PINAL COUNTY
WIDE OPEN OPPORTUNITY

Internal Audit Report

Pinal County

Talent Management – Merit Rule Recruitment

May 2024

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Executive Summary

Background

Pinal County Internal Audit performed a review of the County's talent acquisition process with an emphasis on the impact the Pinal County Merit Rules have on the ability of the County to effectively hire qualified candidates. In the past ten years, public sector organizations in Arizona have eliminated or modified their Merit Systems in consideration of the evolution of employment laws and in recognition of the need for talent acquisition processes that are more agile and responsive to the workforce, while preserving merit principles. In 2012, Arizona repealed the requirement of the merit rule system, and instead, moved towards an at-will system for County employees. Currently, Pinal County desires to explore opportunities to enhance its approach to recruitment and selection by assessing the impact and necessity of Merit Rules.

The purpose of the Merit Rules is to establish a system of talent acquisition administration that is based on merit principles and designed to ensure a competitive process that evaluates applicants on the basis of job-related knowledge, skills and abilities, and that there is no unlawful discrimination. While all departments within the County abide by the Pinal County Merit Rules, areas within the recruitment lifecycle, listed below, are managed by individual departments, with the support of Human Resources.

The Merit Rule recruitment process covers several functional areas as follows:

1. Preparation
2. Sourcing
3. Screening
4. Selecting
5. Hiring
6. Onboarding

Additionally, per the FY22 Risk Assessment, it was observed that job descriptions were outdated, the workforce had been stretched thin, resources were scarce, and access and production of meaningful data was difficult to perform. Additionally, the 2018 Human Resources Audit presented opportunities for improvement in the recruitment process.

Scope and Objectives

Objectives and Scope:
The objectives of the review were to:

- Evaluate practices performed in consideration of merit rules, and the specific merit rules themselves, listed below, to determine their effectiveness towards the recruitment process,
    - Administration of Merit System
    - Pinal County Employees Merit System
    - Announcements, Selection Process, and Examinations
    - Application Files
    - Certification and Selection of Eligible Applicants
    - Appointments
- Understand and review Merit Rules around the recruitment processes for positions critical in delivering Pinal County services.
- Evaluate merit rules to determine their effectiveness towards the recruitment process.
- Obtain an understanding and evaluate the operational efficiencies of the processes related to recruiting for Merit Rule positions:
    - Department Structure
    - Benchmarking Procedures
    - Needs Identification and Rationalization
    - Job Description responsibilities
    - Job Posting
    - Candidate Interviews

  - Applicant Selection
  - Onboarding
  - Monitoring and Reporting
- Evaluate procedures to ensure job description responsibilities and expectations are reviewed and periodically updated.
- Assess the effectiveness of monitoring and reporting.
- Identify improvement opportunities related to the efficiency and effectiveness of recruiting and monitoring controls for covered Merit Rule positions.

Law Enforcement Merit Rules will not be included in the scope of this review as they require a different set of standards.

Procedures Performed:

Our review of the Talent Management processes followed the Pinal County Internal Audit Methodology. Accordingly, detailed procedures performed entailed:

- Determine a sample of departments, with the guidance and approval of County Management, to gain an understanding of how departments are approaching the recruitment process, in relation to the Merit Rules.
- Determine where the goals of the Merit System are being achieved and where the Rules, as written and/or as applied, may be deterring the County from meeting its goal to effectively fill positions based upon merit principles and relevant job-related knowledge, skills and abilities.
- Gain an understanding of the current policies and procedures in place to conform to provisions in the Merit Rules relating to talent acquisition. Verify procedures in place to guide and monitor compliance with Federal and State regulations.
- Identify leading practices that could benefit the County's current recruitment policies and processes.
- Randomly select positions covered under Merit Rules and compare salaries with other counties of similar traits.
- Validate if monitoring and reporting procedures are in place to provide sufficient oversight.

Areas of Strength

As part of the above documented procedures, Internal Audit noted the following strengths present among the Merit Rule Recruitment process.

- Department Heads have a positive outlook towards the Human Resources department and believe they are putting their best effort for the County.
- Department Heads are willing to put in significant effort to ensure they are finding the best candidate for the County.
- Human Resources has an appropriate vision for the County recruitment process and desire to build a reputation related to its employees that can set a successful path for the County for years to come.
- The County has developed data analytics and key performance indicators related to Human Resources; however, the resource dedicated to this task is no longer employed with the County.

Summary of Results – Opportunities for Improvement

The following **opportunities for improvement** were observed during the review. Control and process improvement opportunities identified by Internal Audit are discussed more thoroughly in the Detailed Improvement Opportunities and Action Plans section that follows.

No.	Opportunities for Improvement	Risk Ranking
1.	Due to specific Merit Rules and County recruitment policies, the recruitment process can be time consuming for involved departments and applicants.	**Medium**
2.	County Merit Rules and County recruitment policies may be contributing to a widened or narrow applicant pool.	**Medium**
3.	Merit rules may not encompass content to ensure processes add the best value to the County.	**Medium**
4.	Job descriptions and pay structure may not possess a competitive edge against other surrounding counties and the job market.	**Medium**

*Risk Ranking: Includes High, Medium, and Low. See Risk Ranking Definitions in Appendix A for further detail.

Detailed Improvement Opportunities and Action Plans

1. Due to specific Merit Rules and County recruitment policies, the recruitment process can be time consuming for involved departments and applicants.

Within the pre-interview process, hiring managers are required to interview the greater of 5 applicants or 10% of the applicant pool. In circumstances where the County or a department faces an influx of eligible applicants, designating a minimum number of applicants to interview may be necessary. Various department heads mentioned the extra effort to meet this requirement if an applicant exceeds qualifications compared to other candidates in the group. [Merit Rule 6 - Certification and Selection of Eligible Applicants]

In the pre-screening phase of recruitment, Human Resources is responsible for overseeing and managing applications that come into NEOgov (Insight Platform) and pre-screening those applications. Pre-screening involves review of the applicant's minimum qualifications, experience, and education.

Risk Ranking* - Medium

Responsible Party: Colleen Campbell, Deputy Director, Human Resources (HR)

Expected Completion Date: June 30, 2025

Recommendations:

1.1 While any screening process is inherently lengthy in nature, even with the assistance of technology, certain practices can be adopted to mitigate these challenges.

a. Collaboration between Human Resources and Department Heads should occur on a more frequent basis. Prior to initiating each new recruitment, Hiring Managers and HR should partner to:

i. Validate job descriptions and minimum qualifications are current and accurate
ii. Tier preferences for necessary certifications, acceptable certifications, and preferred qualifications.

b. Evaluate if Merit Rules are necessary and the most efficient use of County resources. Consider if Merit Principles should be encompassed in established talent management policies and procedures.

1.2 To expedite fulfillment of positions, it is recommended when equal or similar candidates exist, a backup is available if the first candidate does not accept the offer letter.

1.3 Human Resources and Department Heads should maintain a formal line of communication throughout the process to ensure feedback on applicants, interviewees, and the overall process is provided on a timely basis.

1.4 The most significant piece to the interview process is the quality of questions asked of the interviewee, not the number of interviews or panel number. Merit Rules may limit current candidate interview/selection options. Consideration should be given to interview/selection strategies consistent with the position being recruited for and desired outcomes.

Management Action Plan:

1.A To help ensure the interview and selection strategy for each recruitment is consistent with the position being recruited for and the desired outcomes as established by the Department Heads/Appointing Authorities' (HA), HR will increase its collaboration with the HA. This increased collaboration will take multiple forms to include updated resources, outreach at specific points in the recruitment and selection process, training, and department follow-up. The specifics and timeframes for completion of these activities are as follows:

HR will review industry resources for best practice guidance on screening and evaluating applicants, and based upon this research and information will develop tools, templates, guidelines, training, and other applicable resources. HR will incorporate the information into an updated Hiring Manager's Guide and provide access on the HR website. These enhancements are scheduled for completion by **December 31, 2024**. Furthermore, the Talent Acquisition team will partner with and promote its availability to partner with the HA at critical points in the recruitment and selection process. It is anticipated these contact points and resources will include the following at a minimum:

- HR will increase its collaboration with the HA to ensure the recruitment strategy is aligned with department staffing needs and formalize the process with a comprehensive recruitment requisition form. This form will be created for the HA to complete prior to each recruitment. This form will capture information detailing the position being recruited for and desired outcomes. Any challenges to prior recruitments or changes to the needs of the department will be requested and documented on the form. The HA will be asked to confirm the job description/minimum qualifications are up to date.

- Upon receipt by HR, a Talent Acquisition team member will contact the HA (within a standard time frame to be determined) and review the recruitment strategy. (Any material changes made to the job description will be routed to the Classification and Compensation team for review and approval.). Talent Acquisition staff will continue its current practice requiring a draft of the job posting being sent to the HA for approval prior to opening the recruitment.

- Objective screening strategies and tools will be developed for use by the HA to assist in the selection of applicants who will advance in the interview process.

- HA will be informed of options which are available to them for interviewing and assessing applicants, to include but not limited to: Phone screens, one on one interviews, team and /or panel interviews. These options will be communicated through the updated Hiring Manager's Guide.

- Information provided to HA will include the pros and cons associated with the interview strategy, the circumstances supporting use of the strategy and steps to effective utilization of the strategy, etc.

- The Talent Acquisition team may work with the HA to develop individualized recruitment strategies for positions that are hard to fill* and/or for executive recruitments. This includes but is not limited to sourcing of candidates that includes the applicant repository (NeoGov), LinkedIn, and other Talent Acquisition sites. HR will partner with HA on recruiting strategies that include promoting jobs with industry specific associations, job boards and networking events.

*The need for individualized recruitment strategies is determined in multiple ways: through request of the HA; through input from the Talent Acquisition team, and/or, the compensation team; and through turnover and vacancy data review and analysis completed at least annually by HR (Note: particular attention is paid to classifications experiencing turnover exceeding 10 percent and/or vacancies actively being recruited for that exceed, i.e., recruitments are either not yielding qualified candidates or not resulting in successful hires. HR will establish parameters to define "without success" subsequent to its best practice review.

- Included in the tools and templates capturing best practices for screening and selection will be candidate communication strategies/tools, conducting effective phone screenings and interviews based upon the option selected and the position classification, to include but not limited to:
  - Strategies for maintaining communication with applicants to establish a positive experience and enhance the Pinal County brand.
  - The types of interview questions appropriate for the circumstances (behavioral, competency, situational, character, etc.)
  - Strategies for assessing responses, and effective listening skills.
  - Proper interview introductions and information on how to best present Pinal County to applicants.
  - Strategies for maintaining contact with qualified candidates to ensure options if preferred candidates do not accept employment
  - Documenting the selection decision

- HA's will be provided written guidance and form letters for making employment offers and establishing pay consistent with Pinal County compensation policies, and laws governing pay practices.

The updated Hiring Manager's Guide will also be the foundation for training to be provided to Hiring Managers, HR Liaisons, and hiring team and/or panel members. By **June 30, 2025**, this training will be adopted into Pinal County's annual training calendar. First time supervisors and newly hired supervisors will be offered this training in the new Supervisor Training curriculum. HR will recommend to County Management that this training be mandatory for Hiring Authorities and HR Liaisons in Appointed Departments, and Elected Offices.

HR will continue to provide oversight on department recruiting activities on a limited basis (expanded as resources permit). This oversight will include:

- Review of requisitions
- Review of offer letters and salary proposals
- Review of background investigative reports, to include certifications if required for the roles.
- Monitor HR analytics, to include: turnover, vacancies, and new hires on a quarterly basis.
- Quarterly check-ins with HAs to review the data and status of recruitment activities, vacancies, etc.

In addition, HR will continue to distribute a self-audit tool annually to all departments, and review results. HR will respond to any areas of non-compliance, and/or questions from the HA. HR will complete onsite reviews of HR functions for departments every two years. This process includes verification of activities associated with recruitment and selection and Merit Rule compliance.

Comments: With respect to Talent Acquisition, enhancements to communication, improvements to process and procedural efficiency and effectiveness will be prioritized as noted in the management action plan (MAP). In creating the MAP, consideration has been given to the HR operating model that is currently in place. Presently, certain functions are handled by central HR and others are handled at the department level and at the discretion of the Appointing Authority, e.g., when recruitments are initiated, when interviews are scheduled, whether or not a position will be filled, applicant and candidate communication, etc.

While HR acts to promote consistency, effective strategies, and compliance throughout the County, and is furthermore committed to improving its services in these areas, the different departments are presently responsible for the localization of solutions based on their priorities, needs, and in the case of elected officials, statutory authority. HR will work to ensure departments are able to exercise their authority in an informed, skilled way.

With respect to recommendations involving the County's ATS (NeoGov), this system provides for the departments exclusive use OHC within NeoGov for recruiting. The notes and comments regarding candidates added by a department in OHC have restricted visibility; other departments and HR are unable to access them. Conversely, departments are unable to see notes and comments made by HR. This system safeguard is in place to ensure an objective selection process. The lack of visibility on department recruiting activities in our current software platform creates barriers for HR to offer a detailed level of support.

The HR Department recognizes that the current ATS (NeoGov) presents a challenge given its limits and those of our HRIS system. Access to applicant and personnel data, information, and data analytics to inform decision making is an ongoing challenge. HR will continue efforts to work with IT to secure alternative software.

1.B The Employee Merit Rules are under revision at this time. Eliminating the requirement to interview five (5) applicants or 10 percent of the applicants certified to a Hiring Authority has been incorporated into the recommendations (Merit Rule 6). Proposed revisions will also address Merit Rule 4 to include additional options for applicant interviews to include, but not limited to, phone screens, one on one interviews, team or panel interviews. These Merit Rule revisions are relatively minor, and if taken separately may be offered to the Board of Supervisors for consideration by **December 31, 2024**.

However, the intent of Pinal County is to consider more comprehensive Merit Rule revisions than represented in this report, as well as, changes to classifications to be covered by the revised set of Merit Rules. To do all effectively, it is believed the following steps will be required, at a minimum:

1. Identify the Merit Rules to be changed and proposed changes (beyond those related to recruitment and selection).
2. Identify the County Policies impacted by the changes and draft revisions
3. Identify procedures, forms, etc., requiring change and draft revisions.
4. Seek input from key stakeholders on proposed changes.
5. Inform the Merit Commission of proposed changes.
6. Seek BOS approval for proposed changes.
7. Identify potential changes to classifications covered by the Rules.
8. Identify policy changes necessary to support an expanded workforce not covered by Merit Rules.
9. Identify strategies needed or desired to convert existing covered employees to uncovered status.
10. Develop training to ensure consistent and appropriate application of any Rule changes.
11. Develop training to ensure personnel management strategies aligned with the revised Rules and for uncovered employees are consistent with employment laws and County philosophy (e.g., merit principles).

The anticipated completion date for a **comprehensive plan** to move the County in this direction is **June 30, 2025**.

2. County Merit Rules and County recruitment policies may be contributing to a widened or narrow applicant pool.

IA noted that department heads and HR are facing a restricted applicant pool which appears in different stages of the recruitment process. Merit Rule 4 states that preference points be added during the pre-certification phase. Certification is defined in County policy as, the determination that an applicant meets the minimum requirements of position for which he/she applied and is eligible for referral to an Appointing Authority.

County Policy 3.0 Recruitment and Selection Process requires minimum qualifications must be met to pass the pre-screening phase. IA was advised in interviews that applicants may be rejected if they are a few months shy of the minimum number of years of experience despite meeting every other criterion.

According to interviews with Department leaders, there have been instances where applicants have been pushed through the NEOgov portal to the OHC platform (NEOgov portal where Department Heads review and select applicants) who did not meet minimum qualifications or in other instances, met minimum qualifications and were not passed through to the OHC platform.

Risk Ranking* - Medium

Responsible Party: Colleen Campbell, Deputy Director HR

Expected Completion Date: June 30, 2025

Recommendations:

2.1 While certain components of the pre-screening process will be manual in nature, certain practices can be adopted to mitigate the issue of passing along qualified/unqualified applicants.

a. Collaboration between Human Resources and Department Heads should occur on a more frequent basis. Prior to initiating a new recruitment, Hiring Managers and HR should discuss and determine the following:

i. Necessary certifications
ii. Acceptable certifications
iii. Non-negotiable criteria (an applicant cannot lack or must meet a specific criteria)
iv. Preferred qualifications
v. Minimum years of experience or equivalencies

2.2 Consider encouraging ongoing communication between hiring authorities and HR to ensure a consistent understanding of desired skills and experience. Job descriptions should be treated as living documents that require revisions and reviews on a consistent basis, depending on the organizational needs.

2.3 To cultivate a strong applicant pool and lessen time spent on acquisition, with Legal guidance, enhance the usage of NEOgov's repository. Resumes, notes, comments, termination notes, and other non-numerical attributes are various methods of securing information about an applicant's history that can be utilized for future use. Repositories are beneficial for both the pre and post screening phases of recruitment and content visibility can be controlled through user access.

Management Action Plan:

Please see response to Section 1.

3. Merit rules may not encompass content to ensure processes add the best value to the County and may be conflicting.

A noted insufficient or generally missing information around the following areas:

a. Flexibility in strategies for interviews based on the open position and needs,
b. Service Level Standards (parameters established to provide guidance on turnaround time (e.g., timeframe between selecting a candidate and offering the acceptance letter)),
c. Specifications of 'staying in touch' regarding progress with candidates throughout the recruitment process,
d. Policy requiring applicants to be phone screened prior to in person interviews.
e. Merit Rule 6.7 indicates applicants must be interviewed; however, Merit Rule 4.3 indicates all applicants will be evaluated and scored using one or any combination of the following
    i. Oral Board interview;
    ii. Written examination;
    iii. Performance test or assessment center; and/or
    iv. Training and experience.

Risk Ranking* - Medium

Responsible Party: Colleen Campbell, Deputy Director HR

Expected Completion Date: June 30, 2025

Recommendations:

3.1 IA recommends the following policies, procedures, or guidance should be adopted:

a. Training - Training requirements for Hiring Managers that ensures an understanding of County policies and management responsibilities, including interview techniques and performance management.
b. Interview Guide - HR should enhance The Hiring Manager's Guide… to include flexibility in interview approaches that align with the County's Strategic Plan elements and review of NEOgov for any prior applicant notes.
c. Provide tools and templates to ensure consistency and standardization applicable to the situation,
d. Phone Screen - Encourage Department HR Liaisons to conduct phone screening to ensure the applicant understands the job, the organization, pay scale, County culture, and whether the applicant is still interested or deemed a good fit after the discussion.
e. If critical to the position, conduct certification verification prior to start date
f. Communication - ensure candidates are updated on a regular basis (e.g., weekly/bi-weekly) to provide progress updates and what to expect next in the process. Ensure that communication does not decrease after the offer letter as they could have other job offers.
g. Data Governance – continue to gather data surrounding goals/benchmarks (e.g., time frame between job posting to first interview, first interview and hiring letter, etc.) to actively monitor the talent acquisition process
h. Structure – reassess, align, consolidate, or compartmentalize policies by the different phases of the recruitment process.

Management Action Plan:

Please see response to Section 1.

4. Job descriptions and pay structure may not possess a competitive edge against other surrounding counties and the job market.

Many exit interviews and job offer decline reasons have pointed to low pay from various departments. County Policy 4.20 Wage and Salary Administration allows Managers the mobility to offer starting pay within the 1st quartile of the salary range, however, additional approvals are required to offer a higher amount. Because of the additional effort, some believe it's easier to offer a lower salary, which can lead to a lower average salary across a position and create pay inequality if a higher salary is offered to an applicant.

Risk Ranking* - Medium

Responsible Party: Claudia Lujan, Director, HR

Expected Completion Date: June 30, 2025

Recommendations:

4.1 Clarify the documentation required and appropriate level of request/approval that is necessary to offer a salary greater that the 1st quartile and/or modify the salary range that a Hiring Manager may offer without additional approval.

Support efforts to reduce salary ranges and promote opportunities for advancement, which would ultimately allow for employees to climb up the range faster and experience a more significant effect.

Management Action Plan:

4.1 Consistent with Board of Supervisor approved compensation policies, HR completes ongoing market studies for critical to recruit and/or retain positions. The positions considered for review are those identified by the Board of Supervisors, Elected Officials, County Management, and Appointing Authorities due to turnover rates of 10% or greater, those where pay is a driving factor for employee turnover as evidenced by exit interviews, and those that have not been reviewed within a three year timeframe.

In the past two years, comprehensive market studies have been completed on 108 classifications, 90 of which were conducted in FY 2024. These efforts resulted in these classifications being properly realigned within the salary structure thereby, increasing our market competitiveness. These initiatives are in addition to the across-the-board increases approved by the Board of Supervisors over the past three years. This information is provided to highlight the intentional efforts being made to stay competitive in a rapidly changing market.

To this end, in Q1, CY 2024, Compensation Staff identified benchmark positions for all market grades and have completed preliminary reviews of the market covering all County positions, excluding executive levels. This effort is being used to help validate the appropriateness of the grouping of classifications (e.g., the market supports the same result for those classifications grouped together) and the market supports the pay established for a grade using the midpoint value. Assuming BOS approval, this data will be used to establish the budget capacity for comprehensive revisions to the Pinal County pay grade structure and compensation practices by **June 30, 2025**.

The proposed revisions, may include:

- Reducing the spread of the salary ranges, providing for a more competitive salary for newly hired employees (ideally reducing the need for HA to create "a range within the range" requiring equity reviews and additional approval authority), and
- Less time needed for fully proficient employees to achieve the midpoint of the range (a market competitive value for a fully proficient employee), and
- Comprehensive updates to the salary ranges (reviewed annually) based upon market data, reducing the need for individually based market studies.

To support the new structure being applied as intended and in order to achieve the desired results, compensation policy will be updated and tools for HA use will be developed and/or revised based on the new structure created and compensation strategy established.

As a part of the comprehensive market review, the Compensation team will also complete a review of all Classification descriptions currently in use and their minimum qualifications. The purpose of this review will be to ensure consistency, i.e., classifications in lower pay grades have minimum qualifications consistent with the market and which are less than those related classifications that require greater skills and responsibilities and are valued higher. Concurrently, Classification descriptions will be reviewed at the initiation of each recruitment. The scope of the review may be expanded to include essential functions at the request of the Talent Acquisition team or a HA. The compensation initiated review will be completed by **June 30, 2025**.

In addition to ongoing market studies and proposed structural changes, in Q4 of CY 2023, directors were trained on the factors that need to be taken into consideration when making legally compliant, non-discriminator salary offers. This same training will be extended to the HR Liaisons and all HR staff in Q1 CY 2024, and later incorporated into the training curriculum for Supervisors. Additional training on compensation will be created and added to the annual training calendar by **June 30, 2025**.

Appendix A: Pinal County Risk Ranking Definitions

High	Medium	Low
Material impact on financial statements of the organization	Less than a material impact on financial statements	No impact on financial statements
Significant impact on the operating effectiveness	Moderate impact on operating effectiveness	Minor impact on operating effectiveness
Significant impact on the safeguarding of critical assets throughout the organization	Moderate impact on the safeguarding of critical assets	No significant risk to the organization
Significant impact on the accomplishment of the operational objectives for the organization	Moderate impact on the accomplishment of the operational objectives	Management relied upon for minor modifications to manage the issue
Significant impact on management's decision making for the organization	Moderate impact on management's decision making	Materiality is low
Significant risk for non-compliance with regulations, laws, and policies	Potential for non-compliance with regulations, laws, and policies	Minimal risk for non-compliance with regulations, laws, and policies
Significant risk for litigation for the organization	Potential risk for litigation	Low risk for litigation
Numerous occurrences of the noted issue	Random occurrences of the noted issue	Minimal occurrences of the noted issue
No controls or mitigation plans exist	Controls/ mitigation plans need to be updated and improved	Controls/ mitigation plans are in place and consistently applied
Significant impact/loss of staff, critical widespread impact on morale	Some impact on a few staff or negative impact on morale	Minimal impact on staff

Appendix B: Statement of Limitations

This report (e.g., report of findings/recommendations, table, chart, summary) provides Pinal County management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel will significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.