administrative Service Officers are required to work on annual budget deadlines and meetings, which take time away from hiring responsibilities.

Although DHR's and other city agencies' hiring processes missed the mayor's objectives, initial performance results are trending in the right direction. DHR implemented several initiatives to streamline processes and filled its own staff vacancies, which are aligned with the recommendations in the Bloomberg-Harvard report. The department should continue to re-evaluate

its processes and maintain the progress made over the last year. Furthermore, the mayor's performance benchmarks were limited to the first quarter of the fiscal year. DHR should consider permanently adopting these, or other appropriate benchmarks, going forward.

Progress Was Made in Implementing Key Recommendations from the Bloomberg-Harvard Initiative

In response to the Bloomberg-Harvard report recommendations, DHR established data-driven dashboards, began re-engineering the hiring and selection process, and offered training to administrative services officer staff. As a result, the department is making progress toward adopting the reports initiatives and improving the city's hiring and selection processes.

The department established data-driven dashboards to improve process management

The Bloomberg Harvard report recommended that the city shift from an anecdotal understanding of the source and magnitude of bottlenecks in the existing system to an empirically-grounded approach substantiated by hard data. The report also tasked the city to achieve greater centralized visibility on the existing timelines involved in the city's recruitment on city-wide and open competitive positions. We found that the city addressed these recommendations by establishing dashboards that provide timely performance data for staffing processes and operations. We believe these dashboards contributed to improvements in meeting the mayor's benchmarks noted earlier in this chapter.

DHR coordinated with BFS and the Department of Information Technology to design a platform that promotes transparency and visibility into the processes identified in the report; enables automation for the collection, analysis and reporting on recruitment-related metrics; and provides visibility for leadership into the city's performance on recruitment metrics in an easy-to-use and intuitive way.
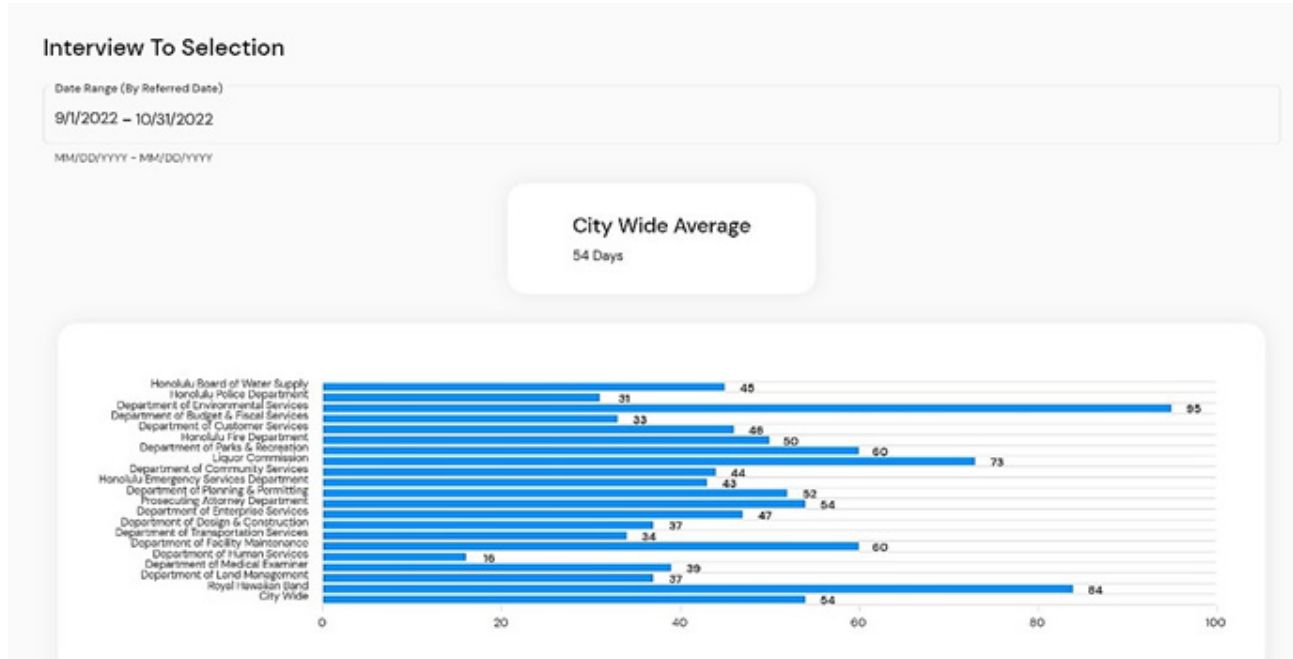
Exhibits 3.1 to 3.3 below are screenshot views that depict the types of dashboards and data available to operational staff. The Hiring Dashboard is an application housed in the city's Cityspace landing page (cityspace.cchnl.all-apps/):

Exhibit 3.1
Fill Average by Type
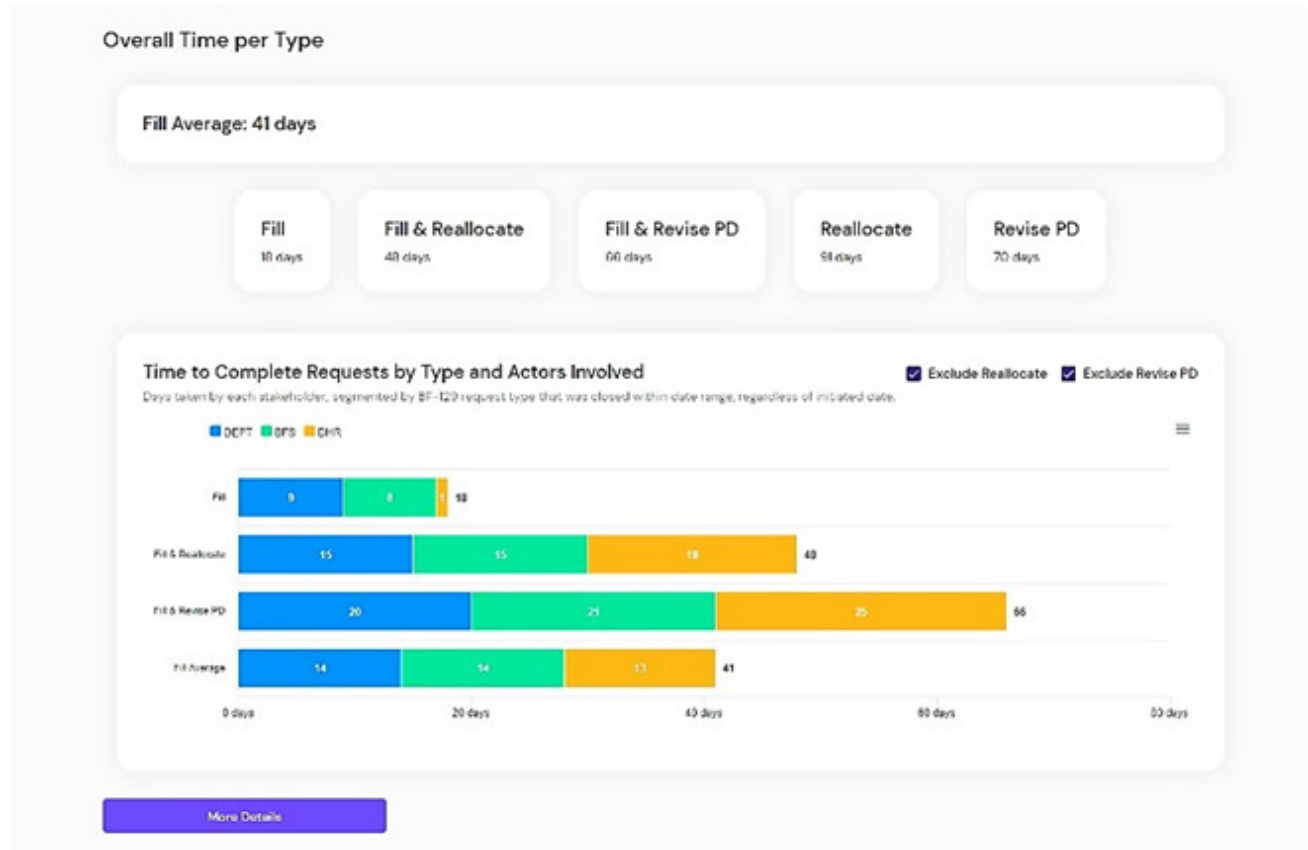
Source: Department of Human Resources

Exhibit 3.2
Interview to Selection: City-wide Average

Interview To Selection

Date Range (By Referred Date)

9/1/2022 – 10/31/2022

MM/DD/YYYY – MM/DD/YYYY

City Wide Average
54 Days

Department	Days
Honolulu Board of Water Supply	45
Honolulu Police Department	31
Department of Environmental Services	95
Department of Budget & Fiscal Services	33
Department of Customer Services	48
Honolulu Fire Department	50
Department of Parks & Recreation	60
Liquor Commission	73
Department of Community Services	44
Honolulu Emergency Services Department	43
Department of Planning & Permitting	52
Prosecuting Attorney Department	54
Department of Enterprise Services	47
Department of Design & Construction	37
Department of Transportation Services	34
Department of Facility Maintenance	60
Department of Human Services	16
Department of Medical Examiner	39
Department of Land Management	37
Royal Hawaiian Band	84
City Wide	54

Source: Department of Human Resources

Exhibit 3.3
Requisition to Referral: City-wide Average
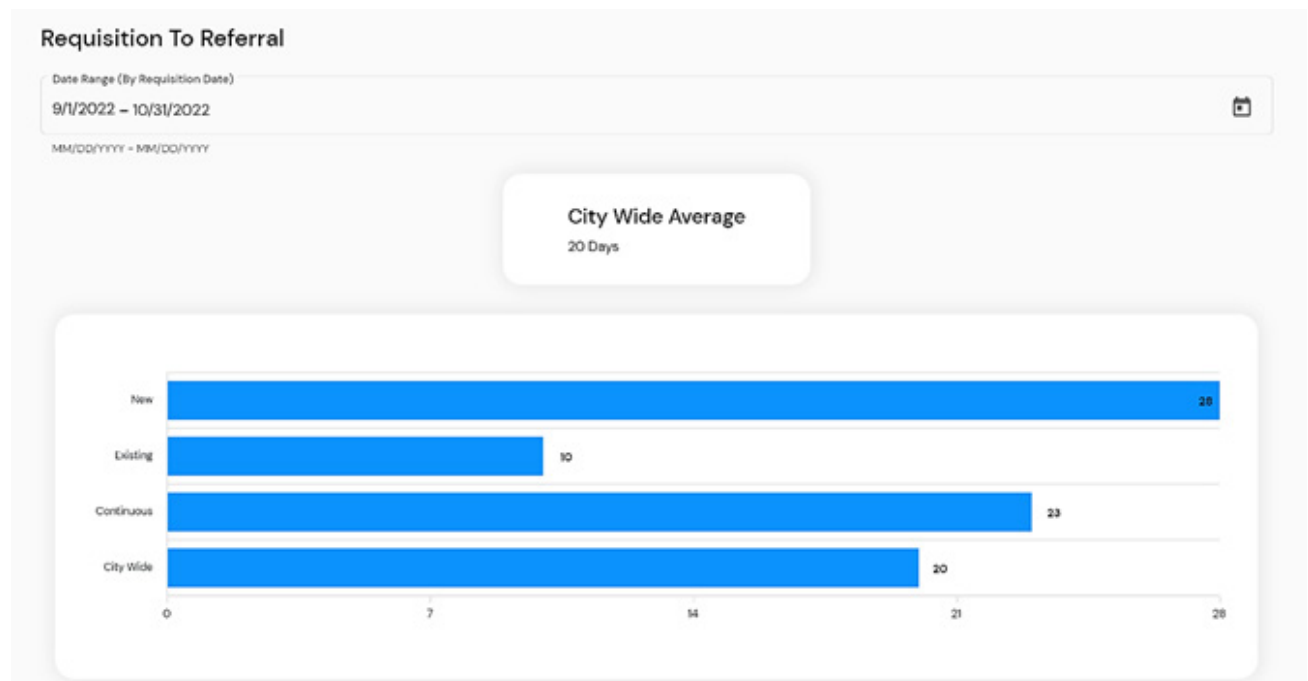
Source: Department of Human Resources

While we acknowledge the department's efforts to establish these dashboards, we caution that DHR needs to create an accurate and timely database for personnel data as noted in Chapter 2 of this report. If these dashboards use flawed data for its input, then managers and decision-makers would be relying on unreliable data.

The department is in the process of re-engineering hiring and selection processes

Another recommendation from the Bloomberg-Harvard report was for the city to re-engineer existing processes and policies and hire staff based on a more nuanced appreciation of the source and magnitude of the bottlenecks. We found that the department implemented several initiatives to re-engineer the hiring and selection processes. We believe these initiatives contributed to improvements in meeting the mayor's benchmarks noted earlier in this chapter. However, if the department intends to meet or exceed the mayor's performance benchmarks, it will need to monitor performance data and make further improvements.

Some of the re-engineering initiatives include:

- A streamlined review of BF129 Request to Fill, Request to Fill and Revise Position Descriptions and Request to Fill & Reallocate that focuses on meeting class level concepts, legal requirements, and on issues that may negatively impact employees;

- Only select positions are posted in Sunday newspaper;

- Streamlined application preparation, including simplified and shortened supplemental questions; and

- Elimination of unnecessary step requiring recruitment approval prior to sending out certified eligibility list to departments after examinations completes screening for minimum qualification requirements.

The department has implemented some training for departmental staff, but more could be done

The Bloomberg-Harvard report recommended that the city provide targeted and tailored training and head count support to struggling departments to address their specific challenges and shortcomings. We found that DHR provided one relevant training program in the Fall of 2022.

The Administrative Services Officer Academy was designed for all new and existing Administrative Services Officers (ASO). The newly created ASO Academy provided a wide-range of sessions to address topics such as payroll, benefits, budget, recruiting and hiring, disciplinary action and legal matters. Topics relevant to selection and hiring processes include:

- Writing position descriptions;

- Examination Process Overview;

- Filling Vacancies and Recruitment Processes and NeoGov; and

- Personnel Transaction, Hiring Personal Services Contracts, and Dates on Employees' Personnel Records.

While this training course is a good start, we encourage the department to continue to develop and provide more specific training regarding hiring, selection, position creation, position abolishment, how to read and use personnel dashboard data, and meeting the mayor's performance benchmarks.

Chapter 4

The Department of Human Resources' Efficiency in Managing the City's Workforce is Hampered by Civil Service Requirements, the Use of Four Separate Databases, and a Lack of Formal Processes for Abolishing Unnecessary Positions

While the civil service is necessary for the City and County of Honolulu, the collective bargaining unit agreements can adversely impact the city's ability to effectively hire key positions. The City and County of Honolulu is just one of several employers in these bargaining unit agreements, which create salary ranges for each classification. These salary ranges impact Honolulu's ability to negotiate salary for key positions. Furthermore, the State of Hawai'i has the advantage because they will always have the same number of votes equaling the rest of the employers combined, and in some bargaining unit agreements, the state automatically has the marjority. Also, the use of four separate databases in the hiring process is cumbersome for the department, and the lack of a formal process for abolishing unnecessary positions impacts the city's ability to have a right size government.

The City Cannot Unilaterally Respond to Changing Labor Conditions Due to Civil Service Voting Requirements

The public employer collective bargaining law set forth in Chapter 89, HRS, in conjunction with the Civil Service laws set forth in Chapter 76, HRS, and City Charter Sections 6-1103 and 6-1104 complicate the City and County of Honolulu's ability to hire key positions. These statutes, along with related constitutional and regulatory provisions, inform and define the recruitment and hiring processes that the City must follow to ensure compliance.

When negotiating with collective bargaining units, the City and County of Honolulu is only one of several employer groups with a vote to approve agreements. With the exception of the State of Hawaii, each employer, i.e. the City and County of Honolulu, has one vote. The State of Hawai'i will always at least have the same number of votes equaling the rest of the employers combined, and in some bargaining unit agreements, the state automatically has the majority. This hinders the city's ability to quickly, and unilaterally, offer salary or benefit adjustments for key civil service positions in order to compete with the private sector and fill city vacancies.

The Civil Service has been a hallmark for employment in the City and County of Honolulu by ensuring merit based hiring and growth from within. When an employee enters into the civil service, they can choose to be represented by a union. There are four unions in the City and County of Honolulu: the Hawai'i Government Employees Association (HGEA), the United Public Workers (UPW) of Hawai'i, the State of Hawai'i Police Organization (SHOPO), and the Honolulu Firefighters Association. Within these four unions, there are nine bargaining unit agreements that are separate based on job classification.

15 bargaining units

There are 15 bargaining units in the State of Hawai'i with nine bargaining units involved in the City and County of Honolulu.

Exhibit 4.1
Bargaining Units

Bargaining Unit	Description	Union	Members
Unit 1	Blue-Collar, Non-Supervisory	UPW Hawaii	1,818
Unit 2	Blue-Collar Supervisory	HGEA	190
Unit 3	White-Collar, Non-Supervisory	HGEA	1356
Unit 4	White-Collar, Supervisory	HGEA	122
Unit 10	Institutional, Health, and Correctional Workers	UPW Hawaii	266
Unit 11	Firefighters	IAFF	1,020
Unit 12	Police	SHOPO	1,850
Unit 13	Professional and Scientific Employees	HGEA	1,049
Unit 15	Ocean Safety and Water Safety Officers	HGEA	209

Source: Department of Human Resources

Each bargaining unit agreement includes multiple employers in addition to the City and County of Honolulu. These employers can include the State of Hawaii, Judiciary, Hawaii Health Systems Corporation, and other county governments.

When it comes to bargaining unit negotiations, the state has the position of authority. Regardless of the number of employees the state has in the bargaining unit, which can even be zero, the state will always have the advantage when it comes to the employer side of the bargaining unit negotiations.

Exhibit 4.2
Bargaining Unit Votes

Bargaining Unit	Employers	State Votes	Employer Groups	Total Votes
Unit 1	State of Hawai'i; Judiciary; Hawai'i Health Systems Corporation; Honolulu County; Maui County; Kauai County; Hawai'i County	6 votes	1 vote each	12 votes
Unit 2	State of Hawai'i; Judiciary; Hawai'i Health Systems Corporation; Honolulu County; Maui County; Kauai County; Hawai'i County	6 votes	1 vote each	12 votes
Unit 3	State of Hawai'i; Judiciary; Hawai'i Health Systems Corporation; Honolulu County; Maui County; Kauai County; Hawai'i County	6 votes	1 vote each	12 votes
Unit 4	State of Hawai'i; Judiciary; Hawai'i Health Systems Corporation; Honolulu County; Maui County; Kauai County; Hawai'i County	6 votes	1 vote each	12 votes
Unit 10	State of Hawai'i; Judiciary; Hawai'i Health Systems Corporation; Honolulu County	6 votes	1 vote each	9 votes
Unit 11	State of Hawai'i; Honolulu County; Hawai'i County; Maui County; Kauai County	4 votes	1 vote each	8 votes
Unit 12	State of Hawai'i; Honolulu County; Hawai'i County; Maui County; Kauai County	4 votes	1 vote each	8 votes
Unit 13	State of Hawai'i; Judiciary; Hawai'i Health Systems Corporation; Honolulu County; Maui County; Kauai County; Hawai'i County	6 votes	1 vote each	12 votes
Unit 15	State of Hawai'i; Honolulu County; Hawai'i County; Kauai County; Maui County	6 votes	1 vote each	10 votes

Source: Department of Human Resources

These bargaining unit agreements detail the various duties, benefits to employees, and personnel processes. In addition, the bargaining unit will create salary ranges for each classification. It is these bargaining unit agreements that can hinder the City and

County of Honolulu's ability to offer alternative compensation or benefits in order to fill key vacant positions.

Civil service salaries are lower than those in the private sector and the city cannot offer competitively high salaries or benefits

We examined three classifications which have shortages in the city. These classifications are civil engineers, metropolitan police recruit, and clerk typist. After our review, we determined these shortages are primarily impacted by the salary offered.

Currently, the City and County of Honolulu has a shortage of civil engineers, especially at the higher levels. To alleviate that shortage, DHR has offered a shortage differential, which can boost the salary of a civil engineer. However, differential payments are generally temporary in nature and do not provide a sustained higher salary commensurate with the private sector.

Exhibit 4.3
Civil Engineers

Classification	Salary Range	Vacancies
Civil Engineer I	$51,444 - $60,228 Annually	3 Vacancies
Civil Engineer III	$59,820 - $70,320 Annually	5 Vacancies
Civil Engineer IV	$76,212 - $83,508 Annually	4 Vacancies
Civil Engineer V	$82,308 - $90,252 Annually	14 Vacancies

Source: Department of Human Resources

Civil engineers can make significantly more in the private sector than the public sector. For entry level, the average salary for a civil engineer is $77,101, generally ranging between $64,801 and $91,929. The lowest annual salary the private sector offers for entry level engineers exceeds the highest amount offered by the City and County of Honolulu by almost $5,000. This difference continues to get worse as the civil engineer gains experience Overall, the salary range for a private civil engineer is from $70,396 to $186,700. The highest amount the City and County of Honolulu can offer is $90,252.

The Honolulu Police Department (HPD) also has a shortage of police officers, an issue that has been around for multiple years. In 2018, HPD had 246 vacancies, and currently the department is short by 360 uniform officers. In early 2019, the City of Seattle decided to recruit police officers from Honolulu by offering *lateral* exams in Honolulu for new applicants and veteran officers. Furthermore, the Seattle Police Department can offer better salaries and more frequent raises. At the time, the starting salary

for a police officer in Honolulu was $65,592 per year, compared to $81,444 for a newly sworn officer in Seattle. For veteran officers, the pay gap became even larger. Police officers with more than four years of experience in Seattle made $110,000 in base pay. In Honolulu, an officer with five years' experience makes a base pay of $68,000. Currently, annual applications to become a police officer have decreased from a high of around 6,000 to the high 2,000s, with the department hiring about 100 a year.

Finally, a clerk typist performs a range of clerical work in preparing, processing, and filing forms, records, and similar materials in accordance with general instructions and procedures. During our audit fieldwork, we found 12 vacancies for the position of clerk typist in the city:

- Five vacancies with the Department of the Prosecuting Attorney;

- Three vacancies with the Department of Environmental Services, one vacancy in the Environmental Quality Division and two vacancies in the Wastewater Treatment and Disposal Division; and

- One vacancy in each of the following:

    o   Department of Facility Maintenance, Automotive Equipment Service Division;

    o   Department of the Corporation Counsel, Counseling and Drafting Division;

    o   Department of Community Services, Community Assistance Division; and

    o   Department of Information Technology.

The salary for a clerk typist begins at $2,863.00 monthly, or an hourly wage of $16.52. DHR has stated that the low salary prevents them from hiring more clerk typists.

In our review, we found that civil service requirements do not directly impact the city's hiring and selection processes. However, they do impact the city's ability to be competitive and quickly respond to changes in the labor market. In our assessment, we found that even if the city had the resources and capacity to offer more competitive salaries and benefits, it could not do so unilaterally and could only negotiate such terms during collective bargaining. In other words, the city is unable to quickly pivot

and offer enhanced compensation packages to prospective employee candidates and compete with the private sector and a quickly-changing labor market. As a result, the city remains at a disadvantage when competing with the private sector or other jurisdictions and will faces challenges to fill ongoing vacancies.

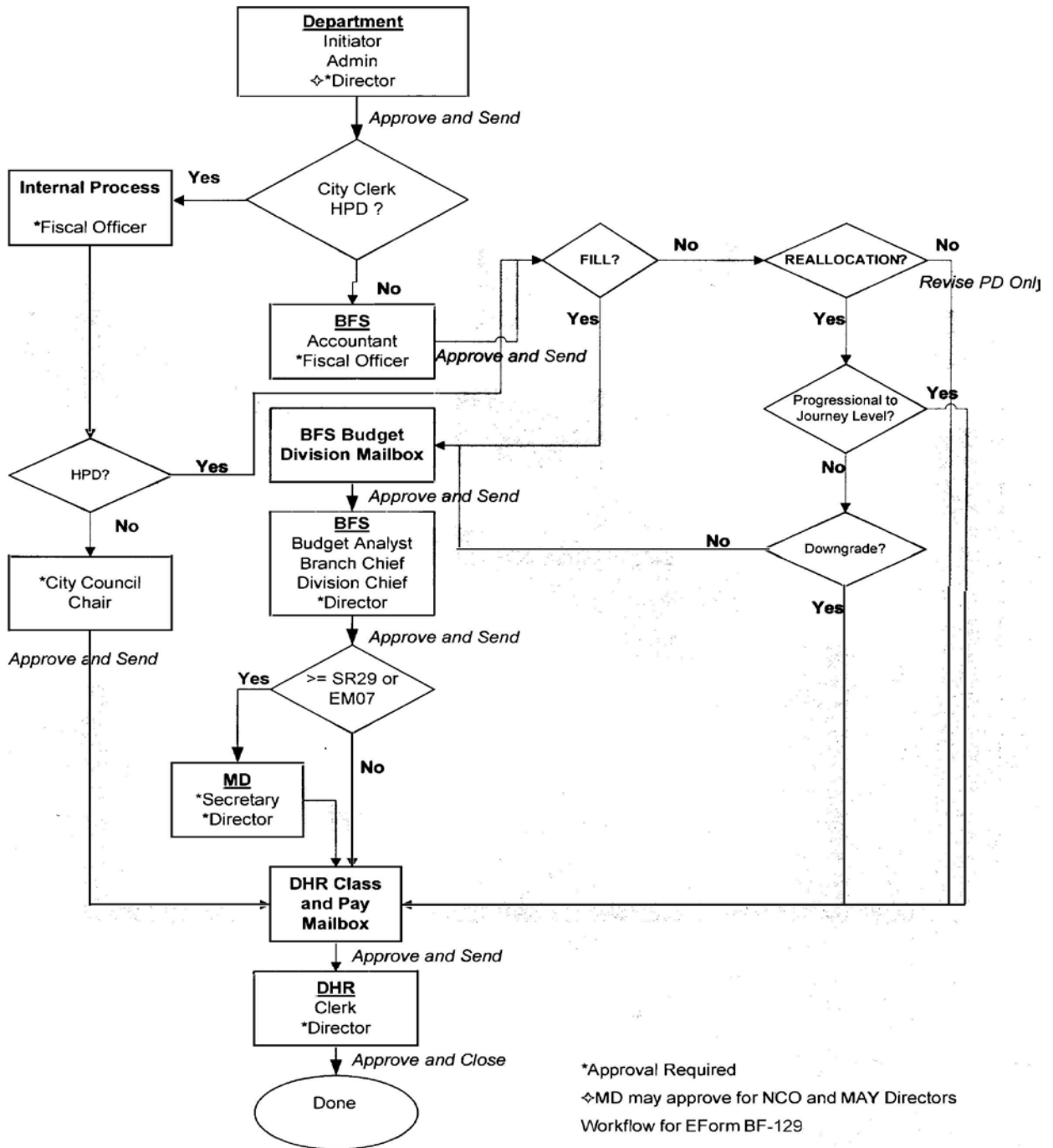## DHR's Use of Four Separate, Unlinked Databases Contributes to Inefficiencies

When it comes to the hiring, onboarding, and separation of city personnel, DHR uses four stand-alone, unlinked database systems. These systems are eFORMS, NEOGOV, FileMaker System, and AdvHRM. The FileMaker Systems is used solely by DHR, while other city departments also use eFORMS, NEOGOV, and AdvHRM.

According to DHR staff, using four databases is cumbersome. When a position needs to be filled, a department will first use the eFORMS database and send a BF-129 form to the Department of Budget and Fistcal Services (BFS). However, if the BF-129 originates from HPD or the City Clerk, it first goes through an internal process where the fiscal officer determines if it was sent by HPD or the City Clerk. If it was sent by HPD, it will then be sent to BFS. If it was sent by the City Clerk, it will be sent to the City Council Chair for approval.

When BFS receives the BF-129, it goes through several review steps depending on the classification. Once BFS approves the request, it is transmitted to DHR. See Exhibit 4.4 for the process flowchart.

Exhibit 4.4
Request to Fill/Reallocate Position - BF129

Request to Fill / Reallocate Postion - BF129

Department
Initiator
Admin
◇*Director

Approve and Send

City Clerk HPD ?

Internal Process
*Fiscal Officer — Yes

No

BFS
Accountant
*Fiscal Officer — *Approve and Send*

FILL? — No → REALLOCATION? — No → *Revise PD Only*

Yes   Yes

Progressional to Journey Level? — Yes

No

BFS Budget Division Mailbox

HPD? — Yes

No → **BFS**
Budget Analyst
Branch Chief
Division Chief
*Director

Downgrade? — No

Yes

City Council Chair

Approve and Send

Approve and Send

>= SR29 or EM07 — Yes

No

MD
*Secretary
*Director

DHR Class and Pay Mailbox

Approve and Send

DHR
Clerk
*Director

Approve and Close

Done

*Approval Required
◇MD may approve for NCO and MAY Directors
Workflow for EForm BF-129

Source: Department of Human Resources

31

Once DHR receives a BF-129, the NEOGOV database is used. NEOGOV is a software platform used by the public sector to recruit, develop, and manage employees. DHR will submit job announcements to be posted in NEOGOV. In addition, the open recruitment will appear on the city's public job website.

The NEOGOV website allows some customizations (e.g. picture and a text area) within certain layout and formatting restrictions, which DHR manages. Applications received through NEOGOV are screened by DHR for minimum qualification requirements, and the qualified candidates are then referred securely through the NEOGOV system to the hiring department to contact candidates for interview. Departments are able to internally manage their own requests to hire once they receive the referred list, and they also are responsible for submitting reports of action on the recruitment on NEOGOV for the records.

The use of NEOGOV is just part of a complex hiring process involving multiple databases. It comes when the department wants to submit a request for names.

DHR Does Not Have a Formal Process to Abolish Positions, Which May Skew Actual Vacancy Counts

When it comes to abolishing a classification, there are no formal policy documents. Abolishing a classification is solely between the departments and BFS. As the appointing authorities, individual departments are responsible for reviewing and assessing the need for a position and for submitting a memo to the Mayor via BFS to request approval to abolish positions. DHR's role, via the Classification and Pay Division, is to record the abolishment of positions in the AdvHRM system. However, by not having a formal process for abolishing a classification, it keeps classifications on the books with a potential to skew vacancies

For example, the city is starting to use smart meters for parking. As a result, staff whose duties used to include patrolling the meters are being phased out. The union is fighting for them to keep their classification, so DHR has to keep the classification until all related staff retire. This skews the vacancy rate, as there is no intent to fill these positions.

Conversely, there is a formal process of creating and filling a classification. If a departments need to create a classification, the department will complete the BF-130, Request to Create and Fill New Classification, and attach the position description. This will first be sent to the BFS to review if the necessary funds are present. When it is approved by BFS, the form will be sent to DHR. DHR will take action, as directed by the BFS director, and provide

notification on the completed action to the requesting department, BFS, managing director, and mayor. DHR will also provide a monthly report on the creation or abolishment of positions to the council. See Exhbit 4.5 for the request to create and fill new positions process.

Exhibit 4.5
Request to Create and Fill New Position - BF130

Request to Create and Fill New Position - BF130
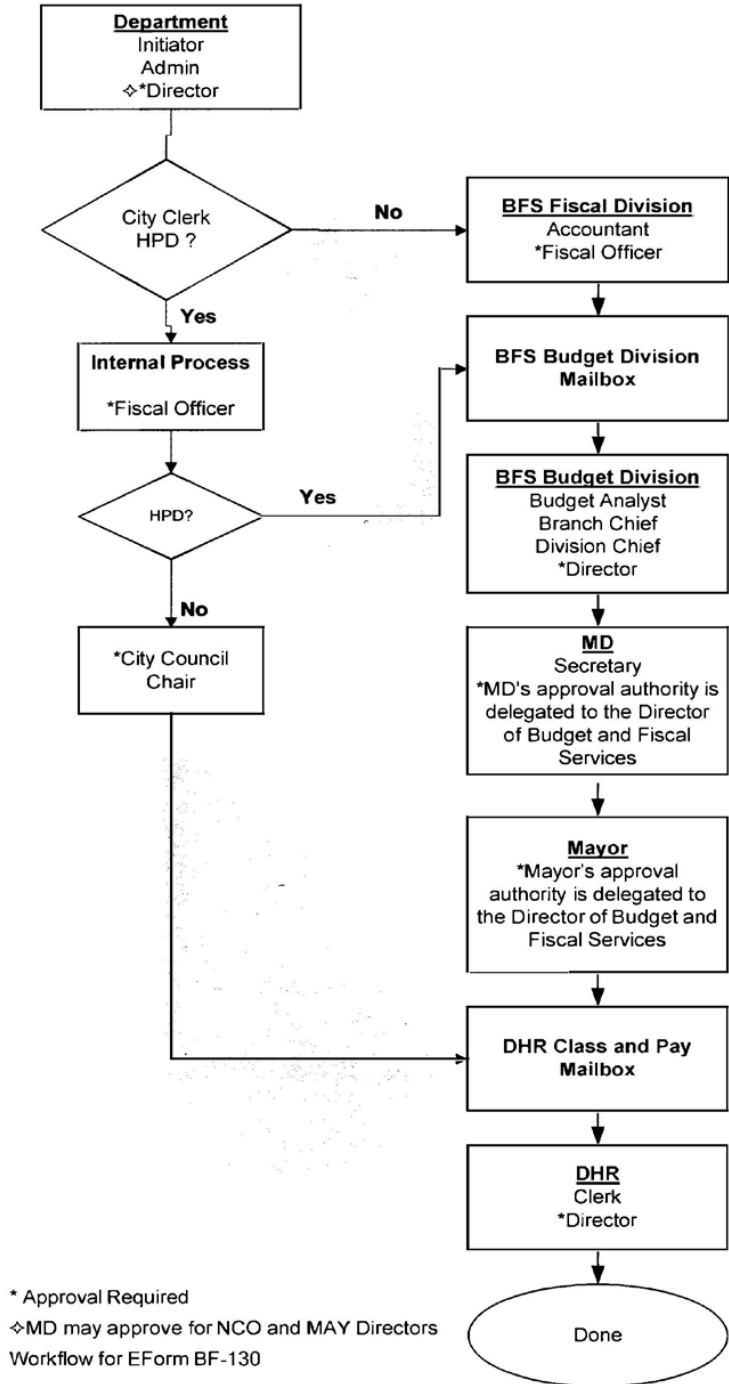
Source: Department of Human Resources

While there is a sufficient and formal process to create and fill positions, there is no process to abolish older, obsolete positions that will not be filled in the foreseeable future. A formal process to abolish unneeded positions and periodic review of long-term vacant positions would help right-size government and portray a more accurate vacancy rate for the city.

As part of our audit work, we had intended to analyze long-term vacancies and identify positions that may no longer be necessary. However, we were unable to conduct this task due to the lack of usable, historical personnel data. We would encourage DHR to assemble an accurate, historical database of personnel actions so that it can analyze, monitor, and identify obsolete vacant positions.

This page intentionally left blank.

Chapter 5
Conclusion and Recommendations

Conclusion

When the city council adopted Resolution 22-43, CD1, Directing the City Auditor to *Conduct a Performance Audit of the Department of Human Resources' Selection and Hiring Processes* in July 2022, the Bloomberg Harvard report on the city's recruitment timelines and practices had not yet been published. Once it was published in August, we found that the comprehensive report addressed many of the concerns identified in Resolution 22-43, CD1. An audit in accordance with the resolution would have likely reported similar findings to the Bloomberg Harvard report.

To ensure that we did not duplicate the effort of the Bloomberg Harvard report and still provided value to the city council and taxpayers, we conducted a risk assessment to identify other areas within the city's hiring and selection process that could be improved. One of our primary objectives was to analyze and assess the city's 2,458 vacancies to determine the actual number of position vacancies, how long positions were vacant, which position were or were not being posted to fill, and potential cost savings from long-term vacancies. Due to unreliable and incomplete data, we were unable to perform this important analysis. In our opinion, the Department of Human Resources (DHR) should prioritize establishing an accurate, historical personnel database in order to effectively manage the city's personnel requirements, including vacancies. Even the Bloomberg Harvard report suggested that the city should shift from an anecdotal understanding of the source and magnitude of bottlenecks in the existing system to an empirically-grounded approach substantiated by hard data.

In addition, we identified other risk areas to improve DHR's management of the city's vacancies. The mayor should establish a formal policy to eliminate long-term, obsolete positions which may be skewing the city's vacancy rate and tying up city funds. The department should establish a formal process for city agencies to abolish vacanies when they are warranted. To ensure transparency and accountability, the Honolulu City Council should adopt a resolution requesting the department to produce an annual report of long-term vacancies and other important information needed for stakeholders to effectively manage the city's workforce. The department's reliance on four separate, stand-alone databases for managing the city's workflow processes is inefficient and raises the risk of error because staff have to manually transfer data from one system to another. Finally,

although we found that the state civil service system does not pose significant impacts to hiring or selection, the voting requirements for collective bargaining prevents the city from unilaterally implementing wage and benefit incentives. As a result, the city cannot quickly respond to competing labor market forces. This can adversely affect the city's ability to fill competitive, hard-to-fill positions.

Sustaining thousands of staff vacancies would set off alarm bells for any organization. It is little wonder that the city council expressed concerns over the 2,000+ vacancies that were identified during our audit review. However, we question the validity of those numbers, the fiscal impact it may have on the city's finances, and the ability for city agencies to fill key staff positions and serve the people of the City and County of Honolulu. We believe that if DHR, the mayor, and the city council adopt this report's recommendations, it will go a long way toward right-sizing the city's workforce, save on personnel costs, and allow the city to compete with other jurisdictions for qualified candidates to fill key staff positions.

Recommendations

The Department of Human Resources should:

1. Establish an accurate, historical database of personnel action for all city positions so that it can analyze, monitor, and identify obsolete vacant positions;

2. Adopt the mayor's performance benchmarks permanently, or establish more appropriate benchmarks;

3. Formally monitor, evaluate, and amend selection and hiring processes to meet applicable performance benchmarks;

4. Implement all phases for re-engineering the hiring and selection processes;

5. Coordinate with the Department of Information Technology to identify ways to reduce or consolidate the number of database systems needed to complete its duties;

6. Establish a formal process for abolishing positions;

7. Offer specific training to Administrative Services Officers and other pertinent staff for hiring, selection, position creation, position abolishment, how to read and use personnel

dashboard data, and meeting the mayor's or other appropriate performance benchmarks; and

The mayor should:

8. Establish a formal policy for eliminating vacant positions;

The city council should:

9. Consider adopting a resolution to request that DHR submit an annual report to include long-term vacancies (e.g. 3-5 years; 5.1-7 years; 7.1+ years) and other pertinent attributes; and

10. Consider adopting a resolution to request that the state legislature revisit Chapter 76 voting requirements to allow employee groups more authority to offer alternative salary and benefit packages for hard-to-fill positions.

Management Response

In response to a draft of this audit report, the Department of Human Resources and managing director expressed general agreement with the draft report's findings and recommendations and offered clarifying information about the city's workforce and vacancies. Additionally, the department disagreed with one of the recommendations. We acknowledge the department's concerns and amended the report's recommendation.

In the draft report, we recommended that DHR create formal guidelines for abolishing positions. The department's response emphasized that the authority to create and/or abolish positions rests with the mayor in consultation with city departments, and not DHR. Rather, DHR's role, via the Classification & Pay Division, is to record the abolishment of positions in the AdvHRM system. In recognizing the distinct roles and responsibilities of various city entities that contribute to managing the city's vacancies, we amended the report by assigning a revised recommendation to the department, and additional recommendations for the mayor and city council. We also made techincal, non-substantive amendments for the purposes of clarity and style. A copy of management's full response can be found on page 40.

DEPARTMENT OF HUMAN RESOURCES

CITY AND COUNTY OF HONOLULU

650 SOUTH KING STREET, 10TH FLOOR • HONOLULU, HAWAII 96813
TELEPHONE: (808) 768-8500 • FAX: (808) 768-5563 • INTERNET: www.honolulu.gov/hr

RICK BLANGIARDI
MAYOR

NOLA N. MIYASAKI
DIRECTOR

FLORENCIO C. BAGUIO, JR.
ASSISTANT DIRECTOR

June 27, 2023

MEMORANDUM

TO: Arushi Kumar, City Auditor
        Office of the City Auditor

FROM: Nola N. Miyasaki, Director
        Department of Human Resources

Nola N. Miyasaki
Digitally signed by
Miyasaki, Nola
Date: 2023.06.27
10:02:13 -10'00'

SUBJECT: Response to Audit of Select Management Issues Impacting the City's
         Ability to Effectively Hire and Sustain Its Workforce

This is the Administration's response to the Office of the City Auditor's June 16, 2023 draft report, "*Audit of Select Management Issues Impacting the City's Ability to Effectively Hire and Sustain Its Workforce*." The audit was initiated pursuant to City Council Resolution 22-43, CD1, adopted on July 6, 2022, which directed the City Auditor to conduct a performance audit of the Department of Human Resources' ("DHR") selection and hiring processes. By letter dated November 3, 2023, the City Auditor advised DHR of alternative audit objectives to avoid duplicating work that was performed by the Bloomberg-Harvard City Leadership Initiative ("Bloomberg-Harvard initiative") and more efficiently utilize its office resources.

We appreciate the time and resources dedicated to this audit by the Office of the City Auditor, and express our appreciation to you and your staff for the efforts made to understand the complexities of the City's hiring practices. We are grateful for the opportunity to receive your insights to assist us in improving DHR's ability to fulfill its mission to our City workforce and the citizens of the City and County of Honolulu.

In addition to the management responses to audit recommendations, we have several overarching comments regarding the audit report:

1. The Auditor's recommendations are in alignment with the city's efforts to modernize DHR functions across the City. The modernization of DHR will

Arushi Kumar, City Auditor
June 27, 2023
Page 2

enhance a traditional transactional-and compliance-focused approach by adding a strategic focus on solution driven innovations in recruitment/hiring metrics, efficiency, customer service, stakeholder engagement, retention and succession planning. The modernization of DHR addresses a cross section of outdated practices, policies, classifications and positions; this effort will align diverse areas that need to be updated in order for the city to achieve positive results and enhance efficiencies in recruitment, hiring, retention and overall workforce development planning for today and for the future.

2. There are distinct roles and responsibilities in the City's recruitment and hiring processes, shared between DHR, the Department of Budget and Fiscal Services ("BFS") and each City Department that is filling a vacancy, as outlined by the Bloomberg-Harvard Report. BFS controls the Stage 1 phase which is the approval to fill a position. DHR controls the Stage 2 phase, which is the recruitment and examination of applicants. In Stage 3, the interview and selection phase, the city Departments are responsible. With this shared accountability for the three hiring stages, DHR's role varies. DHR's role in Stage 3 is to support the Departments by providing transparent, real-time data as well as the tools and policies to assist them in creating internal efficiency in filling their positions.

3. Since November 2022, BFS and DHR have met the Mayor's benchmarks by reducing the time it takes to hire in Stage 1 and in Stage 2 respectively, by fifty percent (50%); although the benchmarks were not met within the initial 90-day timeframe, this is still a significant accomplishment by BFS and DHR staff. It is in Stage 3, which is the City Departments' collective average hiring time, that Mayor's benchmark has not been met. While there are numerous explanations for this, DHR continues to work with Departments to assist them in reducing their timelines to interview and select candidates to efficiently and effectively fill vacancies.

4. A discussion and review of the recruitment and hiring practices of the City would not be complete without noting the complex structure of laws, rules and collectively bargained agreements within which the City operates. The public employer collective bargaining law set forth in Chapter 89, HRS, in conjunction with the Civil Service laws set forth in Chapter 76, HRS and City Charter Sections 6-1103 and 6-1104, complicate the City's ability to hire and retain key positions. These laws, along with related constitutional and regulatory provisions, inform and define the recruitment and hiring processes that the City must follow to ensure compliance.

Arushi Kumar, City Auditor
June 27, 2023
Page 3

5. The City is operating in an environment of historically low unemployment together with a labor shortage exacerbated by COVID-19. There is a generational shift in the size of the workforce demographic with greater numbers of retirements and fewer people entering the workforce for the first time. Hawaii has been impacted severely by the exodus of individuals in the workforce as a result of job loss during COVID. It has been estimated that there are 10,000 fewer workers in Hawaii then there were in pre-COVID years, contributing to the massive labor shortage that is being experienced here as well as across the country. This environment is definitely impacting the City's ability to hire competitively and efficiently (due to lower numbers of applicants and interested candidates) and retain its workforce.

RECOMMENDATIONS AND RESPONSES

1. *Establish an accurate, historical database of personnel action for all City positions so that it can analyze, monitor, and identify obsolete vacant positions.*

    Agree. We agree that DHR should establish a comprehensive database of personnel action for all City positions. DHR has existing records for City positions, including the historical vacancy of each position. Most of the positions were created prior to the implementation of the present day EForm system via which the City currently establishes and fills positions. The EForm platform was created around 2007, and the City's positions were created over the past decades dating back to the 1940's. The City Charter was originally created in 1907. Ideally, thousands of hard copy documents showing position creation and history should be scanned into electronic form so that all of the records exist in one place and are searchable.

    Estimated timeline for completion: 2 - 3 years.

    With respect to identifying obsolete vacant positions, the responsibility to determine the continuing need for any position rests with the City Department within which that position is authorized; therefore, we respectfully disagree that DHR is responsible to analyze, monitor and identify obsolete vacant positions. That is a Departmental responsibility.

Arushi Kumar, City Auditor
June 27, 2023
Page 4

2. *Adopt the mayor's performance benchmarks permanently, or establish more appropriate benchmarks.*

> Agree. DHR intends to maintain and improve on Mayor Blangiardi's performance benchmarks as an ongoing priority to ensure that the City can compete for the most qualified candidates to fill our positions. As indicated above, our most current data indicates that the City has met the Mayor's benchmarks in Stage 1 and Stage 2. We continue to work with the individual Departments, providing tools and improved policies (i.e., more access to NEOGOV features, streamlined implementation of recruitment/hiring incentives) to assist them in meeting the 35-day benchmark for interviewing and selecting eligible applicants for their vacancies. This is an ongoing process that requires various testing of improvements and innovation, policy adjustments and evaluation.

> Estimated timetable for implementation: Implemented and ongoing

3. *Formally monitor, evaluate, and amend selection and hiring processes to meet applicable performance benchmarks.*

> Agree. DHR has taken steps to formalize the tracking of performance metrics through the automation of data reports which are shown in the Hiring Dashboard developed with the Department of Information Technology ("DIT"). The Hiring Dashboard is available to all Directors, Deputy Directors, and Administrative Service Officers ("ASO"), and is referenced in the Auditor's Report in Chapter 3, page 20. DHR, BFS and all Departments are able to see their hiring efficiency data in real-time and thereby monitor, evaluate, and improve processes to continuously measure the City's performance against the benchmarks of 30 days for approval to fill, 25 days for requisition to referral, and 35 days for interview and selection—for an overall goal of 90 days or less. The data in the Dashboard is generated from various databases, creating centralized performance data that has not been readily available to DHR or to Departments in the past.

> Estimated timetable for implementation: Implemented and ongoing

4. *Implement all phases for re-engineering the hiring and selection processes.*

> Agree. All stages/phases of the hiring and recruitment process are undergoing iterative re-engineering which has enabled us to achieve the

Arushi Kumar, City Auditor
June 27, 2023
Page 5

Mayor's benchmarks in the current fiscal year for Stage 1 and Stage 2. DHR is committed to continuously work to increase efficiency at all stages/phases as we learn ways to improve processes, adapt more features of our technology platform NEOGOV, and continue to monitor, evaluate, and amend our processes relative to the benchmarks.

Timetable for implementation: Implemented and ongoing

5. *Coordinate with the Department of Information Technology to identify ways to reduce or consolidate the number of database systems needed to complete its duties.*

Agree. DHR is working with DIT and its contractor, CGI, to transfer information in NEOGOV directly into AdvHRM (the City's employee database) for applicants who are selected for a position and pass suitability checks so that the onboarding process may be expedited. This will minimize manual entry of information, save time and avoid human error. The integration of other platforms requires additional research and discussion with DIT that is ongoing.

Estimated timetable for implementation: Integration of NEOGOV with AdvHRM is targeted for completion by December 2023.

6. *Create formal guidelines for abolishing positions*.

Respectfully disagree that DHR should exercise jurisdiction in a process vested between the Departments and the Mayor. The authority to create and/or abolish positions rests with the Mayor in consultation with the Departments (City agencies). City Departments are responsible to review and assess the need for each of their positions; if a position is no longer necessary, the Department submits a memo to the Mayor via BFS to request approval to abolish that position. DHR's role, via the Classification & Pay Division, is to record the abolishment of positions in the AdvHRM system.

Estimated timetable for implementation: Not applicable.

7. *Offer specific training to Administrative Services Officers and other pertinent staff for hiring, selection, position creation, position abolishment, how to read and use personnel dashboard data, and meeting the mayor's or other appropriate performance benchmarks.*

Arushi Kumar, City Auditor
June 27, 2023
Page 6

Agree. The Administrative Services Officer Academy ("ASO Academy") mentioned at page 24 of the Auditor's report was launched just one year ago to ensure that Departments' administrative staff are operating at a consistently high level, which is critical to enabling Departments to meet the City's hiring and efficiency goals. The ASO Academy is designed as an ongoing training program for ASOs and related staff, offering a variety of training specific to human resource management of City employees, including but not limited to recruitment, hiring and related functions. DHR has plans for additional training in critical hiring and retention areas. In July 2023, DHR is planning an ASO Roundtable meeting and also a special training in recruitment for ASO Staff, Directors and Deputies. The Roundtable and the recruitment training will be hosted by the Employee and Personnel Services Division to inform, update, and train ASOs and their staff on new tools and policies for recruitment and hiring initiatives being implemented by DHR and the City.

Estimated timetable for implementation: July 2023 and ongoing.

Thank you for the opportunity to provide comments and responses to the audit report. Please contact me at (808) 768-8500 should you have questions or require additional information.

APPROVED:

Digitally signed by
Formby, Michael
Date: 2023.06.27
10:09:52 -10'00'

Michael D. Formby
Managing Director

This page intentionally left blank.

Appendix A
Resolution 22-43, CD1

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAI'I

No. **22-43, CD1**

RESOLUTION

DIRECTING THE CITY AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE DEPARTMENT OF HUMAN RESOURCES' SELECTION AND HIRING PROCESSES.

WHEREAS, Section 3-501 of the Revised Charter of the City and County of Honolulu 1973 (Amended 2017 Edition), as amended ("Charter"), establishes the Office of the City Auditor, within the legislative branch, to be headed by a City Auditor; and

WHEREAS, Charter Section 3-114 authorizes the City Council ("Council"), by adoption of a resolution, to "provide for and direct the city auditor to conduct or cause to be conducted a performance audit of any agency or operation of the city"; and

WHEREAS, pursuant to Charter Chapter 11, the Department of Human Resources ("DHR") of the City and County of Honolulu ("City") is charged with the mission of establishing a comprehensive personnel management program based on merit principles designed to recruit, develop, and retain the best qualified civil servants; and

WHEREAS, Section 2-6.1(b) of the Revised Ordinances of Honolulu 1990 requires the DHR Director to "[e]xamine all applicants for employment and all officers and employees of the city pursuant to any applicable ordinance, civil service laws, and rules and regulations then in effect"; and

WHEREAS, Chapter 1 of the DHR's Personnel Manual ("Selection and Hiring Delegation of Recruitment and Examination"), issued on February 15, 2005, sets forth the DHR policy that the DHR Director may "delegate recruitment and examination responsibilities to the appointing authority when it is deemed appropriate," requiring the involved City departments to "follow all laws, rules, regulations, policies and procedures applicable to recruitment, examination and certification"; and

WHEREAS, pursuant to the 2005 policy, the DHR has formulated a Selection and Hiring Delegation of Recruitment and Examination process for City departments to follow in recruiting, examining, and hiring job applicants; and

WHEREAS, City departments are often unable to fill vacant positions due to difficulties in the City's delegated hiring process; and

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAI'I

No. **22-43, CD1**

RESOLUTION

WHEREAS, while the City employs over 8,500 staff members in 26 departments and agencies, as of January 26, 2022, the City had over 2,000 vacancies, many of which have remained vacant for a long period of time despite funds appropriated by the Council to fill the positions; and

WHEREAS, it has been publicly reported that some Councilmembers have received complaints from City residents about slow service from government agencies as a consequence of staff reductions and unfilled vacancies; and

WHEREAS, the Council believes that maximizing the efficient use of funds allocated to City departments is imperative to a well-functioning City; and

WHEREAS, given the DHR's mission, the current City hiring challenges, and the high number of City job vacancies, the Council finds it appropriate that the Selection and Hiring Delegation of Recruitment and Examination process of the DHR be objectively reviewed and recommendations formulated to improve and expedite the City's hiring process; and

WHEREAS, it is in the public interest for a performance audit to be conducted to review and assess the efficacy of DHR's Selection and Hiring Delegation of Recruitment and Examination process, and to provide recommendations for improvements to streamline the process; now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that the City Auditor is directed to conduct a performance audit of the City's Department of Human Resources' selection and hiring processes; and

BE IT FURTHER RESOLVED that the performance audit include actionable recommendations for DHR, the City Administration in general, and the Council to streamline the City's selection and hiring processes without a significant loss in the quality of applicants selected for City service and to reduce position vacancies throughout City government; and

BE IT FURTHER RESOLVED that the City Auditor is directed to complete the performance audit no later than one calendar year after the adoption of this resolution in accordance with Charter Section 3-114.2; and

OCS2022-0187/3/9/2022 9:59 AM   2

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAI'I

No. **22-43, CD1**

RESOLUTION

BE IT FINALLY RESOLVED that copies of this resolution be transmitted to the Mayor, the Managing Director, the City Auditor, and the Director of Human Resources.

INTRODUCED BY:

Tommy Waters

_____

_____

_____

_____

_____

DATE OF INTRODUCTION: _____

_____

February 28, 2022
Honolulu, Hawai'i   Councilmembers

OCS2022-0187/3/9/2022 9:59 AM   3

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAII
CERTIFICATE

RESOLUTION 22-43, CD1

Introduced: 02/28/22 By: TOMMY WATERS   Committee: EXECUTIVE MATTERS AND LEGAL AFFAIRS (EMLA)

Title: DIRECTING THE CITY AUDITOR TO CONDUCT A PERFORMANCE AUDIT OF THE DEPARTMENT OF HUMAN RESOURCES' SELECTION AND HIRING PROCESSES.

Voting Legend: * = Aye w/Reservations

02/28/22	INTRO	Introduced.
06/21/22	EMLA	Reported out for adoption as amended in CD1 form.
		CR-177
		9 AYES: CORDERO, ELEFANTE, FUKUNAGA, KIA'ĀINA, SAY, TSUNEYOSHI, TULBA, TUPOLA, WATERS
07/06/22	CCL	Committee report and Resolution as amended were adopted.
		9 AYES: CORDERO, ELEFANTE, FUKUNAGA, KIA'ĀINA, SAY, TSUNEYOSHI, TULBA, TUPOLA, WATERS

I hereby certify that the above is a true record of action by the Council of the City and County of Honolulu on this RESOLUTION.

GLEN I. TAKAHASHI, CITY CLERK

TOMMY WATERS, CHAIR AND PRESIDING OFFICER