



**OFFICE OF INSPECTOR GENERAL**  
*City of Chicago*



***REPORT OF THE OFFICE OF INSPECTOR GENERAL:***

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***REVIEW OF THE CITY'S PERSONNEL RECLASSIFICATION  
SYSTEM***

**JULY 2012**

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Joseph M. Ferguson  
Inspector General

## OFFICE OF INSPECTOR GENERAL *City of Chicago*

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July 18, 2012

To the Mayor, Members of the City Council, the City Clerk, the City Treasurer, and the residents of the City of Chicago:

The City of Chicago Office of Inspector General (IGO) has completed a review of the position title reclassification process administered by the Department of Human Resources (DHR), detailed in the City of Chicago Personnel Rules 1 and 26 (Reclassification Rules).

The City's reclassification system is meant to ensure that employment positions are allocated to class titles that adequately describe the duties and responsibilities that are actually performed, and that pay and benefits are commensurate with that work. When functioning properly, the reclassification system acts as a safeguard against abuses and excesses that develop within the City's employment and compensation systems. However, there are deficiencies in the system inhibiting the City's realization of the full benefits of a successful and compliant reclassification process.

The IGO review identifies the deficiencies in the Reclassification Rules that inhibit its effectiveness, transparency and accountability. Most notably, we identify that the Reclassification Rules do not indicate whether departments are obligated to follow or even respond to reclassification recommendations, and that the Reclassification Rules are silent as to who is responsible for enforcing reclassification recommendations. Against the backdrop of those operational deficiencies, our review identified a pattern in which City Departments, without explanation or consequence, tend to disregard or ignore the recommendations of DHR developed on the basis of neutral, objective criteria and analysis that positions be downgraded and pay commensurately reduced.

The lack of accountability and enforcement capacity currently present in the reclassification system impedes the IGO's ability to assess and ensure compliance with the Reclassification Rules, the City's General Hiring Plan, the Shakman Accord, and to assure taxpayer money expended on personnel costs is proportionate to services rendered.

To address these deficiencies, we recommend DHR consider revising the Personnel Rules to require department heads to provide a documented explanation of reason(s) for requesting a position audit and to require department heads to report to DHR within a specified period their final action on reclassification recommendations and provide a written justification for deviating from the recommendation.

In response to the IGO's report, DHR Commissioner Soo Choi agreed with the IGO's recommendations and noted that DHR has started a review of current procedures used in the reclassification process. The Commissioner noted that while formal revision to the Personnel Rules may take some time, she has "no doubt that we can quickly begin to implement either your specific recommendations or equivalent changes that fully achieve the spirit of your recommendations in the interim."

As always, I welcome ideas your ideas comments, suggestions, questions, and criticisms.

Respectfully,

A handwritten signature in blue ink, appearing to be 'J. Ferguson', written in a cursive style.

Joseph M. Ferguson  
Inspector General  
City of Chicago





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**INSPECTOR GENERAL'S OFFICE HIRING OVERSIGHT REPORT**

To: Soo Choi  
Commissioner, Department of Human Resources

From: Joseph M. Ferguson   
Inspector General

RE: Reclassification Process

Date: June 1, 2012

IGO Hiring Oversight and Investigation have completed a review of the position title reclassification process administered by the Department of Human Resources (DHR), detailed in the City of Chicago Personnel Rules 1 and 26 (Reclassification Rules). Our review, contained in the attached Report, identifies deficiencies in the Reclassification Rules that inhibit an effective and accountable reclassification process. Most notably, we identify that the Reclassification Rules do not indicate whether departments are obligated to follow or even respond to reclassification recommendations, and that the Reclassification Rules are silent as to who is responsible for enforcing reclassification recommendations.

Deficiencies of this magnitude currently inhibit the City's realization of the full benefits of a successful and compliant reclassification process. A major function of the reclassification system is ensuring that employees are compensated according to the services they actually perform for the City. The City should not overpay for any services, including those provided by its own employees. Likewise, employees are entitled to be compensated commensurate with the duties they perform. Further, the lack of accountability currently present in the reclassification system impedes the ability to assess and ensure its compliance with the Reclassification Rules, the City's General Hiring Plan, and the *Shakman* Accord.

While this Report utilizes information gathered by the investigative section of the IGO, the Report does not reveal the identities of any specific individuals involved in any investigations either as subjects or witnesses and provides only that level of detail deemed necessary to inform ongoing programmatic concerns. Similarly, this Report is not intended and should not be construed as a finding of misconduct against any individual.

The IGO intends to publish this Report publicly. If you wish to respond to and take action on the findings and recommendations prior to publication, please provide us with your response by



**Friday, June 15, 2012.** If you have any questions you may contact Assistant Inspector General Lucy Schwallie at (773) 478-5230 or [lschwallie@chicagoinspectorgeneral.org](mailto:lschwallie@chicagoinspectorgeneral.org).

cc: Noelle Brennan, Shakman Decree Monitor  
Steven Patton, Corporation Counsel  
Alexandra Holt, Budget Director

## **I. INTRODUCTION**

IGO Hiring Oversight completed a review of the position title reclassification process administered by the Department of Human Resources (DHR), detailed in the City of Chicago Personnel Rules 1 and 26 (Reclassification Rules). The review, detailed in this report, identified deficiencies in the Reclassification Rules that inhibit an effective and accountable reclassification process. Most notably, we identified that the Reclassification Rules do not indicate whether departments are obligated to follow or even respond to reclassification recommendations, and that the Reclassification Rules are silent as to who is responsible for enforcing reclassification recommendations.

Deficiencies of this magnitude currently inhibit the City's realization of the full benefits of a successful and compliant reclassification process. A major function of the reclassification system is ensuring that employees are compensated according to the services they actually perform for the City. The City should not overpay for any services, including those provided by its own employees. Likewise, employees are entitled to be compensated commensurate with the duties they perform. Further, the lack of accountability currently present in the reclassification system impedes the ability to assess and ensure its compliance with the Reclassification Rules, the City's General Hiring Plan, and the *Shakman* Accord.

This report details the provisions of the Reclassification Rules and DHR's reclassification procedures, the findings of a citywide data analysis of departmental implementations of reclassification recommendations conducted by the Investigation section of the IGO (IGO Investigations), our analysis, and our recommended changes to the current reclassification process. We note that for some positions, reclassifications must follow the provisions of their respective collective bargaining agreements (CBA). As such, this report and subsequent recommendations are targeted towards ensuring consistency in the administration of the reclassification process for those positions with CBAs that are silent on reclassifications or those not covered by a CBA.

We would like to acknowledge that during this review and IGO Hiring Oversight's continued audits of reclassification recommendations, the classification section of DHR has been extremely helpful and thorough in providing information and documentation supporting its position audit and recommendation efforts.

## **II. PERSONNEL RULES AND PROCECURES FOR RECLASSIFICATION OF CITY POSITIONS**

The purpose of the reclassification system is to ensure that positions are allocated to class titles that adequately describe the duties and responsibilities that are actually performed or, if the position is vacant, would be performed by an employee in the position. Rule 1, Section 9(e). The Reclassification Rules detail the reclassification process for all departments and employees, as well as appeal procedures that apply to Career Service positions. The Reclassification Rules state that the DHR Commissioner shall, at the request of a department head<sup>1</sup> or upon his or her

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<sup>1</sup> Departments may modify the duties of their positions in order to meet operational needs. When a modification



own initiative, analyze the duties of a class of positions in a department and the duties actually performed by any such person in such class of positions and, if justified, shall reclassify the position to a more appropriate class. Rule 1, Section 9(d). Reclassifications may not be used as means for providing salary increases or as a promotional tool or in lieu of disciplinary action. Rule 1, Section 9(e).

The classifications section of DHR provided an overview of its current reclassification procedures to IGO Hiring Oversight. After a reclassification request is submitted by a department head or initiated internally by DHR,<sup>2</sup> the reclassification can 1) proceed through the position audit process; 2) be “returned” to the department head with an explanatory letter;<sup>3</sup> or 3) be “withdrawn” by the department if it no longer wants to the position to be audited.<sup>4</sup> If, after conducting a position audit, DHR concludes that a position is improperly classified, DHR will recommend the position be reclassified from its current class title to a new class title. A position is determined to be improperly classified if the incumbent(s)’ current duties are significantly outside of the scope of duties required for their position. The reclassification recommendation will identify whether the position should be upgraded, downgraded, unchanged (if the title and pay scale remains the same), or a lateral change (if the title changes but the pay scale remains the same).

Once the position audit is completed, DHR forwards the reclassification recommendation to the affected department head and the Budget Director. A department head may request a review of the allocation (or reallocation) of any position within twenty-one days of the notification. If the department head chooses not to request a review of the reallocation, “the allocation or reallocation shall be considered accepted by the department head.” Rule 1, Section 10. If a non-Career Service employee’s position has been reclassified, this employee may request that his or her department head seek a review of the reclassification by DHR. It is the decision of the department head whether or not to seek such a review by DHR. Rule 1, Section 10.

A Career Service employee, however, is entitled to the more detailed notice and review procedures set forth in Rule 26, sections 2-14 of the Personnel Rules. These provisions provide that a Career Service employee shall receive notice of a reclassification, may personally request a review of the reclassification (accompanied by a written statement explaining why the reclassification is not warranted), may appeal a reviewed reclassification decision (again accompanied by a written statement), and the contested determination may eventually result in a hearing where the Commissioner of Human Resources shall render a final decision on the

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involves significant changes to the duties and responsibilities of a position, the department notifies DHR.

<sup>2</sup> The Inspector General’s Office will also recommend, from time to time, a position audit of a position if in the course of its compliance or investigatory work it is determined that an employee is most likely substantially performing duties and responsibilities of a different class.

<sup>3</sup> Common reasons for DHR to return a position audit request would be either because an audit on that position had already been conducted within the past year or conducted on the same position in another department or because of upcoming layoffs. If a position audit is returned, DHR will issue a letter to the department detailing the reasons for returning the position audit request.

<sup>4</sup> Departments are not required to submit a justification for withdrawing a position audit request. However, an audit request cannot be withdrawn after a reclassification recommendation has been made by DHR.



reclassification. Rule 26, Section 2-14.

IGO Hiring Oversight receives notification of the reclassification recommendation at the time that DHR notifies the affected department. IGO Hiring Oversight does not receive notification of which recommendations are reviewed, appealed, or in fact implemented by the departments.

### **III. FINDINGS**

#### **a. Citywide Data Analysis**

IGO Investigations conducted a citywide data analysis of departmental responses to DHR reclassification recommendations after discovering several instances in which departments did not implement the reclassification recommendation to downgrade the position. Positions are recommended for downgrade when DHR concludes that the position's incumbent(s) are compensated at a higher rate than their current duties require. Ultimately, downgrade recommendations result in a demotion and/or pay decrease for the position incumbent(s).

DHR provided data on all reclassification audits conducted from January 2007 through August 2011. IGO Investigations sorted the data to identify the audits of occupied positions where the reclassification recommendation resulted in the position either being upgraded or downgraded. IGO Investigations then used City personnel records to research the job history of the incumbents of these audited positions to determine whether the affected departments had actually implemented the reclassification recommendation. The analysis of these position audits found the following:

	<b>Total # of Recommendations</b>	<b># Of Recommendations Implemented by Dept.</b>	<b># Of Recommendations Not Implemented by Dept.</b>	<b>Reclassification Audits Not Counted Due to Lack of Information</b>
<b>Upgrades</b>	159	101 (63%)	52 (33%)	6 (4%)
<b>Downgrades</b>	40	8 (20%)	29 (73%)	3 (7%) <sup>5</sup>

As discussed above, reclassification recommendations are subject to a review and appeal process initiated by either department heads or Career Service Employees. Therefore, recommendations would not be implemented if in a subsequent review or appeal the downgrade recommendation was found to be unwarranted. Further analysis was conducted to determine the number of career service (CS) positions versus non-career service (NCS) positions that were recommended for downgrades and the responses to those recommendations. This analysis found the following:

	<b>Total # of Downgrade Recommendations</b>	<b># of Downgrade Recommendations Followed by Dept.</b>	<b># of Downgrade Recommendations Not Followed by Dept.</b>
<b>CS Positions</b>	13	2 (15%)	11 (85%)
<b>NCS Positions</b>	24	6 (25%)	18 (75%)

The analyses above indicate that only 20% of the total downgrades recommended by DHR

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<sup>5</sup> Three employees listed as having their positions audited could not be verified as being actual City employees.

between January 2007 and August 2011 were implemented by the affected departments, while 63% of the total upgrades recommended were implemented. We note that due to the lack of organized and readily available information, DHR was unable to provide the IGO with comprehensive data on reclassification recommendation appeals requested during the relevant time frame, so this analysis does not take into account appeals that could have resulted in the recommendation being overturned. Nonetheless, the fact that departments implemented a significantly higher percentage of upgrade recommendations than downgrade recommendations raises concerns that the reclassification process has been used as means for providing salary increases or as a promotional tool, which is prohibited by the Personnel Rules. Rule 1, Section 9(e).

Additionally, a cost analysis was conducted to identify the financial implications of the downgrade recommendations for all position types not followed by departments. The cost analysis identified the difference between the salary the employee would have received had the department followed DHR's downgrade recommendation and the salary the employee received by not having their position downgraded.

The salary comparison for each employee began with the estimated start of the pay period following the date of downgrade recommendation through August 16, 2011 or the date the employee left City employment if prior to August 16, 2011.<sup>6</sup> The employee's salary history in their current position was compared with the hypothetical salary history had that employee's position been downgraded. Salary resolution data from past budgets were used to determine the employee's hypothetical "downgraded" salary history. The cost analysis showed that the City may have overpaid these employees an estimated \$609,881 in gross salary as a result of the departments not following DHR's downgrade recommendations.

#### **b. Mayor's Office of Special Events Reclassification Request**

In addition to the citywide statistics above, IGO Investigations reviewed the outcome of a specific reclassification conducted for an entire City department in December 2008 (Mayor's Office of Special Events (MOSE), prior to MOSE's merger with the Department of Cultural Affairs). In this case, the department head requested an audit of all the positions in her department. The position audits resulted in downgrade recommendations for a substantial number of these employees.<sup>7</sup> Dissatisfied with the recommendations and her exclusion from the reclassification process, the department head appealed the recommendations and DHR agreed to conduct a second audit, which ultimately resulted in the same recommendations. The department head again expressed her concerns, however, DHR explained that once a recommendation is made, the Office of Budget and Management (OBM) decides whether to implement the recommendation. In response, the department head met with OBM to express her concerns about DHR's reclassification process and recommendations, as well as to voice her

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<sup>6</sup> For the purpose of this analysis the pay periods began on the 1<sup>st</sup> and 16<sup>th</sup> of each month. Using this method allows for a consistent starting point for the basis of comparison and should not be construed as a belief or suggestion that all such recommendations by DHR should or could be implemented in such a short time period.

<sup>7</sup> DHR conducted audits on 46 MOSE positions. DHR found 21 of these positions to be improperly titled and graded, resulting in downgrade recommendations for 14 positions and upgrade recommendations for 7 positions.



discomfort at having to demote and/or decrease the salary of her employees. OBM denied DHR's assertion that OBM is responsible for implementing reclassification recommendations, stating that DHR is the "expert" in personnel matters. In the end, the department head implemented 57% of the upgrade recommendations as opposed to only 8% of the downgrade recommendations. Ultimately, 92% of the downgrade recommendations were not implemented by 1) the department head, because she argued that she was not included in the reclassification process which resulted in the demotion/pay cut of her employees and believed that DHR recommendations are not binding on their own; 2) DHR, because it believed OBM is responsible for implementing recommendations; or 3) OBM, while unsure who actually is responsible, denied responsibility for implementing recommendations. The failure to implement these position downgrade recommendations resulted in the City overpaying the department's employees an estimated \$182,184 in additional gross salaries.<sup>8</sup>

#### **IV. ANALYSIS**

Our review above identified several deficiencies in the current provisions of the Reclassification Rules and Procedures. We also found that the deficiencies in the City's current reclassification system have serious financial as well as *Shakman* implications.

##### **a. Deficiencies in the Reclassification Rules and DHR's Reclassification Procedures**

The Reclassification Rules and Procedures detail the position audit process and the appeal procedures for department heads and Career Service employees. However, these rules and procedures are unclear with respect to the roles and responsibilities of the parties involved in the reclassification process, both at initiation and after recommendations are issued. As seen in the example above, failure to identify these roles and responsibilities diminishes accountability for the reclassification process and weakens the City's ability to improve its overall fiscal and operational efficiency through position reclassification.

Our review specifically found that the current Reclassification Rules and Procedures are deficient in that they:

1. Do not require department heads to provide an explanation as to why they are requesting a position audit;
2. Delineate procedures for Career Service employees and department heads to appeal reclassification recommendations, but leave unclear whether non-Career Service employees have any appeal rights under the process;
3. Do not indicate whether departments are obligated to follow or even respond to reclassification recommendations; and
4. Are silent as to who is responsible for enforcing reclassification recommendations.

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<sup>8</sup> The overpayment to employees in MOSE alone comprised approximately 30% of the total \$609,881 in overpayments distributed to employees citywide.



These deficiencies impede the City from realizing the full benefits of the reclassification process. This lack of guidance effectively gives department heads the ultimate and unfettered veto power over an HR decision that can have wide-ranging impact and cause financial and legal liabilities for the City. The current situation hobbles the City's efforts to determine and ensure appropriate and adequate labor resources – which are duties properly exercised by DHR and OBM, and not abdicated to individual department heads.

#### **b. Financial Implications**

The City should not overpay for any services, including those provided by its own employees, and conversely, its employees are entitled to compensation commensurate with their City duties. A major function of the reclassification system is ensuring that employees are compensated according to the services they are actually performing for the City. The citywide statistical analysis revealed that failure to follow DHR's recommended downgrades between January 2007 and August 2011 cost the City an additional (and unwarranted) \$609,881 in gross salaries. The actual overall costs are even greater as this estimate does not include the City's extra pension and benefits obligations related to these inflated salaries. Moreover, the money the City would save by implementing downgrade recommendations would offset the funds expended in salary increases to those employees recommended for position upgrades.

#### **c. *Shakman* Implications**

A Reclassification is considered an "Other Employment Action"<sup>9</sup> in which "political reasons or factors or other improper considerations" cannot be taken into account. 2011 City of Chicago Hiring Plan, Chapter XIII. The Reclassification Rules also state that the reclassification system cannot be used as a method of providing salary increases or promotions, or used as, or in lieu of, disciplinary action. Rule 1, Section 9(e). However, the lack of accountability currently present in the reclassification system impedes the ability to assess and ensure compliance with these provisions, leaving the system vulnerable to manipulation by department heads and other stakeholders. As discussed above, the statistics compiled by IGO investigations show a troubling pattern in that departments consistently implement a higher percentage of upgrade recommendations – giving the appearance that the reclassification process is being used as means for providing salary increases or as a promotional tool, which is prohibited by the Personnel Rules. Reclassifications provide a useful tool that allows departments flexibility to modify the duties of their positions in order to meet operational needs, but cannot be utilized for the purpose of circumventing the City's Hiring Plan to award employees promotions or salary increases.

Department heads are currently not required to provide an explanation as to why they are requesting a position audit. While department heads are permitted to modify the duties of their employees as operational needs arise, leaving the motivation behind those changes unclear can

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<sup>9</sup> An Other Employment Action is any change in the terms and conditions of employment including, but not limited to: hiring, firing, promotion, demotion, lay-off, reinstatement, reemployment, transfer, reclassification, granting overtime, assignment, withholding of any job benefit and imposition of any employment sanction or detriment.

give the appearance of favoritism or discrimination toward the affected employees. For example, there have been several instances where IGO Hiring Oversight has received notification of the reclassifications of a Library Associate to a Librarian I. In reviewing these recommendations it was discovered that the reclassified employees had recently been unsuccessful candidates in hiring sequences for Librarian I. While there may have been other factors affecting the modifications of the employees' duties, these circumstances give the appearance that the modifications resulted from these employees' inability to achieve the higher position through the City's hiring process.

Similarly, because department heads are not required to provide a response to reclassification recommendations, there is no record of why some recommendations are followed and others are not. This can give the appearance of prohibited factors playing a role in the department's decision regarding reclassification recommendations. The MOSE reclassification example in the analysis section, for instance, required further review due to allegations that the employees were not downgraded because they were "clouted" as opposed to the reasoning provided by the department head. Even if unsubstantiated, the appearance of impropriety in the reclassification process not only threatens the integrity of the reclassification system but also the City's continuing efforts to ensure compliance with the *Shakman* Accord. In order for the reclassification process to meet its stated goal and not be utilized impermissibly as a promotional or disciplinary tool there needs to be accountability respecting final actions on reclassification recommendations, and especially when the final actions are at variance from the recommendations of program-neutral HR professionals conducting the review.

## **V. RECOMMENDATIONS**

The current City reclassification process is hindered by deficiencies in the Reclassification Rules and Procedures which negatively affect both the City's financial and legal environment. To address these deficiencies, we recommend that the Department of Human Resources, the department responsible for promulgating the Personnel Rules (Municipal Code § 2-74-50), consider the following:

1. Requiring department heads to provide a documented explanation of reason(s) for requesting a position audit, including the circumstances surrounding the modifications to a position's duties and responsibilities.
2. Developing reclassification rules and procedures for non-Career Service positions recommended for reclassification, including clarifying whether they have a right to appeal.
3. Requiring department heads to report to DHR within a specified period their final action on reclassification recommendations and provide a written justification for deviating from the recommendation.
4. Working with OBM to determine a method of holding department heads accountable for their responses to reclassification recommendations and enforcing those decisions.



5. Developing a tracking system for departmental responses to reclassification recommendations as well as information regarding recommendation appeals.
6. Consolidating the Personnel Rules and Sections regarding the (re)classification of positions into a single Personnel Rule.

In addition, we further recommend that the Classification Section of DHR receive training on the Escalation Procedure<sup>10</sup> outlined in Chapter XII of the General Hiring Plan. While the General Hiring Plan only contemplates Escalations initiated by DHR Recruiters when issues arise during a hiring sequence, applying this provision to other employment actions enables more stringent oversight of employment areas covered by *Shakman* but not detailed in the General Hiring Plan. Currently, IGO Hiring Oversight is not involved in the reclassification process and only receives notification when a reclassification recommendation is issued. Receipt of Escalations from Classification and Compensation Analysts would allow us to conduct more comprehensive inquiries into position audits before a final recommendation is rendered and/or implemented. Reclassifications can effect change in an individual's employment status and are outside of the detailed hiring process; therefore, it is imperative that mechanisms are in place to respond to possible manipulations as they arise.

We are mindful that implementing these recommendations will require additional coordinated efforts between OBM and DHR; however a successful reclassification process requires the establishment and rigorous implementation of clear guidelines. Defining the roles and responsibilities of DHR, OBM, and the affected departments ensures ownership and accountability to the reclassification process. Accountability enables the reclassification process to achieve its purpose of maintaining a legally, operationally, and financially sound City workforce.

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<sup>10</sup> The Escalation Procedure is a process that requires a DHR Recruiter or Analyst involved in a hiring process who has reason to believe that any individual involved in a hiring sequence may have committed a violation of this Hiring Plan or may have allowed Political Reasons or Factors or other Improper considerations to influence the hiring process to suspend the process and immediately notify IGO Hiring Oversight and the DHR Commissioner for further review and action.