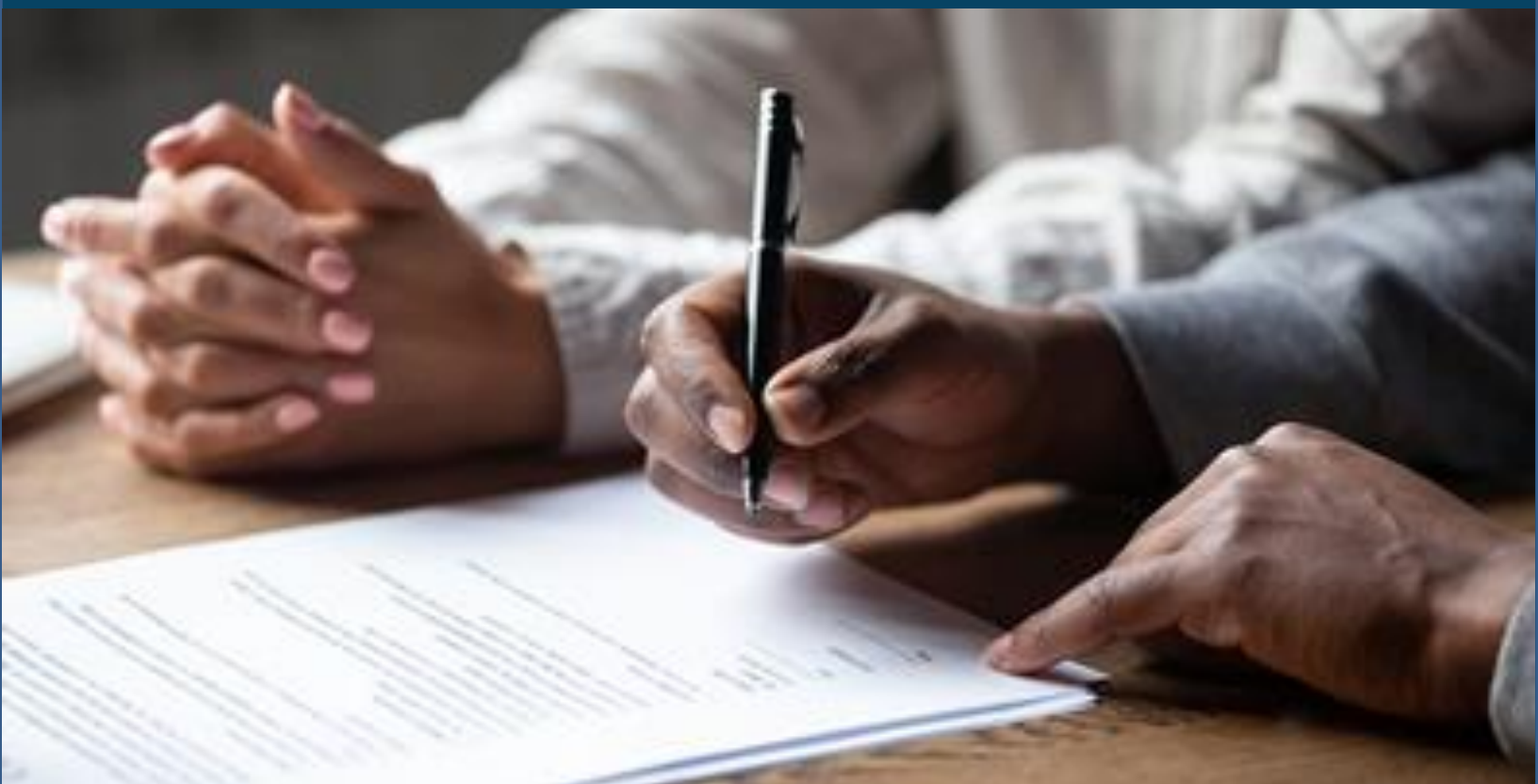


OCTOBER 2020

CITY OF CHICAGO OFFICE OF INSPECTOR GENERAL

DEPARTMENT OF HUMAN RESOURCES EMPLOYEE PERFORMANCE EVALUATION AUDIT



JOSEPH M. FERGUSON, INSPECTOR GENERAL FOR THE CITY OF CHICAGO



JOSEPH M. FERGUSON
INSPECTOR GENERAL

CITY OF CHICAGO
OFFICE OF INSPECTOR GENERAL
740 NORTH SEDGWICK STREET, SUITE 200
CHICAGO, ILLINOIS 60654
TELEPHONE: (773) 478-7799
FAX: (773) 478-3949

OCTOBER 14, 2020

TO THE MAYOR, CITY COUNCIL, CITY CLERK, CITY TREASURER, AND RESIDENTS OF THE CITY OF CHICAGO:

The City of Chicago Office of Inspector General (OIG) has completed an audit of the Department of Human Resources' (DHR) management of the City employee performance evaluation process. Our objective was to determine whether DHR ensures that City departments evaluate their employees as required by Personnel Rule XIV, and, if so, whether the evaluation process aligns with national best practices.

OIG concluded that DHR does not ensure that departments evaluate all employees. DHR has not clearly defined the roles and responsibilities related to the periodic evaluations required by the Personnel Rules. DHR provides forms for departments to use, but it does not require and monitor compliance with Personnel Rule XIV. As a result, more than 10,000 City employees currently work in 7 City departments that report that they do not conduct any performance evaluations, with another 6,000 City employees working in 13 other departments that report they do not regularly conduct performance evaluations of all of their employees.

It is critical that DHR proactively review departmental performance evaluation policies and procedures, and develop a Citywide system to prompt, monitor, and enforce departmental regular periodic completion of such evaluations. DHR should also clearly define expectations and responsibilities regarding the periodic performance evaluations required by Personnel Rule XIV. Without an effective evaluation system, the City lacks an essential tool to create a productive work environment and hold its employees accountable for their performance. The City also unnecessarily heightens the risk that its employment actions will be perceived as improper, unfair, or discriminatory.

DHR agreed with OIG's recommendations. The Department stated it will make clarifying revisions to the Personnel Rule and issue a Citywide policy requiring departments to designate the date of each employee's annual evaluation as well as track on-time completion rates. DHR will monitor departments' completion of the evaluations and provide periodic reports to the Mayor's Office.

We thank DHR staff and management for their cooperation, as well as other City departments for providing information on their experience with employee performance evaluation.

Respectfully,

A handwritten signature in blue ink, appearing to be 'J. Ferguson', with a stylized, flowing script.

Joseph M. Ferguson
Inspector General
City of Chicago

TABLE OF CONTENTS

| | |
|---|-----------|
| I. EXECUTIVE SUMMARY | 4 |
| A. CONCLUSION | 4 |
| B. FINDING..... | 4 |
| C. RECOMMENDATIONS..... | 5 |
| D. DHR RESPONSE..... | 5 |
| II. BACKGROUND | 6 |
| A. DHR’S PERFORMANCE EVALUATION DUTY AND AUTHORITY..... | 6 |
| B. FEDERAL STANDARDS FOR PERFORMANCE EVALUATIONS..... | 7 |
| III. FINDING AND RECOMMENDATIONS..... | 10 |
| FINDING: DHR DOES NOT ENSURE ALL CITY EMPLOYEES ARE EVALUATED ANNUALLY | 10 |
| A. VAST DISPARITIES EXIST IN EMPLOYEE PERFORMANCE EVALUATION PRACTICES ACROSS CITY DEPARTMENTS | 11 |
| B. DHR HAS NOT FULFILLED ITS PERFORMANCE EVALUATION DUTIES AND RESPONSIBILITIES..... | 13 |
| IV. OBJECTIVES, SCOPE, AND METHODOLOGY | 16 |
| A. OBJECTIVE | 16 |
| B. SCOPE | 16 |
| C. METHODOLOGY | 16 |
| D. STANDARDS..... | 17 |
| E. AUTHORITY AND ROLE | 17 |
| APPENDIX A: CITY DEPARTMENT ACRONYMS USED IN FIGURE 3..... | 18 |

ACRONYMS

| | |
|-----|--|
| DHR | Department of Human Resources |
| MCC | Municipal Code of Chicago |
| OIG | Office of Inspector General |
| OPM | United States Office of Personnel Management |

CITY OF CHICAGO
OFFICE OF INSPECTOR GENERAL

DEPARTMENT OF HUMAN RESOURCES PERFORMANCE EVALUATION AUDIT



DHR DOES NOT ENSURE THAT CITY DEPARTMENTS CONDUCT REQUIRED EVALUATIONS OF THEIR EMPLOYEES.



THERE ARE VAST DISPARITIES IN EVALUATION PRACTICES ACROSS CITY DEPARTMENTS.

1. Not all City employees receive periodic performance evaluations required by Personnel Rule XIV.
2. More than 10,000 City employees currently work in departments that report they do not conduct periodic performance evaluations.
3. Approximately 6,000 more work in departments that do not conduct them for all employees.



WITHOUT REGULAR EVALUATIONS, EMPLOYEES LACK AN IMPORTANT INCENTIVE TO IMPROVE THEIR PERFORMANCE, ACCEPT ACCOUNTABILITY, AND DEVELOP PROFESSIONALLY.

The City's lack of a strong performance evaluation system also heightens the risk that employment actions may be perceived as improper, unfair, or discriminatory.

I. EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted an audit of the Department of Human Resources' (DHR) management of the City employee performance evaluation process. The objective of the audit was to determine whether DHR ensures that City departments evaluate their employees as required by Personnel Rule XIV and, if so, whether the evaluation process aligns with best practices recommended by the U.S. Office of Personnel Management (OPM).

The Municipal Code of Chicago (MCC) grants DHR the power to create and the duty to implement the City's Personnel Rules. Personnel Rule XIV provides that all City employees "shall be evaluated periodically" and that DHR "shall develop performance evaluation systems." Federal best practices require a governmental body's central human resources department to approve and monitor other departments' evaluation policies and procedures.

A. CONCLUSION

OIG concluded that DHR does not enforce the requirement that City departments conduct performance evaluations of their employees. We found that DHR has not taken responsibility for approving and monitoring departmental policies and procedures, and vast disparities in departmental evaluation practices exist. Notably, nearly 30% of City employees work in departments that report conducting no employee evaluations. Another 17% work in departments that do not require evaluations for all their employees. Of the remaining Departments with policies requiring annual performance evaluations, there is significant variation in compliance.

B. FINDING

OIG found that DHR does not fully exercise its authority to secure departmental compliance with the periodic performance evaluation requirement. In addition, DHR does not meet federal best practices, which recommend the creation of clear evaluation expectations, as well as approval and monitoring of departmental evaluation policies and procedures. Instead, DHR provides paper-based evaluation forms for departments to use if they wish and ad-hoc assistance to departments that inquire about performance evaluations. DHR does not hold departments accountable for failure to comply with Personnel Rule XIV.

As a result, some employees have never received a performance evaluation. Currently, more than 10,000 employees work in departments that report they conduct no evaluations and approximately 6,000 more work in departments that do not conduct them for all employees. In addition, DHR can provide no assurance that the departments that have performance evaluation policies adhere to them. For example, despite a policy requiring annual evaluations of all

employees,¹ the Chicago Police Department (CPD) reported that only 490 out of 1,700 supervisors, or 27.7%, received their 2018 performance evaluations by the due date.²

Without consistent performance evaluation practices across the City, personnel decisions are often determined solely through management discretion. This heightens the risk that the City's employment actions will be perceived as improper, unfair, or discriminatory.

C. RECOMMENDATIONS

OIG recommends that DHR develop a Citywide performance evaluation system with standardized procedures to ensure that required periodic employee evaluations occur, while still allowing for customization across City departments. In addition, DHR should revise Personnel Rule XIV to clearly define performance evaluation expectations and responsibilities, and report on departmental compliance to the Mayor's Office.

D. DHR RESPONSE

In response to our audit finding and recommendations, DHR stated that it will make clarifying revisions to Personnel Rule XIV. Because revising a rule is a lengthy process, in the near term DHR will issue a Citywide performance evaluation policy requiring departments to designate the date of each employee's annual evaluation and track on-time completion rates. DHR will also provide departments with performance evaluation systems, as well as guidance on to obtain approval for customized systems, monitor their completion of evaluations, and provide periodic reports to the Mayor's Office.

The specific recommendations related to each finding, and DHR's response, are described in the "Finding and Recommendations" section of this report.

¹ CPD directives require annual evaluations of all sworn employees, including supervisors, and semi-annual evaluations of all civilian employees.

² In 2022, CPD plans to implement an automated system to replace its paper-based evaluations.

II. BACKGROUND

The Department of Human Resources “facilitates the effective delivery of City services through the establishment of a professional human resource management program,” including “attracting, developing, and retaining quality personnel and fostering equal employment opportunities for all the citizens of Chicago.”³

A. DHR’S PERFORMANCE EVALUATION DUTY AND AUTHORITY

The Municipal Code of Chicago (MCC) endows the DHR commissioner with the “power and duty to [...] foster and develop programs for the improvement of employee effectiveness including [...] performance ratings [...].”⁴ Further, the MCC requires the commissioner to issue and carry out Personnel Rules that, “[s]hall provide,” among other things,

[f]or promotions which shall give appropriate consideration to the applicant’s [...] record of performance [...];

.....

[f]or keeping records of performance of employees in career service, which performance records shall be considered in determining salary increments or increases for meritorious services; as a factor in promotions; as a factor in reinstatements; and as a factor in discharges and transfers. Appropriate performance records will be maintained for other employees [...]

.....

[f]or development and operations of programs to improve work [...]; and

.....

[f]or such other policies and administrative regulations, not inconsistent with this law, as may be proper and necessary for its enforcement.⁵

Personnel Rule XIV meets the requirements of the MCC respecting employee performance by setting forth general expectations related to performance evaluations, specifically the requirement of performance evaluations for all employees as well as their required maintenance and specific uses:⁶

³ City of Chicago, Office of Budget and Management, “2020 Budget Overview,” September 2019, 80, accessed July 17, 2020, https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2020Budget/2020BudgetOverview.pdf.

⁴ City of Chicago, Municipal Code, § 2-74-020 (3).

⁵ City of Chicago, Municipal Code, § 2-74-050 (6), (9), (13), (15).

⁶ City of Chicago, Department of Human Resources, “City of Chicago Personnel Rules,” September 2014, 38, accessed July 17, 2020, https://www.chicago.gov/content/dam/city/depts/dhr/supp_info/HRpolicies/2014_PERSONNEL_RULES-FINAL_2014_v3.pdf.

Section 1 – Performance Evaluation Policy

The performance of all employees shall be evaluated periodically. The evaluation of performance shall be an integral part of the responsibility of each supervisor under the department head. It shall be the responsibility of each department head to assure that performance evaluations of employees are made and used in an appropriate manner.

Section 2 – Performance Evaluation Systems

The Commissioner of Human Resources shall develop performance evaluation systems which may take into account differences in work performed and level of positions involved. The Commissioner of Human Resources will authorize and assist departments in developing performance evaluation systems. The Commissioner of Human Resources may adopt the use of special rating systems for promotions, which may report on an employee's promotional potential as well as performance.

Section 3 – Performance Evaluation Records

The evaluation of the performance of individual employees shall be maintained as part of the employee's personnel records, and shall be available to the employee upon written request.

Section 4 – Application of Results of Performance Evaluation

The results of performance evaluations shall be considered in determining salary increases for meritorious service or denial of salary increases related to performance. The performance ratings of employees may be used as: a basis for termination or retention; as a factor in promotional examinations; and as a factor in transfers, reinstatements, and disciplinary actions including discharges.

MCC § 2-74-020 endows the DHR commissioner with “the power and duty to . . . investigate from time to time the operation and effect of this ordinance and of the rules made thereunder and to report the findings and recommendations to the mayor . . . [and to] certify that persons named on every payroll have been appointed and employed in accordance with the provisions of [MCC Chapter 2-74] and the rules adopted thereunder.” Accordingly, if departmental evaluation practices do not meet the requirements of the Personnel Rules, the DHR commissioner is authorized to report noncompliance to the mayor and withhold from the comptroller certification for payment of the department's employees.⁷

B. FEDERAL STANDARDS FOR PERFORMANCE EVALUATIONS

The U.S. Code requires executive agencies to develop and implement performance evaluation policies and procedures.⁸ The U.S. Office of Personnel Management (OPM), the chief human

⁷ City of Chicago, Municipal Code, § 2-74-020 (4) & (7).

⁸ United States Code, 5 U.S. Code § 4302. [Establishment of performance appraisal systems.](#)

resources agency for the federal government, prescribes the regulatory requirements for such evaluations.⁹ OPM's regulations require performance evaluation policies and procedures to include,

- written or recorded performance elements, standards, and levels by which employees will be evaluated;
- defined length of evaluation periods; and
- identification of employees covered by the policies.¹⁰

In addition, OPM recommends a 12-month employee evaluation period.¹¹

OPM is required to review and monitor each federal executive agency's performance evaluation policies and procedures.¹² Figure 1 summarizes these best practice recommendations.

FIGURE 1: Roles and responsibilities in performance evaluation for government employees



1. Develop

Each department of a governmental entity should develop performance evaluation policies and procedures. The central HR department should assist the other departments with this task.



2. Approve

The central HR department should approve each department's performance evaluation policies and procedures.



3. Monitor and Enforce

The central HR department should evaluate the operation of departmental evaluation policies and procedures to ensure compliance with applicable rules and regulations.

Source: OIG illustration of information from federal best practices.

⁹ Code of Federal Regulations, 5 CFR § 430.201. [General](#).

¹⁰ Code of Federal Regulations, 5 CFR § 430.204. [Agency Performance Appraisal System\(s\)](#).

¹¹ Code of Federal Regulations, 5 CFR § 430.206. [Planning Performance](#).

¹² Code of Federal Regulations, 5 CFR § 430.210. [OPM Responsibilities](#).

According to OPM, effective performance management practices are critical factors affecting employee retention and productivity. Employees report that the quality of supervisor feedback and recognition for good work are important to their decisions to stay with their current organizations.¹³

¹³ United States Office of Personnel Management, “Good Performance Management Aids Retention and Productivity,” accessed July 17, 2020, <https://www.opm.gov/policy-data-oversight/performance-management/reference-materials/more-topics/good-performance-management-aids-retention-and-productivity/>.

III. FINDING AND RECOMMENDATIONS

FINDING: DHR DOES NOT ENSURE ALL CITY EMPLOYEES ARE EVALUATED ANNUALLY

While DHR provides employee performance evaluation forms for departmental use, this minimal approach neither complies with Personnel Rule XIV nor aligns with federal best practices. Those best practices provide flexibility for departments to develop evaluation systems that meet their specific needs. But they also require the central human resources department to approve other departments' policies and procedures. DHR does not meet this requirement. Therefore, DHR cannot identify the state of employee performance evaluations across City departments, and the departments do not have a consistent understanding of what is expected of them in this area.

The MCC requires DHR to create personnel rules and assigns it the role of monitoring City departments' compliance. DHR, however, does not meet these expectations. DHR created standardized performance evaluation forms for departments to use if they wish, and posted them on the City's intranet site, but DHR does not ensure that all departments complete employee performance evaluations. DHR management acknowledged that it does not hold departments accountable for conducting the required evaluations.

Management further stated that, at DHR's current staffing levels, reviewing its paper-based forms to ensure the evaluation of all City employees would be overly burdensome. DHR management informed OIG that the Hiring Classification division under its Employee Services section has primary responsibility for supporting performance evaluations, but consists of only seven staff, one manager, and one managing deputy to handle hiring classification as well as performance evaluation support.¹⁴ In 2018, DHR attempted to address the shortcomings of its paper-based evaluation forms by considering implementation of an electronic employee performance evaluation module developed by its recruitment software vendor. However, the vendor unexpectedly announced it was terminating the module and DHR has not identified a new electronic system. In the absence of the previously hoped for software solution, DHR has not created alternate procedures for monitoring departmental evaluation policies and practices and holding departments accountable.

Figure 2 shows how Personnel Rule XIV is out of alignment with most of the best practices for employee performance evaluation systems exemplified by the Code of Federal Regulations.

¹⁴ Management stated that the Hiring Classification section receives some assistance from DHR's Information Services section. However, the 2020 City Budget Overview designates DHR's Workforce Compliance section as responsible for managing employee performance evaluations. City of Chicago, Office of Budget and Management, "2020 Budget Overview," September 2019, 80, accessed July 17, 2020, https://www.chicago.gov/content/dam/city/depts/obm/supp_info/2020Budget/2020BudgetOverview.pdf.

FIGURE 2: Personnel Rule XIV DOES not align with most federal best practices

| CENTRAL HR DEPARTMENT RESPONSIBILITIES | <u>The Code of Federal Regulations</u> | <u>Personnel Rule XIV</u> |
|---|---|---|
| Development of performance evaluation policies and procedures | Agency develops independently | Department develops in partnership with DHR |
| Approval of policies and procedures | Yes | No |
| Monitoring departmental compliance with policies and procedures | Yes | No |
| Enforcing departmental compliance with policies and procedures | Yes | No |

| REQUIRED COMPONENTS OF PERFORMANCE EVALUATION SYSTEM | <u>The Code of Federal Regulations</u> | <u>Personnel Rule XIV</u> |
|---|---|----------------------------------|
| Policies and procedures that include written or recorded performance elements, standards, and levels to which employees will be evaluated | Yes | No |
| Defined length of evaluation period | Yes (suggested 12 months) | No ("Periodically") |
| Identification of employees covered by the system | Yes (by each agency) | Yes ("All employees") |

Source: OIG analysis of federal regulations and Personnel Rule XIV.

A. VAST DISPARITIES EXIST IN EMPLOYEE PERFORMANCE EVALUATION PRACTICES ACROSS CITY DEPARTMENTS

The absence of a Citywide employee performance evaluation system has numerous effects across City government. It perpetuates an environment where departments make evaluation decisions individually with no accountability to DHR or the Mayor's Office. Moreover, DHR cannot ensure that departments with performance evaluation policies actually adhere to them.

An OIG survey of City departments revealed a wide variety of performance evaluation policies. Not all City employees receive the annual evaluation prescribed by best practices. In fact, some departments never evaluate employees, in blatant violation of Personnel Rule XIV.

In response to the OIG survey,

- 12 departments stated that they have policies requiring annual evaluation of all employees;
- 2 departments stated that they have policies requiring annual evaluation of some employees;

- 11 departments stated that they have no policies requiring annual evaluation, but that some employees receive evaluations; and
- 7 departments stated that they have no employee evaluation policies and that they do not evaluate their employees.

Figure 3 groups City departments by evaluation policy and shows the number of employees covered by each type of policy. OIG found that more than 10,000 employees—29.4% of the survey population—work in departments that do not conduct performance evaluations.

FIGURE 3: Disparities in performance evaluation across departments

| Evaluation Policy Type | Departments ¹⁵ | Total Number of Employees |
|---|---|---------------------------|
| Annual evaluation required for all employees | CPD, CPL, 2FM, CDPH, DFSS, COPA, DPS, OIG, DCASE, OBM, MOPD, Treasurer's Office | 18,392 (53%) |
| Annual evaluation required for some employees | DOF, DOAH | 585 (2%) |
| No annual evaluation required with some employees receiving evaluations | DSS, OEMC, DOL, DOB, BACP, DPD, DoIT, DHR, DOH, CACC, CCHR | 5,512 (16%) |
| No evaluation required with no employees receiving evaluations | CFD, DWM, CDA, CDOT, Clerk's Office, Mayor's Office, BOE | 10,194 (29%) |

Source: OIG analysis of the survey results.

City departments that do not conduct annual evaluations for all employees stated they use various criteria to determine who is evaluated, such as basing the decision on job title classifications, time of merit increase, or supervisor discretion.

OIG found that even departments with policies covering all employees demonstrate a wide range of evaluation compliance rates. For example, the Department of Fleet and Facility Management (2FM) and the Chicago Police Department (CPD) have strong policies that require annual, face-to-face evaluations, but show different rates of compliance in practice. The 2FM evaluation policy establishes a goal of completing 95% of annual evaluations in the month they are due, which the Department tracks through its Employee Performance Management Program. This program generates a weekly tracking form that assists senior management in monitoring evaluation completion. During 2019, 2FM maintained a monthly average completion rate of 83%. Despite having a similarly strong policy requiring annual evaluations of all

¹⁵ See Appendix A for a department acronym glossary. OIG conducted the survey in late 2019, before 2FM and DOIT merged into the Department of Assets, Information and Services (AIS).

employees,¹⁶ CPD reported that only 490 out of 1,700 supervisors, or 27.7%, received their 2018 performance evaluations by the due date.¹⁷

Regardless of the quality of a department's employee performance evaluation policy, DHR cannot hold a department accountable without monitoring the policy's implementation. Monitoring is necessary to enable DHR to assure the City and its residents that good evaluation policies lead to good evaluation practices.

OIG also found that some departments divert their own resources to address challenges regarding performance evaluations. For example, some departments try to address low compliance rates and burdensome processes by creating their own electronic tracking systems (2FM) or providing supervisor trainings (DOF, OBM). These additional costs and duplication of responsibilities could be avoided if DHR implemented a centralized system.

Personnel Rule XIV requires "the results of performance evaluations [to] be considered in salary increase decisions for meritorious service or denial of salary increases related to performance" and permits evaluations to be used as a basis for termination, retention, promotion, transfer, reinstatement, disciplinary action, and discharge. Furthermore, without regular evaluations employees lack an important incentive to improve their performance, accept accountability, and develop professionally. The City's lack of a strong performance evaluation system also heightens the risk that employment actions may be perceived as improper, unfair, or discriminatory.

B. DHR HAS NOT FULFILLED ITS PERFORMANCE EVALUATION DUTIES AND RESPONSIBILITIES

DHR has not taken steps to ensure performance evaluations of City employees beyond the creation of evaluation forms and directions for departmental use. DHR has not clearly established expectations for when and how often evaluations should be conducted, and does not have procedures for approving other departments' performance evaluation policies and procedures.

In addition, parts of Personnel Rule XIV are vague and confusing in their definitions and assignments of responsibilities. For example, DHR does not specify in the rule who is responsible for ensuring that departments conduct evaluations and does not clearly define the necessary components of a performance evaluation system or the proper length of an evaluation period.

Furthermore, DHR does not clearly define its own roles and responsibilities regarding Citywide performance evaluations, and currently does not have designated employees overseeing

¹⁶ CPD directives require annual evaluations of all sworn employees, including supervisors, and semi-annual evaluations of all civilian employees.

¹⁷ In 2022, CPD plans to implement an automated system to replace its paper-based evaluations.

departmental practices. Its discontinued efforts to explore implementation of an electronic evaluation management system further demonstrates that DHR has not focused on this issue.¹⁸

MCC § 2-74-020 endows DHR with the authority to report on departmental compliance with Personnel Rule XIV to the Mayor's Office. However, DHR does not exercise this authority. The absence of oversight from DHR allows inconsistent departmental evaluation practices to arise.

RECOMMENDATIONS

To ensure that City departments evaluate all employees in a manner that complies with the MCC and Personnel Rule XIV and aligns with best practices, DHR should:

1. Revise Personnel Rule XIV to define expectations and responsibilities for employee performance evaluations more clearly.
2. Require performance evaluations of all City employees on, at minimum, an annual basis.
3. Approve departmental evaluation policies and procedures, allowing for customization at the department level.
4. Remind departments to complete evaluations and monitor their compliance.
5. Exercise its authority to report on departmental compliance with Personnel Rule XIV to the Mayor's Office.
6. Conduct a staffing assessment to identify how many personnel are needed to operate a Citywide evaluation system. DHR should consider implementing an automated process that allows for reminders, monitoring, real time tracking and reporting, and collection of evaluation records automatically, provide trainings for department supervisors, and monitor compliance with the maintenance and use requirements for performance evaluations.

MANAGEMENT RESPONSE

1. *"We agree that the Personnel Rule on performance evaluations should be revised for clarity. However, because revising the Personnel Rules usually takes a longer time to complete due to notice requirements, DHR will issue a Citywide policy regarding performance evaluations in the meantime. The Policy will require annual evaluations for all employees, provide guidance to departments on how to obtain approval for customized performance evaluations, and provide for regular reporting on compliance by departments with the policy."*
2. *"As part of its policy on performance evaluations, DHR will include a requirement that employees be evaluated on an annual basis. DHR will require departments to designate*

¹⁸ According to the Society for Human Resource Management, automation is a basic element of performance management implementation. OIG spoke with officials in peer cities who confirmed that transitioning from paper-based processes to automated processes led to reduced staff hours and increased compliance rates. For additional information, see Society for Human Resource Management, "Performance Management that Makes a Difference: An Evidence-Based Approach," December 2017, 31, accessed August 6, 2020 <https://www.shrm.org/hr-today/trends-and-forecasting/special-reports-and-expert-views/Documents/Performance%20Management.pdf>.

the date each employee in their department will be evaluated and track whether or not the evaluation is being conducted by the designated date.

3. *"The Department of Human Resources will continue to provide performance evaluation systems that departments can utilize but will also allow departments to customize or propose alternative performance evaluation systems subject to approval by DHR.*
4. *"The Department of Human Resources will track whether or not departments are conducting performance evaluations and provide periodic reports to both departments and to the Mayor's Office on compliance with the Citywide policy.*
5. *"As stated above, DHR will track whether or not departments are conducting performance evaluations in a timely manner and provide periodic reports to the Mayor's Office.*
6. *"While DHR can conduct an evaluation of the staff and other resources needed to implement and operate a Citywide evaluation system, given the City's current budget situation, it is unclear when we would be able to implement this particular recommendation. In the meantime, DHR is exploring using current technology to track whether or not performance evaluations are being conducted. While the current technology will not provide all of what is recommended, it will enable the City to evaluate current resources and specific needs as it rolls out the performance evaluation policy/requirement, so that informed decisions can ultimately be made on a more comprehensive performance evaluation system."*

IV. OBJECTIVES, SCOPE, AND METHODOLOGY

A. OBJECTIVE

The objective of the audit was to determine if DHR ensures that departments evaluate all employees in alignment with Personnel Rule XIV and OPM's best practices.

B. SCOPE

OIG assessed DHR's enforcement of Personnel Rule XIV by evaluating performance evaluation policies across 32 City departments for 2019, covering both full-time and hourly positions. We excluded elected officials and the Chicago Board of Election Commissioners because they are not subject to the City of Chicago Personnel Rules. Department heads and City Council employees were also excluded because they are appointed by, or serve at the will of, elected officials. Finally, the audit did not include the License Appeal Commission and the Police Board, as each department has only one City employee.

This audit did not assess the quality of departmental performance evaluation policies.

C. METHODOLOGY

To understand the City's current process for employee performance evaluation, OIG reviewed the Municipal Code of Chicago, City of Chicago Personnel Rules, Classification and Pay Plan, and Performance Evaluation Forms.

To learn about best practices in employee performance evaluation, we reviewed OPM's regulations codified in the U.S Code and Code of Federal Regulations and spoke with peer cities to learn about their evaluation systems.

To assess whether DHR ensures departments provide performance evaluations for all employees in alignment with Personnel Rule XIV and federal best practices developed by OPM, we interviewed DHR management.

To address internal controls, we interviewed DHR management about Citywide evaluations and learned that they have no system in place. This was corroborated through further interviews with HR representatives from AIS, Chicago Department of Aviation, and Department of Water Management. We assessed control environment, control activities, information and communication, and monitoring activities with the understanding that there is no existing program to ensure departmental completion of performance evaluations based off the preliminary interview with DHR management.

To identify the effects of the absence of a performance evaluation system, we surveyed all City departments within the scope of the audit. This survey inquired about the extent of each department's performance evaluation policy, including length of evaluation period and policy

coverage, the process for making performance-based decisions, the barriers to evaluating performance, and other issues.

D. STANDARDS

We conducted this audit in accordance with generally accepted Government Auditing Standards issued by the Comptroller General of the United States. 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.

E. AUTHORITY AND ROLE

The authority to perform this audit is established in the City of Chicago Municipal Code § 2-56-030 which states that OIG has the power and duty to review the programs of City government in order to identify any inefficiencies, waste, and potential for misconduct, and to promote economy, efficiency, effectiveness, and integrity in the administration of City programs and operations.

The role of OIG is to review City operations and make recommendations for improvement.

City management is responsible for establishing and maintaining processes to ensure that City programs operate economically, efficiently, effectively, and with integrity.

APPENDIX A: CITY DEPARTMENT ACRONYMS USED IN FIGURE 3

| | |
|-------|---|
| 2FM | Department of Fleet and Facilities Management |
| AIS | Department of Assets, Information and Services |
| BACP | Business Affairs and Consumer Protection |
| BOE | Board of Ethics |
| CACC | Chicago Animal Care and Control |
| CCHR | Chicago Commission on Human Relations |
| CDA | Chicago Department of Aviation |
| CDOT | Chicago Department of Transportation |
| CDPH | Chicago Department of Public Health |
| CFD | Chicago Fire Department |
| COPA | Civilian Office of Police Accountability |
| CPD | Chicago Police Department |
| CPL | Chicago Public Library |
| DCASE | Department of Cultural Affairs & Special Events |
| DFSS | Department of Family & Support Services |
| DHR | Department of Human Resources |
| DOAH | Department of Administrative Hearings |
| DOB | Department of Buildings |
| DOF | Department of Finance |
| DOH | Department of Housing |
| DoIT | Department of Innovation & Technology |
| DOL | Department of Law |
| DPD | Department of Planning & Development |
| DPS | Department of Procurement Services |
| DSS | Department of Streets and Sanitation |
| DWM | Department of Water Management |
| MOPD | Mayor's Office for People with Disabilities |
| OBM | Office of Budget and Management |
| OEMC | Office of Emergency Management and Communications |
| OIG | Office of Inspector General |

MISSION

The City of Chicago Office of Inspector General (OIG) is an independent, nonpartisan oversight agency whose mission is to promote economy, efficiency, effectiveness, and integrity in the administration of programs and operations of City government. OIG achieves this mission through,

- administrative and criminal investigations by its Investigations Section;
- performance audits of City programs and operations by its Audit and Program Review Section;
- inspections, evaluations and reviews of City police and police accountability programs, operations, and policies by its Public Safety Section; and
- compliance audit and monitoring of City hiring and human resources activities and issues of equity, inclusion and diversity by its Diversity, Equity, Inclusion, and Compliance Section.

From these activities, OIG issues reports of findings and disciplinary and other recommendations,

- to assure that City officials, employees, and vendors are held accountable for violations of laws and policies;
- to improve the efficiency and cost-effectiveness of government operations; and
- to prevent, detect, identify, expose, and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

AUTHORITY

OIG's authority to produce reports of its findings and recommendations is established in the City of Chicago Municipal Code §§ 2-56-030(d), -035(c), -110, -230, and 240.

Cover image courtesy of Wikimedia Commons.

AUDIT TEAM

JISUNG SHIN, PERFORMANCE ANALYST
NICK MCFADDEN, PERFORMANCE ANALYST
CAMERON LAGRONE, CHIEF PERFORMANCE ANALYST
LISE VALENTINE, DEPUTY INSPECTOR GENERAL

PUBLIC INQUIRIES:

NATALIE A. KURIATA: (773) 478-8417 | NKURIATA@IGCHICAGO.ORG

TO SUGGEST WAYS TO IMPROVE CITY GOVERNMENT, VISIT:
IGCHICAGO.ORG/CONTACT-US/HELP-IMPROVE-CITY-GOVERNMENT

TO REPORT FRAUD, WASTE, AND ABUSE IN CITY PROGRAMS:
CALL OIG'S TOLL-FREE TIP LINE: (866) 448-4754 / TTY: (773) 478-2066

OR VISIT OUR WEBSITE

IGCHICAGO.ORG/CONTACT-US/REPORT-FRAUD-WASTE-ABUSE/