CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF SEPTEMBER 16, 2015

Item 2, Report No. 11, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on September 16, 2015.

2   INTERNAL AUDIT REPORT – AUDIT OF HIRING PRACTICES

The Finance, Administration and Audit Committee recommends:

1)   That the recommendation contained in the following report of the Director of Internal Audit, dated September 8, 2015, be approved; and

2)   That the presentation by the Audit Project Manager and the Acting Commissioner of Strategic and Corporate Services and C3, presentation material titled "*Hiring Practices Audit*", dated September 8, 2015, be received.

Recommendation

The Director of Internal Audit recommends:

1.   That the Internal Audit Report on the Audit of Hiring Practices be received.

Contribution to Sustainability

Internal Audit activities and reports contribute to the sustainability of the City by providing advice and assurance that controls supporting the effective delivery of services and programs are effective. Longer term sustainability needs the support of good, efficient risk mitigation strategies. Internal Audit can provide support for that sustainability by providing independent advice and assurance.

Economic Impact

There are no direct economic impacts associated with this report.

Communications Plan

Not applicable.

Purpose

To present to the Finance, Administration and Audit Committee the Internal Audit Report on the Audit of Hiring Practices.

Background - Analysis and Options

The process of hiring staff in the City of Vaughan is done by individual departments with guidance from the Human Resources Department. All hiring must be done in compliance with the City's Hiring and Nepotism Policy. The City is committed to hiring the best staff possible consistent with City Policy and governing legislation.

As a result of reports coming from the Anonymous Reporting System and the increased interest in how the City recruits and hires staff, Internal Audit decided to review current practices and processes.

Relationship to Vaughan Vision 2020/Strategic Plan

This report supports the strategic goal of management excellence through financial stability and effective governance.

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Regional Implications

Not applicable.

Conclusion

An audit of 42 individual recruitments done in 2013 and 2014 demonstrated that the City's current hiring process is unbiased. Based on our review of the current hiring process, we conclude the City does its utmost to hire the best staff available.

We did identify opportunities to streamline recruitment file documentation with the objective of making the overall process more efficient. Management has agreed to complete its documentation strategy and is looking at issuing an RFP for an e-recruit technology solution that will better support a more efficient process.

Attachment

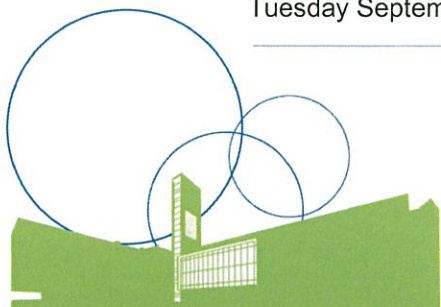1. Internal Audit Report – Audit of Hiring Practices

Report prepared by:

Paul Wallis CPA, CMA CIA CISA CRMA
Director, Internal Audit

(A copy of the attachments referred to in the foregoing have been forwarded to each Member of Council and a copy thereof is also on file in the office of the City Clerk.)

Hiring Practices Audit

Tuesday September 8, 2015

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Today's Presentation

- Audit Objective, Scope and Methodology
- Audit Conclusion
- Audit Recommendations
- Management Response and Action Plans
- Next Steps
- Questions

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Audit Objective

- To evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the hiring of staff in the City of Vaughan.

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Audit Scope & Methodology

- Review of existing Policies and Procedures
- Staff interviews
- Sampling of recruitment files
- 42 of 82 Full Time staff hired that are still actively employed
- Review period of January 2013 – December 2014
- Analysis of staff sourcing.

Not in Scope: →Vaughan Fire and Rescue Service recruitment.

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Audit Conclusion

- No evidence of inappropriate hiring practices for the period under review.

- Opportunities exist to streamline recruitment file documentation

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Audit Recommendations

1. Develop and implement a documentation and file management strategy

2. Applications and job inquiries are received by Human Resources directly from the applicant.

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Management Action Plans

1. Develop and implement a documentation and file management strategy:

→ Completing the documentation strategy.

→ Standardizing recruitment forms across the organization.

→ Implementing an e-recruit solution.

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Management Action Plans

2. Applications and job inquiries are received by Human Resources directly from the applicant:

→ Enhancing Recruitment policies and procedures to communicate process to be followed by all job applicants.

→ Implementing standard protocol to be followed by HR staff when dealing with inquiries from Council and senior management, staff members or constituents.

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Next Steps

- Action plans have been developed.
- Implementation is underway.
- Internal Audit will follow up and report on the status of these action plans.

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Questions?

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INTERNAL AUDIT REPORT – AUDIT OF HIRING PRACTICES

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Attachment

1. Internal Audit Report – Audit of Hiring Practices

Report prepared by

Paul Wallis CPA, CMA CIA CISA CRMA

Director, Internal Audit

Respectfully submitted,

Paul Wallis CPA, CMA CIA CISA CRMA
Director, Internal Audit

INTERNAL AUDIT REPORT

Audit of Hiring Practices

July 2015

INTERNAL AUDIT REPORT

AUDIT OF HIRING PRACTICES

CONCLUSION AND SUMMARY

We did not find any evidence of inappropriate hiring practices for the period under review. Our examination of the recruitment files demonstrated that the hiring process was unbiased. Based on our review, we conclude that the City does its utmost to hire the best staff to support the City's vision and objectives. However, no system or process is perfect. No matter how good a process is, hiring the right employee for every position is not guaranteed. As such, we made no attempt to determine if the right hiring decision was made. We were only concerned that a reasonable and defendable process was in place to reduce the risks of inappropriate hiring.

We did identify some opportunities for improvement that would enable a more streamlined approach to documenting the hiring process. These include:

- Enhancing the current internal process by developing a more standardized approach to ensure that recruitment file structure is consistent. This also includes the level of documentation needed to support a reasonable and defendable hiring process.

- Developing standardized forms [i.e. interview scoring, screening criteria, decision notations] to support a more efficient documentation process.

Files we examined had a variety of approaches with respect to documenting the recruitment and selection process and decisions. Recruitments handled internally generally had more complete documentation and were easier to follow. Although some documentation was missing, further follow-up indicated that a reasonable process was followed and that all relevant parties were involved in the hiring process. Some of the documentation was maintained in electronic format while some was in paper file format. In addition, some of the documentation was kept in files other than the recruitment file (e.g. employee files).

Files involving third-party recruiters were less complete. These files did not have all interview notes and decision making documentation was absent in some files. Using a third-party recruiter improves the chances of recruiting a quality candidate and is used often by the City to hire senior level positions [commissioners, directors and some managers]. As such, the risk of hiring an unqualified or preferential candidate is reduced as the City is using a resource that can penetrate the broader marketplace. However, having complete documentation serves to better support the overall hiring decision and further reduces the perceived risk of inappropriate hiring practices.

A number of different forms and methods were used to document the hiring process. For example, not all files contained checklists, standard screening documentation or standard interview note formats. In the case of candidate searches done using third-party recruiters, many different forms of documentation were used. Using standard forms and criteria adds to a more efficient and effective process. Aside from supporting increased efficiency and effectiveness, consistent documentation adds strength to a defendable process.

In discussing these issues with Human Resources, the intent was to suggest a documentation strategy that would enhance the defendability of the process while reducing the type and amount of documentation needed. In a public sector collective bargaining environment, a well-documented hiring process helps support public and employee trust and confidence.

INTERNAL AUDIT REPORT

AUDIT OF HIRING PRACTICES

The Human Resources Department currently uses a recruitment checklist, and has developed a Recruitment Policy/Recruitment and Selection Guidelines. A draft policy and procedures document is currently under review. Aside from finalizing this document, the Department has agreed to look at the type and amount of documentation needed.

We will follow-up on the status of outstanding Management Action Plans related to this audit and will report the status to the Finance, Administration and Audit Committee.

BACKGROUND

The process of hiring staff in the City of Vaughan is done by individual departments with guidance from the Human Resources Department. All hiring must be done in compliance with the City's Hiring and Nepotism Policy. The City is committed to hiring the best staff possible consistent with City Policy and governing legislation.

As of December 31, 2014, the City of Vaughan workforce consisted of 1161 full time and 103 permanent part time staff.

As a result of reports coming from the Anonymous Reporting System and the increased interest in how the City recruits and hires staff, Internal Audit decided to review current practices and processes.

OBJECTIVES AND SCOPE

The objective of the audit was to evaluate the adequacy and effectiveness of the internal controls, processes and procedures in place to mitigate the business risks associated with the hiring of staff in the City of Vaughan.

The scope of the audit initially included all full time staff hired in 2013 and 2014 who are still employed by the City. This represented 138 staff. Because of the specialized nature of recruiting fire and rescue personnel, we eliminated the Vaughan Fire and Rescue Service from the total population leaving an audit population of 82. From the remaining 82, we sampled 42 individual recruitments or just over 50% of the relevant population.

Our sample selection included all levels of positions across all commissions in the organization.

In addition, we examined recruitment files and processes done by third-party recruitment firms. We did not include documentation kept by third-party recruitment firms as initial search information is not shared to protect the integrity of the process.

Auditors: Catherine Atkari CIA CFE, Kevin Shapiro CIA CFE CRMA and
Paul Wallis CMA, CPA CIA CISA CRMA

Author: Paul Wallis CMA, CPA CIA CISA CRMA

Director: Paul Wallis CPA, CMA CIA CISA CRMA

AUDIT OF HIRING PRACTICES

DETAILED REPORT

1. *Type and Amount Of Recruitment Documentation Needs to be Defined*

    The City of Vaughan has a systematic process for recruiting and hiring new staff. It is the responsibility of the Human Resources Department, in conjunction with the hiring department, to make sure recruitment and hiring staff is done in compliance with City goals and objectives, legislation and policy.

    Key steps in the process include:

    - Requisitioning staff
    - Position posting and advertising
    - Application screening and selection criteria
    - Interviewing and testing
    - Candidate selection
    - Reference checking
    - Criminal background checking
    - Credential validation
    - Offer to successful candidate

    Human Resources have the responsibility for retaining all relevant documentation and maintaining recruitment and hiring information.

    Our review of files indicated that the amount and quality of documentation varies depending on the hiring team and whether the recruitment is done internally or through a third-party. In some cases interview notes, application selection criteria, credential vetting information and final decision documentation were either missing or incomplete.

    Through follow-up, we were able to validate that the right process was followed, although it was not necessarily documented completely.

    File documentation can be a time consuming process but the risks of not doing it consistently or completely can lead to the perception that a proper process was not followed. Because recruitment and hiring can ultimately affect people in the organization, it is important to ensure all files are fully documented.

    Recommendation

    We recommend that Human Resources management:

    - Determine the documentation required for all files with the objective of keeping the minimum level needed to defend all hiring decisions.

    - Develop standardized forms or formats to ensure consistency. Once again, technology can be used to improve the efficiency and effectiveness of the documentation process.

AUDIT OF HIRING PRACTICES

In both cases technology solutions should be considered in developing and implementing a documentation strategy.

Management Action Plan

Management agrees with the recommendations in the audit report and the Director of Human Resources commits to developing the following:

- **Complete documentation strategy. [Fourth Quarter - 2015]**

- **Standardized forms across the organization. [Fourth Quarter - 2015]**

- **Human Resources is about to issue an RFP for an e-recruit solution that will further enhance our ability to streamline the process, and standardize the forms used throughout the process. [Fourth Quarter - 2015]**

AUDIT OF HIRING PRACTICES

2. *All Job Applications Should Directly Go Through Human Resources*

On occasion, candidates for positions may go directly to senior management or Council to either inquire about job prospects or to be considered for an existing vacant position. Usually the request or resume is subsequently forwarded by the initial contact to Human Resources for follow-up.

We found one example where two members of Council received e-mails from a candidate asking to be considered. The requests were forwarded to Human Resources with instructions to respond to the candidate.

Although this is not a major issue or risk, there is a possibility that resumes being directed by Council and senior management to Human Resources could be viewed as an attempt to influence the hiring process or perceived as preferential treatment. It is for this reason that job inquiries and resumes must go directly through Human Resources.

Recommendation

We recommend:

- Council or senior management who receive job inquiries or resumes send a reply to the sender instructing the sender to go directly through Human Resources. This will eliminate the perception of Council or senior management having influence.

- Human Resources revise procedures to provide guidance and instructions on how to handle hiring inquiries coming through Council or senior management.

Management Action Plan

Management agrees with the recommendations and the Director of Human Resources will develop as part of the revised Recruitment policy and procedures the expectation that all candidates submit their interest for a particular position through the process identified in the posting. [Third Quarter - 2015)

3. *Sources of Staff Hires are Reasonably Distributed*

Staff recruitment should be viewed as a transparent and open process where all skilled and qualified people have an opportunity to apply and be considered for positions in the City. This is stated very clearly in the City's Hiring and Nepotism Policy.

Sometimes there is the perception that hiring managers may favour people from a certain organization or based on friendships.

Based on the current hiring process, we believe that risk is very low. To test this, Human Resources provided us a list of thirty recent management hires and the organizations from which they came.

Our analysis of the staff sources is highlighted in the following table.

Sources of New Management Staff	Number
Municipalities [Including Regions and other Cities – 9 in all] **	17
Private Sector [Non-Government Organizations]	11
Ontario Public Service/Agencies	2
Total	30

** Nine Municipalities included Orillia, Peel, Ajax, Oshawa, Waterloo, Newmarket, Brampton, Markham and Toronto.

Based on our test, we conclude that staff are sourced from a variety of organizations representing both the public and private sectors.

No further recommendations are necessary at this time.