

3.3 Non-Management Employee Appraisals Audit Report.

Recommendation:

As recommended by the Public Safety, Finance and Strategic Support Committee on February 15, 2024, accept the report on the non-management employee appraisals audit. CEQA: Not a Project, File No. PP17-010, City Organizational and Administrative Activities resulting in no changes to the physical environment. (City Auditor)
[Public Safety, Finance and Strategic Support Committee 2/15/2024 – Item (d)4]



COUNCIL AGENDA: 3/5/2024

ITEM: 3.3

FILE NO: 24-73491

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: March 5, 2024

SUBJECT: Non-Management Employee Appraisals Audit Report

Recommendation

As recommended by the Public Safety, Finance and Strategic Support Committee on February 15, 2024, accept the report on the non-management employee appraisals audit.

CEQA: Not a Project, File No. PP17-010, City Organizational and Administrative Activities resulting in no changes to the physical environment. (City Auditor)

[Public Safety, Finance and Strategic Support Committee 2/15/2024 – Item (d)4]



Office of the City Auditor

**Report to the City Council
City of San José**

**NON-MANAGEMENT
PERFORMANCE
APPRAISALS: THE
ADMINISTRATION SHOULD
IMPROVE AND CLARIFY
APPRAISAL PROCESSES**

**Report 24-01
February 2024**

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February 8, 2024

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Non-Management Performance Appraisals: The Administration Should Improve and Clarify Appraisal Processes

Staff development and performance feedback are encompassed in the City of San José's (City) core values. The City Policy Manual provides guidelines for annual and probationary appraisals for non-management employees. In 2018, the Administration identified the performance measure "% of Non-Management Employee Performance Appraisals Completed on Schedule" as a key performance indicator for the Strategic Support City Service Area. The Administration set a target for 80 percent of non-management employee performance appraisals to be completed on schedule for FY 2022-23. The objective of this audit was to review non-management performance appraisals for timeliness.

Finding I: Nearly Three Quarters of Non-Management Employees Had a Current Appraisal on File; However, Timeliness Can be Improved. As of June 30, 2023, including both annual and probationary appraisals, roughly 74 percent of non-management employees either had a performance appraisal within the past year or had one currently due.

We found:

- Ninety-one percent of probationary appraisals were completed or currently due compared to 70 percent of annual appraisals.
- In some cases, staff have gone extended periods without receiving an appraisal.
- The Administration does not currently track appraisals for non-management part-time staff.
- Timeliness can be improved, as 28 percent of non-management staff received appraisals more than 30 days after the end of their appraisal period. Eleven percent were more than 90 days.
- Automation can help simplify and streamline the appraisal process.

RECOMMENDATIONS:

To improve the non-management appraisal process, the Administration should:

- Establish a regular process to notify and follow up with departments on outstanding appraisals
- Clarify expectations around providing and tracking appraisals for part-time staff
- Implement automated workflows to streamline the process
- Provide training around the appraisal process to departments and supervisors

Finding 2: The Administration Should Review Its Current Performance Measure Around Non-Management Performance Appraisals. The report from the City's human resource management system (HRMS) used for calculating the "% of Non-Management Employee Performance Appraisals Completed on Schedule" did not accurately calculate whether an appraisal was "on schedule" as defined as either currently due or provided within 30 days of the end of an individual's appraisal period.

We found:

- Appraisals were considered on schedule even if they were conducted more than 30 days past the end of the appraisal period.
- Based on how the HRMS report captured appraisal data, we noted more than 200 instances that completed appraisals would have been considered on schedule despite being conducted more than four months past the end of an individual's appraisal period.
- At the time of the audit, the HRMS query used to calculate the performance measure also miscalculated the processing period allowed for an appraisal to be considered overdue. This was corrected during the audit.

RECOMMENDATIONS:

To more accurately report performance, the Administration should:

- Adjust its reporting tool to more accurately assess whether appraisals are on schedule and/or rename the performance measure to align with what is actually reported
- Document the methodology moving forward

This report has eight recommendations. We plan to present this report at the February 15, 2024, meeting of the Public Safety, Finance and Strategic Support Committee of the City Council. We would like to thank the Human Resources Department, City Manager's Office, Office of Employee Relations, and City Attorney's Office for their time and insight during the audit process. The Administration has reviewed the information in this report, and their response is shown on the yellow pages.

Respectfully submitted,



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City Auditor

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This report is also available online at www.sanjoseca.gov/audits

Table of Contents

Cover Letter	3
Background	7
Finding 1	
Nearly Three Quarters of Non-Management Employees Had a Current Appraisal on File; However, Timeliness Can Be Improved.....	11
Approximately 74 Percent of Non-Management Employees Had Current Appraisals on File.....	11
Departments Varied in Their Completion of Appraisals.....	15
Finding 2	
The Administration Should Review Its Current Performance Measure Around Non-Management Performance Appraisals	19
The Methodology Can Be Improved to More Accurately Calculate Non-Management Performance Appraisals Completed on Schedule	19
Conclusion.....	23
Appendix A	
Audit Objective, Scope, and Methodology	A-1
Administration's Response.....	yellow pages

Table of Exhibits

Exhibit 1: Non-Management Appraisal Process Workflow 9

**Exhibit 2: Twenty-Eight Percent of Non-Management Employees Had an
Appraisal More Than 30 Days Past the End of the Appraisal Period..... 14**

Background

The City of San José's (City) mission "...is to provide quality public services, facilities and opportunities that create, sustain, and enhance a safe, livable, and vibrant community for its diverse residents, businesses, and visitors." The City's workforce enables the City to achieve its mission. Staff development and performance feedback are encompassed in the City's values. The core employee values listed on the City's website include:

- Support professional development,
- Promote continuous improvement, and
- Recognize accomplishments.

Non-Management Employee Performance Appraisals Are a Key Performance Indicator for the City

In 2018, the City Administration identified the performance measure "% of Non-Management Employee Performance Appraisals Completed on Schedule" as a key performance indicator for the Strategic Support City Service Area (CSA).¹ It is included in the Adopted Operating Budget as part of a collective set of priority measures that highlight key performance trends in the Strategic Support CSA. These priority measures are meant to provide a high-level overview of how the City is doing in delivering each CSA's services. The target for FY 2022-23 was for 80 percent of non-management performance appraisals to be completed on schedule.

City Policy Manual 3.3.3 Provides Guidance for Non-Management Employee Appraisals

Performance appraisals are required for both non-management and management staff. As of June 30, 2023, about 4,300 (76 percent) of the City's 5,700 full-time staff were non-management employees.²

Under the authority of San José Municipal Code Section 3.4.1700, City Policy Manual (CPM) 3.3.3 *Non-Management Performance Program* guides the appraisal process for non-management employees.³ Specific guidelines include:

¹ The Administration was directed to identify the top half dozen priorities and corresponding performance measures for each of the CSAs. See <https://www.sanjoseca.gov/home/showpublisheddocument/61241/637297975904470000>. The name for the "% of Non-Management Employee Performance Appraisals Completed on Schedule" performance measure can vary. For instance, in the Human Resources Department section in the Adopted Operating Budget, the performance measure is named "% of employee performance reviews completed on schedule". However, this is the same measure and uses the same methodology.

² This reflects filled positions and does not include part-time staff or vacant positions. Per the Adopted Operating Budget for FY 2022-23, there were almost 7,000 positions (budgeted full-time equivalents) in the City.

³ Management employee appraisals are covered by CPM 3.3.2.

- Employee's work performance is to be rated not less than annually.
- Employees on probation should receive evaluation input through their probation, concluding with an end of probation performance report and retention decision prior to the end date.
- All performance appraisals must be discussed with and reviewed by the affected employee.
- Employees not on probation have a right to appeal performance ratings.⁴
- Part-time employees' appraisal schedules should be comparable to those for full-time employees.

*CPM 3.3.3 also points out the importance of **continuous feedback**. It highlights that performance appraisal is a continuous process that involves frequent feedback and interaction between the supervisor and employee.*

The policy also designates responsibilities among supervisors, employees, department directors (or their designee), and the Human Resources Department (HR). Employees meeting certain rating thresholds or criteria are eligible for salary step and merit increases.

CPM 3.3.1 *Probationary Periods* provides additional guidance around probationary appraisals. It provides guidance for performance evaluation and the length of the probationary period, and states that a formal, written performance appraisal must be completed before the probationary period ends. It also states that an employee must have an overall rating of meets standard or better to pass probation.

Individual Supervisors Within Departments Conduct Performance Appraisals of Non-Management Employees

Departments are responsible for conducting performance appraisals of their staff. Appraisal period end dates vary and not all non-management employee appraisals are due at the same time. Specific responsibilities related to performance appraisals include:

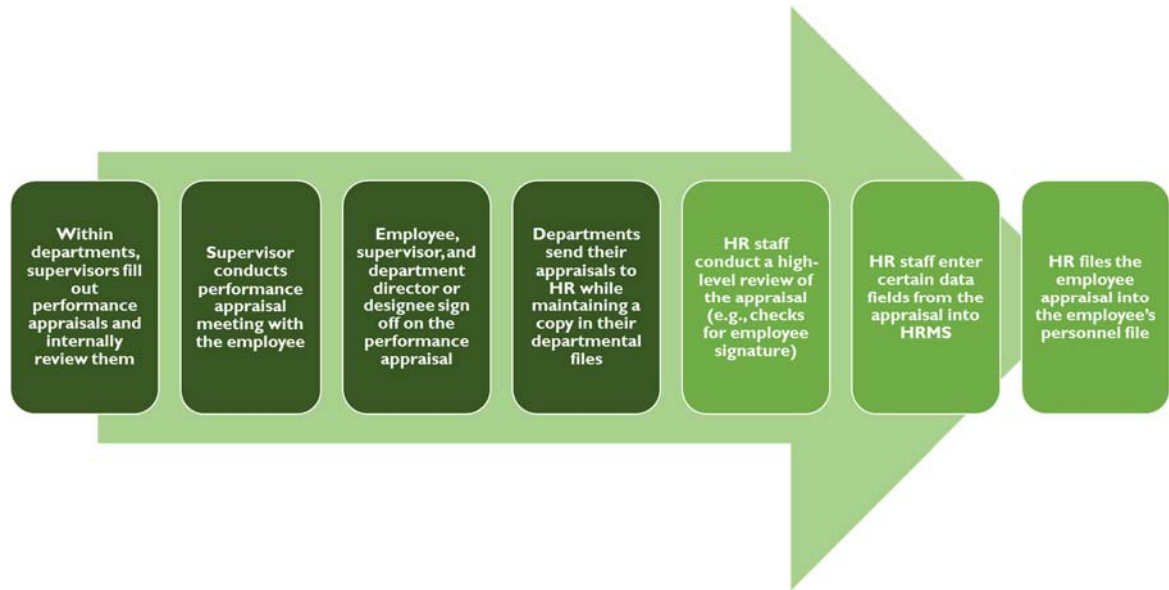
- **Supervisors** complete the employee's performance appraisal, including ratings and a narrative, and schedule a performance appraisal meeting to review with the employee.
- **Employees** participate in the appraisal meeting and sign that they either accept or disagree with the evaluation. They also sign and date a form acknowledging receipt and responsibility of key City policies.
- **Department Directors (or their designee)** sign the appraisal and ensure the original is sent to HR.

⁴ CPM 3.3.3 notes that individual bargaining units may have appeal processes that supersede the policy.

- **Human Resources (HR)** files the original in the employee's personnel file and updates the City's human resource management system (HRMS) for tracking. HR does not review the content of the appraisal.

Exhibit I is a high-level flow chart of that workflow.

Exhibit I: Non-Management Appraisal Process Workflow



Source: Auditor summary from CPM 3.3.3 and interviews with staff from Human Resources and City departments.

Note: HR does not review the content of employees' performance appraisals. The appraisal fields HR enters into HRMS are the dates of the appraisal, review type, and when it was signed. Dark green represents the responsibilities of the departments, and the light green represents the responsibilities of HR.

HR reports estimates of the timeliness of non-management appraisals to the Budget Office for inclusion in the Adopted Operating Budget's Strategic Support CSA dashboard. Because of concerns that departments were not meeting the Administration's goal of 80 percent of appraisals being completed on schedule, in FY 2022-23, HR began providing monthly reports to the City Manager's Office about the timeliness of performance appraisals.

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Finding I Nearly Three Quarters of Non-Management Employees Had a Current Appraisal on File; However, Timeliness Can Be Improved

Summary

As of June 30, 2023, roughly 74 percent of non-management employees either had a performance appraisal within the past year or had one currently due. Probationary appraisals were more likely to have been completed or currently due than annual appraisals; 91 percent compared to 70 percent. In some cases, staff have gone extended periods without receiving an appraisal. The Administration also does not track appraisals for part-time staff. Lastly, timeliness of appraisals can be improved, as 28 percent of non-management staff received appraisals more than 30 days past the end of the appraisal period, including 11 percent more than 90 days past.

To help ensure non-management staff appropriately receive timely performance appraisals, we recommend that the Administration establish a process to notify and follow up with departments on outstanding appraisals on a regular basis and coordinate with departments to track part-time appraisals as applicable. We also recommend that the Administration clarify timeliness guidelines for departments, provide training around the appraisal process, and streamline the appraisal process by implementing automated workflows.

Approximately 74 Percent of Non-Management Employees Had Current Appraisals on File

As of June 30, 2023, approximately 74 percent of non-management employees either had a performance appraisal completed within the past year or had one currently due.⁵ This includes both annual and probationary appraisals.

Probationary appraisals were more likely to have been completed than annual appraisals. Ninety-one percent of probationary appraisals had been completed or were currently due compared to 70 percent of annual performance appraisals.

⁵ Because of data limitations, all figures are estimates. The analysis encompasses full-time staff. Some staff job transitions affected the appraisal period. Such entries were excluded. In total, 260 of the 4,325 non-management employees were excluded from the analysis; however, we do not believe these exclusions affected the overall results. There were also over 300 non-management appraisals that the Parks, Recreation and Neighborhood Services Department (PRNS) submitted in July that HR had not uploaded into the City's human resource management system at the time of the audit but have since been uploaded. The analysis incorporates the upload of the PRNS appraisals where possible.

Some Staff May Have Not Received an Appraisal Over an Extended Period

We estimate that over 110 non-management employees have not had an appraisal for over 1.5 years. Though this represents just 3 percent of total non-management employees reviewed, it is important that all employees receive appraisals as part of the continuous feedback highlighted in CPM 3.3.3. In some of these cases, the employees appear to have gone multiple years without an appraisal.

- As of June 30, 2023, there were at least 37 non-management full-time employees who had been with the City for over 1.5 years who did not have a performance appraisal on file.⁶
- In other instances, staff may have gone without an appraisal for an extended period because they transitioned between positions in the City before receiving their annual appraisal. To account for job transitions, HR uses “non-assessment” entries in the City’s human resource management system (HRMS) to substitute for an appraisal entry. Staff have found this to be a useful tool, as an employee’s future appraisal period would be revised to account for the transition. However, because non-assessment entries aren’t appraisals, employees could go without an appraisal for a prolonged time span. This occurrence could be compounded if the employee continues to transition within the City prior to receiving an appraisal. There were 77 non-assessment entries for non-management staff that covered a performance rating period greater than 1.5 years.

The Administration Can Better Clarify the Appraisal Process for Part-Time Employees

HR does not track non-management performance appraisals for part-time staff, and they are not included in the calculation for the performance measure “% of Non-Management Employee Performance Appraisals Completed on Schedule”.⁷ HR noted that because the schedule for part-time staff appraisals is based on hours, that may have been part of the reason why they were not included in the performance measure calculation. The HRMS appraisal query for the calculation pulls the data based on days and staff report it would take significant analysis to pull the data based on hours worked for the City’s part-time staff.⁸ In addition,

⁶ After the June 30, 2023, HRMS appraisal report was run, at least two of the employees without an appraisal received one and now have one on file.

⁷ During the audit, HR staff prepared an HRMS query that provided data that included part-time staff in the City and whether they had received an appraisal or not. However, appraisal timeliness or completion rates for part-time non-management staff is not being reported on or tracked by HR.

⁸ As of July 27, 2023, per HRMS data, there were more than 2,000 part-time non-management employees (over 120 of those were part-time benefited staff). HR did note that HRMS has the capability to calculate pay period hours, calendar year hours, and service hours based on start date with the City. However, HR staff report they have not created a feature that would track the hours by the appraisal period.

HR mentioned that departments can also run separate reports for their staff to track the hours.

CPM 3.3.3 *Non-Management Performance Program* states that appraisal schedules for part-time employees should be comparable to those for full-time employees, based on work hour equivalents to full-time work.⁹ Departments such as PRNS and Library reported that they provide annual appraisals for their benefited part-time staff. However, it is not clear how widespread this practice is in the City.

Guidance for Part-Time Unbenefited Staff Should Be Clarified

Part-time staff who are unbenefited may go without an appraisal since guidance about whether they should receive one is unclear. At least two departments (the Library and PRNS) report evaluating some of their part-time unbenefited employees annually.¹⁰ Similar to benefited part-time staff, it is not clear the extent of this practice in the City; however, the majority of part-time unbenefited employees are in the Library and PRNS. The Library uses the City's standard non-management performance appraisal form, while PRNS has its own internal form it uses for evaluating part-time unbenefited staff.

HR and the City Manager Office staff have noted that because of the nature of some part-time unbenefited roles (e.g., seasonal positions), requiring a formal, written appraisal may not be applicable. However, staff also mentioned that depending on certain factors, such as whether the individual is expected to be around for more than one season or the number of hours they work, that could be a possible reason for setting an expectation for appraisals.

Timeliness of Appraisals Can Be Improved

Though 74 percent of overall appraisals were completed or were currently due as of June 30, 2023, not all of appraisals were conducted on schedule as defined as within 30 days of the end of the appraisal period.¹¹ Twenty-eight percent of non-management employees had an appraisal more than 30 days after the end of their appraisal period. Eleven percent were more than 90 days past.

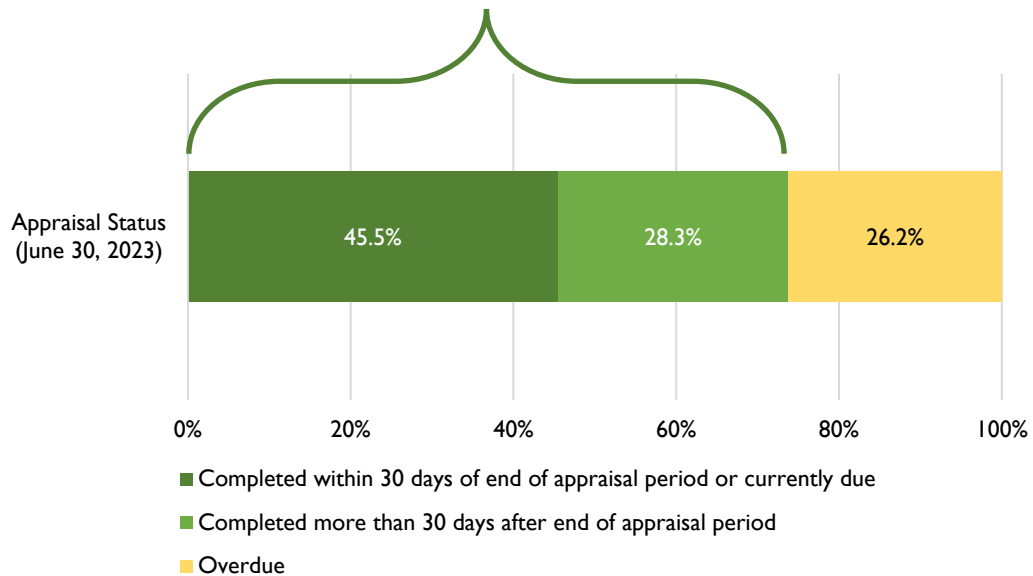
⁹ The policy explains that 2,080 hours equals 12 months of full-time work, 1,040 hours equals 6 months of full-time work, and 520 hours equals 3 months of full-time work.

¹⁰ For student interns, departments generally reported not providing them a performance appraisal. CPM 3.1.6 *Student Interns – Paid and Unpaid* does not require that student interns receive a performance evaluation except for cases where the department wants to provide a salary increase. The policy states that student interns are to be provided regular feedback.

¹¹ The 30 days is meant to account for the expected processing time of the appraisal (e.g., scheduling, signature gathering, etc.).

Exhibit 2: Twenty-Eight Percent of Non-Management Employees Had an Appraisal More Than 30 Days Past the End of the Appraisal Period

Overall, 73.8 percent had a completed appraisal or one currently due. However, 28.3 percent were conducted more than 30 days past the end of the appraisal period.



Source: Auditor analysis of the non-management performance appraisal data from the City's human resource management system (HRMS) as of June 30, 2023, and analysis of PRNS appraisals uploaded in October 2023.

Improved Processes Could Help Increase Performance and Ensure Non-Management Staff Receive Appraisals

A process for non-management appraisals that tracks and automatically notifies departments of when appraisals are coming due could help improve the timeliness and completion of non-management appraisals. For management appraisals, HR tracks and provides departments with a list of annual appraisals that are due each year. This is a different process from the non-management appraisals. Staff report this variation is due to the differences in how the programs are structured (e.g., non-management staff appraisal rating periods vary whilst management staff appraisals have an aligned deadline).

Further, the Administration should clarify expectations for providing appraisals to staff who transition between City jobs and could go for an extended period without an appraisal, as well as part-time employees. Depending on this clarification, the Administration should coordinate with departments to establish processes to track completion.

Recommendations:

- 1: To ensure completion of outstanding non-management employee performance appraisals and ensure completed appraisals have been properly transmitted to the Human Resources Department to update employee personnel files:**
 - a) The Human Resources Department should provide departments and the City Manager's Office a list of overdue performance appraisals on a regular basis, such as monthly or quarterly, and**
 - b) The City Manager's Office should develop a process to follow-up with departments to ensure that the outstanding performance appraisals are addressed.**
- 2: To prevent non-management employees who change positions within the organization from going without an appraisal for an extended period, the Human Resources Department should:**
 - a) Provide departments and the City's Manager's Office with a report on a regular basis, such as monthly or quarterly, that tracks non-assessment entries and the upcoming appraisal status for these employees, and**
 - b) Establish guidelines to clarify department responsibilities for appraisals for staff that change positions.**
- 3: To ensure non-management part-time staff are receiving appraisals, the Administration should clarify expectations for departments to provide annual appraisals and establish processes to track completion of non-management performance appraisals for part-time staff.**

Departments Varied in Their Completion of Appraisals

Some departments, including HR, Community Energy, and the Airport, had completed at least 90 percent of their non-management annual and probationary appraisals as of June 30, 2023. The Police Department and the Office of Retirement Services completed 59 percent or less of their non-management performance appraisals.

Police Officers were the largest group of non-management employees with overdue appraisals. The Police Department reports that it is planning to automate its appraisal process by spring 2024 to streamline the process.¹² The Department noted that as part of this effort, leadership will be emphasizing the importance of completing appraisals.

Departments Track Appraisals in Different Ways

Departments track and stay up to date on non-management appraisals in different ways. For example, some departments reported using HRMS data to create a dashboard of appraisal statuses, reaching out to HR to access HRMS reports, running HRMS appraisal reports themselves, and/or using internal tracking sheets. Some departments have aligned their employees' appraisal deadlines to simplify tracking. Others have not and have noted that doing so could be a challenge based on the size of the department and the workload it would create at the due date.

HR incorporates a 30-day processing period into its timeliness calculation (i.e., whether an appraisal is considered on schedule) to account for the time necessary for signature gathering, routing of the appraisal to HR, and other administrative tasks.¹³ This is not how some departments report expectations for whether an appraisal is timely, or on schedule. For example, in one instance, a department assumed a 60-day processing period.

To be able to track whether departments are providing timely non-management appraisals, HR relies on departments sending them completed appraisals. When these processes are not in alignment, such as there being lags in sending over the completed appraisals, or lags in the entry of the data into HRMS, this can distort the results. This in turn can affect HR's ability to accurately track whether staff are receiving appraisals or whether they are provided on schedule.¹⁴

¹² In 2022, the Social Justice and Innovation Research Lab in the Askew School of Public Administration and Policy at Florida State University completed a report that covered findings from a gender analysis of the San José Police Department's (SJPD) programs and policies. One of the recommendations was for SJPD to revamp and codify the annual performance appraisal process. SJPD responded that it is working with the Office of Employee Relations to automate annual performance appraisals and that uniformity of performance standards and evaluation consistency is a priority in designing the new process.

¹³ Per CPM 3.3.3 *Non-Management Performance Program*, "[a]n employee's work performance is to be rated according to a schedule determined by the Director of Human Resources, but not less than annually. Generally, an employee's date to receive a performance appraisal is the date that [the employee] last received a step increase in the classification, which is typically the date that the employee received annual step increases to steps 2 through 9. If the employee received a merit increase, the effective date of the merit increase becomes the new anniversary date for performance appraisal" (p.3).

¹⁴ At the time of the audit, there were over 300 non-management appraisals from PRNS that HR had yet to upload into HRMS. There was a delay in sending over the appraisals to HR, and also a delay in the entry of the appraisals into HRMS. HR has since uploaded the appraisals into HRMS.

Department Challenges With Completing Appraisals

Departments highlighted the importance of messaging and tone at the top for helping to promote a department culture that completes performance appraisals. However, departments also reported various challenges for staff to complete performance appraisals or do so in a timely manner, including workload and competing priorities, turnover, employees having multiple supervisors over a review period, lack of incentives for supervisors to get them done, and supervisors not wanting to hold difficult conversations with their staff or concerns about their writing ability.

Training/Resources for Non-Management Performance Appraisals

Department staff noted that having trainings or additional resources available for supervisors to conduct appraisals would be helpful. Through the Supervision Academy, the Office of Employee Relations (OER) conducts trainings for supervisors that includes completing appraisals. However, the Supervision Academy has limited spots for departments. OER has noted that upon a department request, they have provided trainings on appraisals. At least one department provides internal resources to staff, such as a sample non-management appraisal filled out with instructions on how to complete the appraisal key elements.

Having additional resources or trainings for staff across departments could help equip supervisors with tools to complete their appraisals and establish expectations for staff around the need for and timeliness of appraisals for their staff.

The Management Performance Program Has Guidelines Around the Completion of Non-Management Performance Appraisals

There are guidelines for awarding performance-based compensation adjustments and additional leave rewards to employees with classifications in the Management Performance Program (MPP). For MPP employees that have staff reporting to them, the FY 2022-23 MPP guidelines list the completion of all the due or overdue non-management performance appraisals as one of the items for consideration. The guidelines also specify that departments/offices should submit any overdue non-management appraisals before making any MPP award recommendations for a department/office. HR staff reported that adherence with this guidance varies department to department.

Automation Could Help Simplify and Streamline the Non-Management Performance Appraisal Process

Departments expressed interest in ways to simplify and streamline the appraisal process, such as through automating the process and/or implementation of an

online system, as well as the use of notifications for staff who need to complete or sign the appraisal.

HR is currently working on a business process automation for performance appraisals. Staff report that initially the work is geared toward the Management Performance Program because it encompasses a smaller population and has a more manageable process (e.g., an aligned deadline for all management staff) that then can be tested to see if it is transferrable to the non-management appraisal process.

HR noted that they are still exploring possible capabilities, including notifications of upcoming or overdue appraisals. At a minimum, HR expects that the business process automation project will include an online form, with a workflow for internal review and signatures. The completed form is expected to be available in a PDF downloadable format, with the aim that completed copies are generated and saved in a secure shared folder for HR to access for filing and data entry. HR notes that automating non-management performance appraisals would come after, but there is not a current timeframe for that work.¹⁵

Recommendations:

- 4: To ensure alignment of timeliness standards across departments, the Human Resources Department should clarify with departments and document expected non-management employee performance appraisal timeliness standards by establishing a common expected processing period.**
- 5: To streamline the non-management employee performance appraisal process, the Human Resources Department should work with the Information Technology Department to implement automated workflows, which could include routing of appraisals for signatures within departments, routing of appraisals to the Human Resources Department for data entry and filing, and notifications for upcoming appraisals.**
- 6: To educate staff about completing non-management employee performance appraisals, the Administration should provide additional training and/or online resources for departments related to non-management performance appraisals, including expectations for supervisors in accordance with the Management Performance Program guidelines.**

¹⁵ HR has recently implemented a new job application system called NEOGOV. According to HR, this system also has a performance module that could be added as an option. However, staff report that this would require further exploration of the capabilities and budgetary resources if it was a viable option.

Finding 2 **The Administration Should Review Its Current Performance Measure Around Non-Management Performance Appraisals**

Summary

The HRMS report that HR has used to report the “% of Non-Management Employee Performance Appraisals Completed on Schedule” does not accurately calculate whether an appraisal is on schedule as defined as either currently due or provided within 30 days of the end of the appraisal period. The reason for this is because:

- (a) A completed appraisal has been considered on schedule regardless of whether it was completed within 30 days of the end of the appraisal period, and
- (b) At the time of the audit, the report had an error that miscalculated that 30-day period (which is meant to reflect an expected “processing period” for the appraisal process). HR has since worked with the Information Technology Department to fix this moving forward.

We recommend the Administration should adjust the current HRMS report to accurately measure timeliness (i.e., on schedule), potentially rename the measure to align with what HR currently reports, and/or consider establishing separate measures that capture both the percentage of completed appraisals and their on schedule timeliness.

The Methodology Can Be Improved to More Accurately Calculate Non-Management Performance Appraisals Completed on Schedule

The report that HR has used to calculate the performance measure “% of Non-Management Employee Performance Appraisals Completed on Schedule” does not accurately calculate whether an appraisal is on schedule.

*An appraisal being **on schedule** refers to whether it is conducted within 30 days of the end of the appraisal period.*

The effect of this is that what has been reported in the City’s Adopted Operating Budget as the “% of Non-Management Performance Appraisals Completed on Schedule” does not accurately represent actual results. It also likely overstates how timely appraisals were conducted (i.e., the percent of appraisals that were on schedule).

Appraisals Were Considered on Schedule Even if They Were Conducted More Than 30 Days Past the End of an Individual's Appraisal Period

Based on the HRMS report used by HR, a completed appraisal has been considered on schedule regardless of whether it was completed within 30 days of the end of an individual's appraisal period.

As noted in Finding I, 74 percent of non-management appraisals were completed during the year or were currently due. However, 28 percent of appraisals were conducted more than 30 days past the appraisal period. Eleven percent were conducted more than 90 days past the appraisal period, and 6 percent (or more than 200 individuals) were more than 120 days past. The HRMS report used by HR would have characterized these as being completed on schedule, despite being more than four months late in some cases.

The HRMS Report Did Not Accurately Report Overdue Appraisals

At the time of the audit, the HRMS report also did not accurately apply the 30-day processing period used for assessing whether an appraisal was overdue.¹⁶ In some instances, it allowed for a processing period of up to 120 days (i.e., an appraisal could be outstanding up to four months past the end of the appraisal period and it would not have been considered overdue).

In one instance, an individual's appraisal period ended on March 14 and their appraisal was still outstanding as of June 30. However, the HRMS report did not identify it as overdue, even though it was more than 90 days past the appraisal period.

During the audit, HR worked with the Information Technology Department (ITD) to correct the problem with the processing period in its appraisal query. In addition, they incorporated a way to more easily identify if an employee does not have an appraisal on file.¹⁷

Documenting Methodologies Can Better Ensure Consistency and Reliability of Performance Measures Over Time

As part of the budget process in 2013, the Budget Office requested departments develop methodology sheets for all performance measures and activity and workload highlights included in the operating budget. The purpose was to preserve institutional knowledge by documenting measures' meaning, data source, and calculation methodology. These methodology sheets were to help ensure the accuracy and consistency of performance data. The methodology

¹⁶ As noted in Finding I, this 30-day period is meant to account for the time necessary for signature gathering, routing of the appraisal, and other administrative tasks, and is factored into the "on schedule" calculation.

¹⁷ Audit staff also identified another problem with the data related to incorrect appraisal types in HRMS. If an appraisal review type was not selected in the data entry process, the appraisal query would incorrectly default to a miscellaneous review type, which would affect how HRMS captures appraisals. HR has similarly corrected the miscellaneous entries in the system and has worked with ITD to implement a fix that prevents such future occurrences.

sheet templates also provided criteria to support the selection of meaningful, useful, and sustainable performance measures.

During the audit, the Budget Office was able to locate a methodology sheet for the “% of Non-Management Employee Performance Appraisals Completed on Schedule” performance measure that had been previously submitted. However, HR did not have the methodology sheet in its files. Documented methodologies are important to maintain consistency in calculating results.

The Administration Is in the Process of Reviewing Performance Measures

The Administration continues to review performance measures as part of its *Outcomes, Equity Indicators, and Performance Management* initiative. The purpose of this initiative is to implement a refreshed performance management framework to define and/or refresh and manage outcomes, equity indicators, and performance management metrics and measures within and across City Service Areas/Core Services.

As a part of this effort, the Administration should update the non-management appraisal performance measure by adjusting its reporting tool to accurately measure timeliness (i.e., on schedule), potentially renaming it to align with what HR currently measures, and/or consider establishing separate performance measures that capture both the percentage of completed appraisals and on schedule timeliness of appraisals.

Recommendations:

- 7: To accurately report performance related to non-management employee performance appraisals, the Administration should:**
 - a) Adjust the current HRMS report to accurately measure whether non-management performance appraisals were provided on schedule,**
 - b) Rename the current City Service Area dashboard measure to reflect the percentage of non-management employees who received an appraisal to align with the calculation in the current HRMS report, or**
 - c) Establish separate performance measures that capture both the completion percentage and on schedule timeliness of non-management performance appraisals.**
- 8: To ensure consistency and reliability of its performance measures around non-management appraisals completion and/or timeliness, the Human Resources Department should document the methodology for the measures reported in the Adopted Operating Budget and other year-over-year reports and dashboards.**

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Conclusion

Staff development and performance feedback are encompassed in the City's core values. The City Policy Manual provides guidelines for annual and probationary appraisals for non-management employees. As of June 2023, roughly 74 percent of non-management employees either had a performance appraisal within the past year or had one currently due. Also, the Administration does not currently track appraisals for part-time non-management staff. Further, timeliness can be improved as 28 percent of non-management staff received their appraisals more than 30 days past the end of their appraisal period. The Administration should address late or overdue non-management appraisals, create a process for better tracking and notifying departments of appraisal due dates, and coordinate with departments to track part-time appraisals for non-management staff as applicable. The Administration should also update its reporting tool for calculating whether performance appraisals were on schedule and/or update its performance measure.

RECOMMENDATIONS

Finding 1: Nearly Three Quarters of Non-Management Employees Had a Current Appraisal on File; However, Timeliness Can be Improved

Recommendation #1: To ensure completion of outstanding non-management employee performance appraisals and ensure completed appraisals have been properly transmitted to the Human Resources Department to update employee personnel files:

- a) The Human Resources Department should provide departments and the City Manager's Office a list of overdue performance appraisals on a regular basis, such as monthly or quarterly, and
- b) The City Manager's Office should develop a process to follow-up with departments to ensure that the outstanding performance appraisals are addressed.

Recommendation #2: To prevent non-management employees who change positions within the organization from going without an appraisal for an extended period, the Human Resources Department should:

- a) Provide departments and the City Manager's Office with a report on a regular basis, such as monthly or quarterly, that tracks non-assessment entries and the upcoming appraisal status for these employees, and
- b) Establish guidelines to clarify department responsibilities for appraisals for staff that change positions.

Recommendation #3: To ensure non-management part-time staff are receiving appraisals, the Administration should clarify expectations for departments to provide annual appraisals and establish processes to track completion of non-management performance appraisals for part-time staff.

Recommendation #4: To ensure alignment of timeliness standards across departments, the Human Resources Department should clarify with departments and document expected non-management employee performance appraisal timeliness standards by establishing a common expected processing period.

Recommendation #5: To streamline the non-management employee performance appraisal process, the Human Resources Department should work with the Information Technology Department to implement automated workflows, which could include routing of appraisals for signatures within departments, routing of appraisals to the Human Resources Department for data entry and filing, and notifications for upcoming appraisals.

Recommendation #6: To educate staff about completing non-management employee performance appraisals, the Administration should provide additional training and/or online resources for departments related to non-management performance appraisals, including expectations for supervisors in accordance with the Management Performance Program guidelines.

Finding 2: The Administration Should Review Its Current Performance Measure Around Non-Management Performance Appraisals

Recommendation #7: To accurately report performance related to non-management employee performance appraisals, the Administration should:

- a) Adjust the current HRMS report to accurately measure whether non-management performance appraisals were provided on schedule,
- b) Rename the current City Service Area dashboard measure to reflect the percentage of non-management employees who received an appraisal to align with the calculation in the current HRMS report, or
- c) Establish separate performance measures that capture both the completion percentage and on schedule timeliness of non-management performance appraisals.

Recommendation #8: To ensure consistency and reliability of its performance measures around non-management appraisals completion and/or timeliness, the Human Resources Department should document the methodology for the measures reported in the Adopted Operating Budget and other year-over-year reports and dashboards.

APPENDIX A

Audit Objective, Scope, and Methodology

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability, and our audits provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, effectiveness, and equity of City operations and services. In accordance with the City Auditor's Fiscal Year (FY) 2023-24 Audit Work Plan, we have completed an audit of non-management employee performance appraisals.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objective of this audit was to review non-management performance appraisals for timeliness. We sought to understand the relevant management controls over non-management performance appraisals, and have performed the following to achieve the audit objective:

- Reviewed City policies and procedures relating to non-management employee performance appraisals, including:
 - City Administrative Policy Manual (CPM) 3.3.3 *Non-Management Performance Program*
 - CPM 3.3.1 *Probationary Periods*
 - CPM 3.1.6 *Student Interns – Paid and Unpaid*
- Reviewed the following documents to understand City regulations around non-management performance appraisals:
 - San José Municipal Code Chapter 3.04 *Civil Service Rules*
 - City Charter Section 1100 *Merit Principle*
- Reviewed memoranda of agreements with the City's bargaining units to understand expectations around annual performance appraisals for staff.
- Interviewed staff from various departments to understand the non-management performance appraisal performance measure, processes, and protocols, including department staff from the departments of Human Resources; Library; Information Technology; Public Works; Parks, Recreation and Neighborhood Services; Airport; and Police.
- To assess timeliness of non-management performance appraisals, analyzed non-management performance appraisal data from the City's human resource management system (HRMS) as of June 30, 2023. We sought to understand whether employees received an appraisal during the year, what type of appraisal (i.e., final probationary or annual), and whether it was timely based on the Human Resource Department's definition of timeliness (within 30 days of the end of an employee's appraisal period). We had to make the following assumptions or adjustments to the data, and as a result all results are estimates. However, these assumptions did not significantly affect the overall results.

- Because of how some of the staff transitions have been accounted for in HRMS, we could not identify whether affected staff received an appraisal during the year. These employees were excluded. Our analysis focused on annual and final probationary appraisals, and a small number of special and mid-probationary appraisals were excluded. As a result, 260 employees were excluded from our analysis.
- Probationary periods are based on hours worked according to CPM 3.3.3 and not on days (which is the basis for the HRMS appraisal query). We used probation status data in HRMS, as well as employee job start date, to make this determination of whether an upcoming appraisal would be expected to be final probationary. In addition, our analysis used days as a proxy for when upcoming final probationary appraisals should be due.
- We analyzed appraisal data from HRMS as of July 27, 2023, to do a general assessment of whether part-time employees typically received annual appraisals.

We would like to thank the Human Resources Department, City Manager's Office, Office of Employee Relations, and City Attorney's Office for their time and insight during the audit process.

Memorandum

TO: JOE ROIS
CITY AUDITOR

FROM: Jennifer Schembri

SUBJECT: SEE BELOW

DATE: February 5, 2024

Approved



Date

February 5, 2024

SUBJECT: RESPONSE TO THE AUDIT OF NON-MANAGEMENT PERFORMANCE APPRAISALS: THE ADMINISTRATION SHOULD IMPROVE AND CLARIFY APPRAISAL PROCESSES

The Administration has reviewed the report from the City Auditor (Non-Management Performance Appraisals: The Administration Should Improve and Clarify Appraisal Processes) and agrees with the two (2) findings and eight (8) recommendations. The Administration's specific response to each of the City Auditor's recommendations are provided in this response to the report, along with target dates for implementation.

The Administration greatly appreciates the important work of the City Auditor's Office and commends their efforts to provide recommendations supporting the improvement of the non-management appraisal process.

BACKGROUND

It is important that performance appraisals are completed on a regular and ongoing basis to support the effective management of City employees and in order to support professional development and address performance issues where applicable. The Human Resources Department (HR) oversees the overall City process, while each Department Director along with their staff are accountable for ensuring completion of performance appraisals within required timeframes. Departments have the ability to run reports to determine when appraisals are due to administer the process to deadlines. In support of Citywide goals, HR regularly run reports and provides information to departments and the City Manager's Office (CMO) on performance appraisal completion rates and key dates. Department managers and supervisors are essential to ensuring that appraisals are done on time, support employee growth, and are turned in to HR to be captured into the City's human resources management system (HRMS) for tracking and reporting. The Administration also provides the City's managers and supervisors training on the appraisal process through supervisory training and upon request to the Office of Employee Relations.

It is important to recognize that during the COVID pandemic response, many of our employees, including many of our managers and supervisors, were pulled into COVID response efforts and were focused on providing important and critical services to our community. Performance appraisals were just one of many regular duties that these employees were unable to complete due to necessary disaster service worker reassignments and the dynamic nature of assigning staff to different managers as needs arose.

Starting in Fiscal Year 2022-2023, the City Manager emphasized with department directors the importance of increasing performance appraisal completion through progress check-ins through the year. These efforts resulted in a high of 93% of appraisals tracked as completed in the fiscal year. During the audit process, the City Auditor's Office identified corrections in the report used for measuring on-time reviews. Using an updated report, the audit found 74% of non-management employees had a performance appraisal within the past year. This report had a 30-day period to allow for an appraisal to be written, reviewed, and delivered to an employee after a rating period ends, which may not be sufficient time. The Administration will implement a 60-day time period per Recommendation 4.

It is important to note that the number of appraisals due can fluctuate significantly month-to-month. For example, Police Department and Fire Department hires occur in large numbers at the same time. This produces a large number of appraisals due in the same time period, which impacts staff capacity and the number reported as overdue. The Administration will look for ways to manage these surges differently.

As a result of the recommendations in this audit, the Administration, through the Human Resources Department and the City Manager's Office of Employee Relations, will ensure departments have additional trainings, improved processes, reminders, and updated query reports to support the City providing timely, effective, and measured non-management appraisals for City of San José employees. HR initiated efforts on improvements identified in this audit in parallel. Due to this, some of the recommendations are already in process.

Employee performance management and development continues to be a very important issue for the City Manager, HR, and departments. We will continue to work to be as close as possible to an on-time 100% completion rate.

RECOMMENDATION AND ADMINISTRATION'S RESPONSE

Finding 1: Nearly Three Quarters of Non-Management Employees Had a Current Appraisal on File; However, Timeliness Can Be Improved

Recommendation #1: To ensure completion of outstanding non-management employee performance appraisals and ensure completed appraisals have been properly transmitted to the Human Resources Department to update employee personnel files:

- a) The Human Resources Department should provide departments and the City Manager's Office a list of overdue performance appraisals on a regular basis, such as monthly or quarterly, and**
- b) The City Manager's Office should develop a process to follow-up with departments to ensure that the outstanding performance appraisals are addressed.**

Administration's Response: The Administration agrees with this recommendation.

Green – In order to ensure departments are self-sufficient in knowing when performance appraisals are due and overdue, HR created a query report for departments to review as needed. City departments have access to run and review their status to support completing performance appraisals. The Administration will ensure these reports have everything departments need, will provide guidance and training, and will monitor performance on Citywide completion goals through the City's department directors, with the ultimate responsibility to complete performance appraisals being with the Department.

Recommendation #1 a) is complete and implemented. HR will continue to run the summary report, reflecting overdue appraisals by department for use by respective directors and the City Manager's Office. The City Manager's Office and HR will continue to provide guidance and training on the reports to departments to help them in meeting the City's performance goal. For Recommendation #1 b), the Administration will develop a more formal follow-up process with departments.

Target Date of Completion: March 29, 2024

Recommendation #2: To prevent non-management employees who change positions within the organization from going without an appraisal for an extended period, the Human Resources Department should:

- a) Provide departments and the City's Manager's Office with a report on a regular basis, such as monthly or quarterly, that tracks non-assessment entries and the upcoming appraisal status for these employees, and**
- b) Establish guidelines to clarify department responsibility for appraisals for staff that change positions.**

Administration's Response: The Administration agrees with this recommendation.

Green – HR will work with the Office of Employee Relations and the City Manager's Office to clarify departmental and manager responsibilities related to completing appraisals for staff who change positions prior to the employee leaving their current role and incorporate changes into policy. HR and the Information Technology Department (ITD) will provide a standard HRMS query to help departments track non-assessment entries and upcoming appraisal status. HR will work with department contacts to ensure they understand how to utilize these queries. After that

is completed, departments will be self-sufficient in running reports and tracking employees who change positions within the organization, with oversight from HR and the CMO.

Target Date of Completion: June 28, 2024

Recommendation #3: To ensure non-management part-time staff are receiving appraisals, the Administration should clarify expectations for departments to provide annual appraisals and establish processes to track completion of non-management performance appraisals for part-time staff.

Administration's Response: The Administration agrees with this recommendation.

Green – HR, in conjunction with the Office of Employee Relations, will work with departments to clarify expectations for departments to provide appraisals for part-time staff, potentially revise the policy, and assist departments in establishing a tracker for part-time staff. HR will evaluate possible query reports that can be created to support departments in the tracking and timely completion of part-time employee appraisals.

Target Date of Completion: June 28, 2024

Recommendation #4: To ensure alignment of timeliness standards across departments, the Human Resources Department should clarify with departments and document expected non-management employee performance appraisal timeliness standards by establishing a common expected processing period.

Administration's Response: The Administration agrees with this recommendation.

Green – HR, in conjunction with the Office of Employee Relations and departments, will review and document timelines and evaluate a common expected processing period (60-day timeline) that would be standard Citywide, to be incorporated into the policy. HR will clarify with departments that appraisals will need to be completed within this common expected processing period time to be considered timely in future query reports.

Target Date of Completion: June 28, 2024

Recommendation #5: To streamline the non-management employee performance appraisal process, the Human Resources Department should work with the Information Technology Department to implement automated workflows, which could include routing of appraisals

for signatures within departments, routing of appraisals to the Human Resources Department for data entry and filing, and notifications for upcoming appraisals.

Administration's Response: The Administration agrees with this recommendation.

Green – HR and ITD are working together through the Business Process Automation team on transitioning the employee appraisal form to an automated workflow. Due to the standardization of the management performance program, this program will be implemented first and then non-management appraisal program implemented afterwards. Further improvements will be evaluated and brought forward in the City Budget process if project and related service funding is required.

Target Date of Completion: December 31, 2024

Recommendation #6: To educate staff about completing non-management employee performance appraisals, the Administration should provide additional training and/or online resources for departments related to non-management performance appraisals, including expectations for supervisors in accordance with the Management Performance Program guidelines.

Response: The Administration agrees with this recommendation.

Green – The Office of Employee Relations currently provides performance appraisal training in a variety of forums, including in our leadership and supervision academy. This training is also provided to Departments upon request. The Administration and HR will review resources currently provided to departments and provide additional training for supervisors at the department level as needed.

Target Date of Completion: June 28, 2024

Finding 2: The Administration Should Review Its Current Performance Metrics Measure Around Non-Management Performance Appraisals

Recommendation #7: To accurately report performance related to non-management employee performance appraisals, the Administration should:

- a) Adjust the current HRMS report to accurately measure whether non-management performance appraisals were provided on schedule,
- b) Rename the current City Service Area dashboard measure to reflect the percentage of non-management employees who received an appraisal to align with what the calculation in the current HRMS reports, or

c) Establish separate performance measures that capture both the completion percentage and on schedule timeliness of non-management performance appraisals.

Administration's Response: The Administration agrees with this recommendation.

Green – HR and ITD will assess and update the performance measures for non-management appraisals, document methodology, and communicate changes with departments. In addition, HR will coordinate adjustments with the Budget Office for the City Service Areas dashboard measure for the FY 2024-2025 Budget process.

Target Date of Completion: March 29, 2024

Recommendation #8: To ensure consistency and reliability of its performance measures around non-management appraisals completion and/or timeliness, the Human Resources Department should document the methodology for the measures reported in the Adopted Operating Budget and other year-over-year reports and dashboards.

Administration's Response: The Administration agrees with this recommendation.

Green – HR and ITD will update the performance measures for non-management appraisals, document methodology, communicate changes, and coordinate adjustments with the Budget Office for the FY 2024-2025 Budget process.

Target Date of Completion: March 29, 2024

CONCLUSION

The audit report identifies ways the City can improve timely, effective, and measured appraisals for the City of San José's non-management employees. HR, the City Manager's Office of Employee Relations, ITD, and the City Manager's Budget Office will coordinate efforts to promptly implement the recommendations identified. As a City Manager priority, staff will ensure that training, support, and query reports enable departments to fulfill the Administration's standards for employee hiring, growth, and retention.



Jennifer Schembri

Director of Human Resources and
Director of Employee Relations

JOE ROIS, CITY AUDITOR

February 5, 2024

Subject: Response to the Audit of Non-Management Performance Appraisals

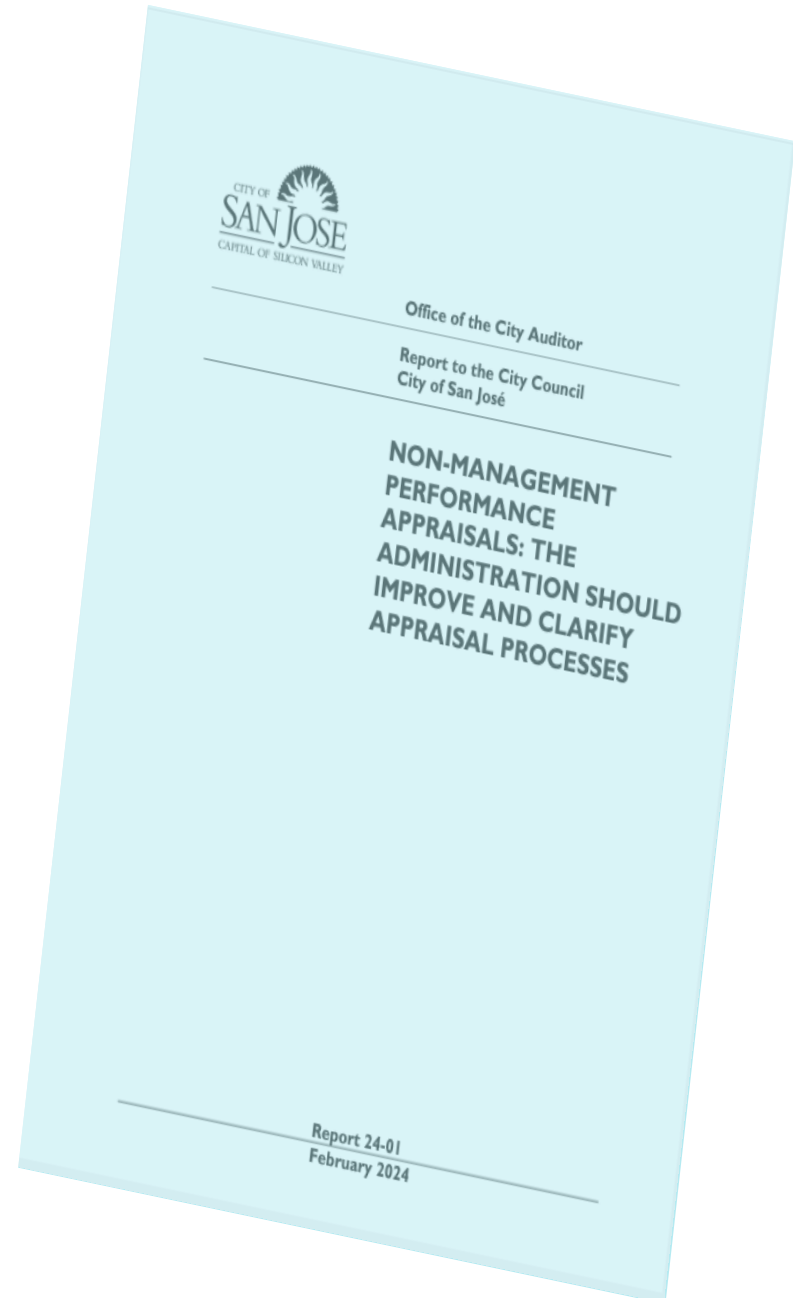
Page 7

For questions, please contact Carrie Rank, Administrative Officer for the Human Resources Department, at carrie.rank@sanjoseca.gov.

Non-Management Performance Appraisals: The Administration Should Improve and Clarify Appraisal Processes

A Report from the City Auditor
Issued February 2024

<http://www.sanjoseca.gov/auditor>



Background

- Roughly 4,300 non-management employees as of June 30, 2023.
- The City Policy Manual provides guidelines for annual and probationary appraisals.
- “% of Non-Management Employee Performance Appraisals Completed On Schedule” is a key performance indicator for the Strategic Support City Service Area.

*An appraisal being **on schedule** refers to whether it is conducted within 30 days of the end of the appraisal period*

Finding 1: Nearly Three Quarters of Non-Management Employees Had a Current Appraisal on File; However, Timeliness Can be Improved

- As of June 30, 2023, 74% of non-management employees had an appraisal in the prior year or had one currently due.
- 28% of appraisals were completed more than 30 days after the end of the appraisal period; 11% were more than 90 days.
- There have been instances where staff have gone extended periods without an appraisal.
- Automation can help simplify and streamline the appraisal process.

Recommendations:

To improve the non-management appraisal process, the Administration should:

- Establish a process to notify and follow up with departments on outstanding appraisals
- Clarify expectations around providing and tracking appraisals for part-time staff
- Implement automated workflows to streamline the process
- Provide additional training to supervisors who complete the appraisals

Finding 2: The Administration Should Review Its Current Performance Measure Around Non-Management Performance Appraisals

- The report used for calculating performance did not accurately calculate whether an appraisal was “on schedule”.
- Appraisals were considered on schedule even if they were conducted more than 30 days past the end of the appraisal period.
- The report also did not accurately identify overdue appraisals. This was corrected during the audit.

Recommendations:

To more accurately report performance, the Administration should:

- Adjust its reporting tool to more accurately assess whether appraisals were on schedule
- Document the methodology moving forward

Conclusion

This report has eight recommendations to improve the non-management performance appraisal process and reporting.

We would like to thank the Human Resources Department, the City Manager's Office, the Office of Employee Relations, and the City Attorney's Office for their time and insights during the audit process.

The audit report is available at www.sanjoseca.gov/auditor

Audit staff: Ebelechukwu Obi, Ricky Tran