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CITY OF CHICAGO
OFFICE OF INSPECTOR GENERAL

2023

Second Follow-up to OIG's Audit of the Department of Human Resources Performance Evaluation Process

March 15, 2023

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I | Introduction

The City of Chicago Office of Inspector General (OIG) has completed a second follow-up to its October 2020 audit of the Department of Human Resources' (DHR) management of the performance evaluation process for City employees. Based on DHR's responses, OIG concludes that DHR has partially implemented two of the six corrective actions related to the audit findings and has not implemented the remaining four.

The purpose of OIG's 2020 audit was to determine whether DHR ensured that City departments evaluated their employees' performance periodically as required by Personnel Rule XIV, and, if so, whether the evaluation process aligned with national best practices. The audit found that DHR did not ensure that departments evaluated all employees. DHR had not clearly defined the roles and responsibilities related to periodic evaluations required by Personnel Rule XIV, nor did it ensure City departments' compliance with the rule.

As a result, 13 departments—among them comprised of more than 6,000 City employees—reported they did not conduct annual performance evaluations of all of their employees, and another 7 City departments—comprised of more than 10,000 employees—reported they did not conduct any performance evaluations whatsoever.

Based on the results of the audit, OIG recommended that DHR develop a Citywide performance evaluation system with standardized procedures to ensure annual evaluation of all employees, while still allowing for customization across the various departments. OIG further recommended that DHR conduct a staffing assessment to determine the number of staff needed to administer the evaluation system and consider implementing an automated evaluation process. Finally, OIG recommended that DHR revise Personnel Rule XIV to define performance evaluation expectations and responsibilities in a clear manner, and report on departmental compliance to the Mayor's Office. In its response to the audit, DHR described corrective actions it would take.

In May 2021, OIG inquired about corrective actions taken by DHR in response to the audit and determined that the Department had not implemented four of the six corrective actions, and partially implemented the remaining two. In its response to the original audit, DHR stated that it had identified ways to use existing City data systems to monitor departments' completion of annual evaluations, but at the time of OIG's first follow-up, the Department had not yet created or implemented a Citywide evaluation policy. DHR attributed this to technical issues and operational changes related to COVID-19, and stated its intention to issue a policy by the end of 2021.

In September 2022, OIG inquired again about corrective actions taken by DHR in response to the audit. Based on the Department's follow-up response, OIG concludes that the status remains the same; DHR has partially implemented two of the six corrective actions and has not implemented the remaining four. DHR reported that the existing data systems it had intended to use for monitoring departments' completion of evaluations were determined to be inadequate. Therefore, it has begun the process of procuring a new IT system to record, track, and monitor performance evaluations. DHR has also added three new positions that focus on Strategic Management and Policy. The Department has not yet created or implemented a Citywide policy to define clear expectations for employee performance evaluations.

Once fully implemented, OIG believes the corrective actions reported by DHR may reasonably be expected to resolve the core finding noted in the audit. OIG urges DHR to fully implement the recommendations by issuing a Citywide policy that requires departments to conduct annual evaluations for all employees, approving departmental evaluation policies and procedures, monitoring departments' completion of the evaluations, providing periodic reports to the Mayor's Office, and implementing an automated system that allows DHR to record, track, and monitor departmental employee performance evaluations. Below are summarized OIG's original audit finding and recommendations, as well as DHR's response to our second follow-up.

OIG thanks DHR's staff and leadership for their cooperation during the audit and responsiveness to our follow-up inquiries.

II | Follow-Up Results

In September 2022, OIG followed up for the second time on its October 2020 audit of DHR's employee performance evaluations.[1] DHR responded by describing the corrective actions it has taken and providing supporting documentation. Below, we summarize OIG's finding, the associated recommendations, and the status of DHR's corrective actions.

| Finding 1: DHR does not ensure all City employees are evaluated annually

OIG Recommendation 1 |

OIG recommended that DHR revise Personnel Rule XIV to define expectations and responsibilities for employee performance evaluations more clearly.

State of Corrective Action 1 | Not Implemented

In response to the audit, DHR agreed to revise the Personnel Rules for clarity, but noted that it is a lengthy process due to public notice and comment requirements. The Department initially intended to issue a Citywide performance evaluation policy in the first quarter of 2021. In response to OIG's first follow-up inquiry in July 2021, DHR stated that the policy was delayed due to operational impact from COVID-19, but it expected to issue the policy in 2021.

In response to the September 2022 inquiry, DHR reported it has not yet issued the anticipated policy, nor begun revising Personnel Rule XIV. The Department stated it has not been able to address these recommendations because it is the process of identifying an IT system that allows the recording, tracking, and monitoring of performance evaluations. As stated in the July 2021 follow-up, OIG urges DHR to revise Personnel Rule XIV and issue a policy requiring departments to conduct annual evaluations for all employees, thereby enabling the Department to implement the other audit recommendations.

OIG Recommendation 2 |

OIG recommended that DHR require performance evaluations of all City employees on, at minimum, an annual basis.

State of Corrective Action 2 | Not Implemented

DHR stated that it plans to require, through a Citywide policy, the annual evaluation of all City employees. As stated above, the Department has not yet issued the policy. Management stated that until they issue the policy, DHR will continue to remind department heads that, under the current Personnel Rules, they should ensure all employees receive periodic performance evaluations. Management further stated that DHR will also inform department heads of the existing performance evaluation resources or assist them in developing their own, department-specific, performance evaluation systems.

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[1] City of Chicago Office of Inspector General, "Department of Human Resources Employee Performance Evaluation Audit," October 14, 2020, https://igchicago.org/2020/10/14/department-of-human-resources-employee-performance-evaluation-audit/; City of Chicago OIG, "Department of Human Resources Employee Performance Evaluation Audit Follow-Up," July 13, 2021, https://igchicago.org/2021/07/13/department-of-human-resources-employee-performance-evaluation-audit-follow-up/.

OIG Recommendation 3 |

OIG recommended that DHR approve departmental evaluation policies and procedures, allowing for customization at the department level.

State of Corrective Action 3 | Not Implemented

As reported in the July 2021 follow-up, DHR stated that the Citywide policy will describe how DHR will approve departments' evaluation policies and procedures. As stated above, DHR has not yet issued the policy.

OIG Recommendation 4 |

OIG recommended that DHR remind departments to complete evaluations and monitor their compliance.

State of Corrective Action 4 | Partially Implemented

Although DHR had intended to use the existing Chicago Integrated Personnel and Payroll Systems (CHIPPS) for performance evaluation reminders and compliance monitoring, it has since determined that solution to be inadequate. DHR reports that it is in the process of procuring demonstrations of a new IT system that allows the recording, tracking, and monitoring of performance evaluations.

OIG Recommendation 5 |

OIG recommended that DHR exercise its authority to report on departmental compliance with Personnel Rule XIV to the Mayor's Office.

State of Corrective Action 5 | Not Implemented

As reported in the July 2021 follow-up, DHR stated that once it rolls out a Citywide policy and implements the systems for compliance monitoring described above, it will begin reporting departmental compliance to the Mayor's Office. As stated above, DHR has not yet issued the policy.

OIG Recommendation 6 |

OIG recommended that DHR conduct a staffing assessment to identify how many personnel are needed to operate a Citywide evaluation system. OIG also recommended that DHR consider implementing an automated process that allows for reminders, monitoring, real time tracking and reporting, and collection of evaluation records automatically; provide trainings for department supervisors; and monitor compliance with the maintenance and use requirements for performance evaluations.

State of Corrective Action 6 | Partially Implemented

DHR stated that it had worked with the Office of Budget and Management to evaluate its staffing model. Through this process, the Department determined it did not have sufficient staff dedicated to Strategic Management and Policy. As a result, DHR has added three new positions that will be responsible for establishing a comprehensive performance management system for departments to use with the new IT system.

As stated above, DHR is in the process of procuring demonstrations of IT systems that will allow the Department to automate processes for recording, tracking, and monitoring performance evaluations across departments.

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