

Office of the County Performance Auditor

Performance Audit of the

County's Human Resources Department



January 2019



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RESULTS

The County's human resources management activities were not always consistent with industry standards and were not sufficient to ensure compliance with federal and state laws. The Human Resources Department did not maintain an up-to-date compensation and classification plan, and did not consistently apply protocols that were in place; its record retention system was cumbersome, duplicative, and failed to ensure employee personnel files were complete; it did not provide adequate oversight or guidance for those human resources activities performed by decentralized offices, departments, and courts; and it is not structured to effectively manage a professional system of human resources management.

AUDIT PURPOSE

To determine whether the County's human resources management activities were consistent with industry standards and were sufficient to ensure compliance with federal, state, and local laws and regulations.

BACKGROUND

Human resources management activities within the County are partially centralized and partially decentralized.

Human Resources maintains and administers the classification and compensation plans, employee personnel records and files, the County's benefit plans, the Equal Employment Opportunity Office, and labor relations activities associated with 37 bargaining units.

County departments administer other activities, such as recruiting, hiring, and onboarding staff; training and workforce development; fulfilling reasonable accommodation requests; administering employee leave programs; and managing employee relations matters and discipline.

KEY FINDINGS

- Decentralized human resources functions are disjointed and do not adequately mitigate key risks or position the County to implement strategic initiatives. Policies do not adequately address the decentralization of human resources functions, the controls that should be in place when human resources functions are carried out by personnel outside Human Resources, or the role the Department Director has in providing oversight of human resources functions throughout the County. As a result, County management cannot be reasonably assured that the County maintains consistent compliance with federal and state laws employment laws, or that county-wide initiatives are effectively carried out.
- The Department is not structured in a way that promotes the professional specialization expected of a human resources function as large as the County's. It has a "flat" structure with few discernable work units, all 23 subordinate positions reporting to the Director, and no professional development program. This manager-to-employee ratio, 1:23, and the lack of specialized work units, inhibits the Department's ability to effectively manage a professional system of human resources management, as required by County Code.
- The Department has not maintained a compensation structure that promotes internally-consistent pay levels throughout the County. It has not consistently applied FLSA status designations or established a clear rationale to determine exemptions; and has assigned employees within the same or similar classifications differing compensation levels without a clear rationale. Employee pay levels and the availability of overtime compensation are subject to significant discretion and subjective decision making.
- The Department uses microfiche to store and maintain official personnel files, a process that is inefficient, results in duplicative records maintained in multiple locations, does not ensure the completeness of employee personnel files, and does not adequately restrict access to confidential personnel records is not sufficiently restricted.

KEY RECOMMENDATIONS

- Develop and implement a strategy to better coordinate decentralized human resources functions within the County and throughout each department.
- Develop a plan to move from a wide/flat organizational structure to one that incorporates distinct organizational units with clear roles and responsibilities; reflects key areas of specialization; reduces the number of staff reporting directly to the Human Resources Director; and ensures key functional areas are managed by individuals with appropriate expertise.
- Conduct a comprehensive and methodologically sound classification and compensation study and ensure compensation protocols are consistently applied for all employees.
- Develop and implement document retention policies and procedures that reflect best practices, ensuring all original personnel records are maintained in official personnel files, and destroying personnel records that the County is no longer legally required to retain and is no longer of practical use to the County; and developing a strategic plan to modernize record keeping of personnel records in the County.

A. Introduction and Background

The mission of the Snohomish County Human Resources Department (herein referred to as “Human Resources” or “Department”) is to achieve the mission and vision of the County by attracting, developing, and retaining peak performers. Snohomish County employs more than 3,200 employees in 21 offices, departments, and courts (herein collectively referred to as “departments”). Human resources management throughout the County is overseen by the Director of the Human Resources Department. The Human Resources Director, according to Snohomish County Code, is responsible to administer all of the activities of the Human Resources Department, manage a professional system of human resources management in the County, and develop administrative procedures and guidelines as necessary to assist in the administration of the human resources system [Section 3A.03.010(2), SCC].

While the Human Resources Department directly administers several aspects of a professional system of human resources management, it is not responsible for administering all aspects. Rather, the County employs a human resources management model that is partially centralized and partially decentralized, with many roles and functions of human resources performed in coordination between each department and the Human Resources Department. Centralized within the Human Resources Department are several core human resources management functions, including maintaining the classification and compensation plans, maintaining employee personnel records and files, administering the County’s benefit plans, managing the Equal Employment Opportunity Office (including coordinating the Affirmative Action Plan), and managing all labor relations activities between the County and its 37 bargaining units.

Other areas of human resources management are either partially or entirely decentralized and administered by each County department. This includes hiring activities, including recruiting, interviewing, selecting, and onboarding staff; training and workforce development, with the Department responsible for new-employee orientation and managing an online training program and County departments responsible for training programs that are specific to their respective responsibilities and mission; reviewing and administering reasonable accommodation requests pursuant to the Americans with Disabilities Act (ADA); administering employee leave programs, including the processing and tracking of mandated leave benefits such as leave requests pursuant to the ADA, the Family Medical Leave Act (FMLA), and other extended leave; and employee relations matters, including setting performance expectations, conducting performance evaluations, professional development, and discipline. While these activities are primarily administered at the department-level, the Human Resources Department is available to each department as a resource, provides County-wide guidance, and consults with departments on case-specific situations, upon request.

In addition to carrying out these responsibilities, the Human Resources Department, like a human resources department within any organization, is also responsible for ensuring the County, as an employer, adheres to a series of statutes that mandate specific benefits and rights for all employees. These include a variety of laws that prohibit discrimination, guarantee rights of employees related to compensation (wage and hour laws), health and retirement benefits, mandated leave benefits, and privacy laws, among many others.

In fulfilling administering specific human resources programs, assisting County departments in administering other human resources functions, and overseeing compliance with federal and state law, the Human Resources department is considered to be an internal service provider with a significant role in risk management.

A.1 Report Overview

The remainder of this report is organized into four (4) sections. The first, Section B, focuses on the objectives and scope of this audit, and provides an overview of the methodological approach employed by the audit team to evaluate the Human Resources Department. The next three sections present our findings, conclusions, and recommendations.

Section C focuses on the structure and approach to human resources management employed by the County as a whole, and addresses the effectiveness of the decentralized model employed by the County and on the effectiveness of the organizational structure of the Human Resources Department itself. In this section, we address many of the core human resources functions that are either fully or partially decentralized to County Departments.

The following two sections address two of the core human resources functions for which the Department is fully responsible, and which we find to be in greatest need for improvement. The first, “Classification and Compensation” (Section D) addresses the outdated classification and compensation systems currently employed by the County, and the inconsistencies that have developed since the most recent comprehensive classification and compensation study was completed in 1997. The second, “Record Retention” (Section E), discusses the Department’s responsibilities with respect to maintaining personnel records, inefficiencies associated with the current record retention practices, and opportunities to improve upon existing practices.

Following the presentation of our findings, conclusions, and recommendations, we include the Human Resources Department’s written response to this audit report.

B. Scope and Methodology

On February 13, 2018, the Snohomish County Council passed Motion No. 18-034 directing Council staff to issue a notice to proceed to the Office of the Performance Auditor to complete a performance audit of the County's Human Resources Activities (Audit Topic A.1 in the *2018 Audit Plan*). The scope of this audit included an evaluation of existing practices of the Human Resources Department, including a review of activities during the three fiscal years 2015-2017, with an objective to determine whether the County's human resources management activities were consistent with industry standards and were sufficient to ensure compliance with federal, state, and local laws and regulations. To meet this objective, the audit team performed the following general procedures:

- B.1 Interviewed County employees involved in human resources management activities, including the Director of Human Resources; Human Resources Department staff; staff within other offices, departments, and courts (herein collectively referred to as "departments") who were routinely engaged in human resources activities; and representatives of the County Executive, Finance Department, and Prosecuting Attorney's Office.
- B.2 Reviewed pertinent laws, regulations, ordinances, and policies and procedures related to human resources management within the County.
- B.3 Obtained and analyzed personnel records in High Line, the County's human resources information system, including data related to compensation, FLSA status, overtime worked, and employee classifications.
- B.4 Selected a sample of 27 personnel files, including those maintained both by the Human Resources Department and decentralized County departments; reviewed each to determine their completeness, the overall organization and consistency of the files, and whether the official personnel file maintained by the Human Resources Department contained all relevant personnel documentation consistent with best practices.
- B.5 Conducted a survey of County departments to obtain their input regarding human resources management and the services of the Human Resources Department, including their overall satisfaction with these services; we solicited input from 21 County departments and received responses from 15 departments—a response rate of 71 percent.
- B.6 Evaluated key human resources activities through interviews, observations, walk-throughs, and a review of documentation, including recruiting and hiring, training and development, classification and compensation, employee relations, labor relations, record-keeping, Equal Employment Opportunity and affirmative action programs, and compliance with mandated benefit programs.

Audit fieldwork was performed between June 2018 and October 2018. On December 17, 2018, the Office of the County Performance Auditor provided the Human Resources Department with a draft of this report and, on December 26, 2018, discussed the report findings and recommendations in an exit conference with representatives of the Human Resources Department and the County Executive. We incorporated into the final report responses and input received where warranted. The Human Resources Department generally agreed with the conclusions and recommendations of this report. Management's formal response to the recommendations contained in this report is included in Appendix A.

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

C. Structure and Approach to Human Resources Management

The County's approach to human resources management has been to centralize certain functions within the Human Resources Department, which reports to the County Executive, and to decentralize other functions throughout County departments that either also report to the County Executive or are independent of the Executive. Because the Human Resources Department serves the needs of a wide variety of County departments, we solicited input from human resources personnel within each department to obtain their perspective regarding the Department and services received. Based on this survey, we found that between 60 and 80 percent of responding departments indicated general satisfaction with the centralized services the Human Resources Department provides, as well as the assistance it provides to departments in carrying out decentralized human resources activities. Generally, departments found that Human Resources staff were available when needed; were timely and responsive to and facilitated the needs of County departments; administered policies and procedures in a consistent manner; were courteous, helpful, and provided clear and complete answers to questions; and were knowledgeable of, and communicated well with departments regarding, a variety of human resources matters. Departments also indicated that they were comfortable discussing problems or concerns with Human Resources staff, and knew with whom they should communicate regarding different human resources matters—a critical success factor in managing a decentralized human resources management model.

Overall, on a scale of 1 to 5, responding departments rated the Human Resources Department at 3.6, which is consistent with much of the positive feedback we received while also pointing to opportunities for improvement. Based on this input and our observations, we find that the very structure of human resources management within the County represents one of the most significant opportunities for improvement.

A partially decentralized structure presents certain benefits not available to fully centralized human resources operations, particularly by ensuring that departments have direct access to human resources professionals that are familiar with their unique operating needs. However, such a model also presents certain challenges with respect to the County's ability to ensure compliance with a wide range of federal and state laws, ensuring the consistent application of personnel rules, or adopting and implementing strategic approaches to a variety of initiatives, including workforce planning and development.

As part of this audit, we evaluated the roles and responsibilities of those charged with carrying out human resources activities throughout the County, and found that the Human Resources Department was not adequately positioned to manage a professional system of human resources management in the County, particularly with respect to those decentralized functions, partly because the Department lacked adequate or authoritative administrative procedures and guidelines necessary to assist in the consistent administration of the human resources system throughout the County. As a result, the Human Resources Department is not effectively positioned to manage risks associated with human resources management—such as discrimination risks and ensuring employee rights—or to optimize the effectiveness of county-wide programs or initiatives—such as the Affirmative Action Plan. Below, we present two findings. The first addresses the lack of clarity with respect to the roles and responsibilities of the Human Resources Department and departments throughout the County, and the second addresses inefficiencies in the Department's

organizational structure and how such inefficiencies have affected the efficiency and responsiveness of the Human Resources Department.

C.1 Decentralized Human Resources Functions Are Disjointed and Do Not Adequately Mitigate Key Risks or Position the County to Implement Strategic Initiatives

A decentralized human resources operation requires clearly defined roles and responsibilities and a high level of cooperation to ensure critical functions are carried out consistently and effectively. This audit revealed two key areas relevant to human resources management where the level of coordination between Human Resources and County departments was not adequate or where the roles and expectations of each party were not clear or well developed: (a) compliance and risk management and (b) staffing and workforce development. With respect to these two areas, we found the execution of several critical human resources functions to be disjointed to the extent that the ability of the County to strategically address critical needs or to ensure compliance with federal and state law is impaired.

C.1.a Compliance and Risk Management

The specific legal risks and obligation brought about by state and federal laws affect employers in many areas, including recruitment and selection, affirmative action and equal employment opportunity (EEO), performance management, compensation, benefits, safety and health, employee relations, policies and procedures, training, and termination. In this sense, effective human resources management equates to effective risk management. Legal risks associated with human resources management are wide ranging and, as they relate specifically to our observations and findings, include but are not limited to the following risk categories:

- **Discrimination:** the Civil Rights Acts of 1964 and 1991, Equal Pay Act, Americans with Disabilities Act (ADA), Genetic Information Nondiscrimination Act of 2008, and the Lilly Ledbetter Fair Pay Act, among several others.
- **Wage and Hour Laws:** the Equal Pay Act and Fair Labor Standards Act (FLSA).
- **Mandated Leave Benefits:** Family and Medical Leave Act (FLMA) and the ADA, among others.
- **Privacy:** the Fourth Amendment of the U.S. Constitution, Electronic Communications Privacy Act of 1986, Fair Credit Reporting Act of 1970, Health Insurance Portability and Accountability Act of 1996, Drug-Free Workplace Act, and various discrimination-related legislation.

Because of this, it is considered best practice for the Human Resources Director to take both preventive and detective measures to mitigate risks associated with being an employer the size of Snohomish County. This includes developing policies and procedures that specify the responsibilities of supervisors and managers with respect to matters of compliance and risk, and to provide oversight of the activities of supervisors and managers with respect to these responsibilities. We found that the Human Resources Department has not adequately implemented either, and that it is not clear whether the Director has the authority to do so on a county-wide basis.

Overall, the Human Resources Department has not developed adequate guidelines, training programs, or oversight procedures regarding all relevant areas of risk, including areas that are generally centralized within the Human Resources Department, such as the Equal Employment Opportunity (EEO) program, or areas that are generally decentralized among County departments, such as the administration of and compliance with the mandated benefits provided pursuant to the Family and Medical Leave Act (FMLA).

To illustrate, Equal Employment Opportunity is the absence of discrimination against job applicants or employees, either intentionally or unintentionally, based on their protected group status or other non-job-related criteria. All employers are at risk of violating this standard. Therefore, the Department has developed EEO Complaint Procedures, informing staff and management throughout County departments of available avenues through which complaints could be investigated and resolved, but the guidelines provide a level of flexibility in how EEO complaints are handled such that the Department is unable to ascertain the prevalence of discrimination complaints in the County, or the manner in which such complaints are resolved. Specifically, County employees are first encouraged to discuss concerns of discrimination, harassment, and or retaliation with the appropriate supervisor unless the supervisor is the source of the concern, in which case the appropriate manager. The supervisor is not required to notify the EEO Office, but is encouraged to do so only if the supervisor is not trained to handle the complaint.

In seeking input from County departments, we found that they routinely do not bring concerns of discrimination to the EEO Office, but rather handle the matters internally or, if assistance is needed, turn to a variety of sources. For instance, of 15 departments from which we obtained input, 11 indicated that they typically handle EEO complaints internally or rely on the Prosecuting Attorney's Office for assistance, or some combination of handling complaints internally while relying on both the Prosecuting Attorney and Human Resources Department depending on the situation. Similarly, when matters relating to employee discipline arise, departments are more likely to turn to the Prosecuting Attorney's Office for consultation rather than the Human Resources Department.

There is no mandate that all complaints of discrimination or harassment be handled through the EEO Office; however, in the field of human resources management, adherence to EEO requirements is considered most effective when it is systemic, when employers adopt an organizational philosophy and policies promoting equal treatment, and when they establish an EEO Officer responsible for overseeing EEO compliance and affirmative action programs—which the County has done. However, it is also considered a best and standard practice to ensure the EEO Office is, at a minimum, aware of all complaints of discrimination and harassment within the organization and empowered to address EEO issues. It is difficult, for instance, for the EEO Officer to oversee EEO compliance and affirmative action programs if the Office is not aware of what is going on throughout County departments.

Unlike EEO procedures, FMLA administration is fully decentralized, with each department generally handling FMLA leave matters internally without Human Resource's involvement or assistance. FMLA provides certain employees with up to 12 weeks of unpaid, job-protected leave per year, and requires that health benefits be maintained during the leave. In most organizations, it is the role of Human Resources to ensure that the employer, including department managers and supervisors, do not restrict either intentionally or unintentionally employees' rights to family and medical leave under federal and state law. This is often achieved by developing clear policies and procedures that are communicated to all departments and

employees; training employees throughout the organization charged with administering the benefit, whether centralized or decentralized; and regularly reviewing FMLA cases to ensure consistency across departments and overall legal compliance.

We found that the Department has developed guidelines that inform departments of necessary steps to ensure compliance, and a review of a small sample of records of employees who have taken leave under FMLA revealed that the Department's official personnel records contained all necessary documentation required in statute. However, the Human Resources Department has not implemented any processes through which it can evaluate whether departments may be unduly restricting FMLA benefits, intentionally or unintentionally, because departments are not required to inform Human Resources of all leave requests that could have FMLA implications. At the time of this audit, the Human Resources Department could not provide a definitive list of employees who took leave pursuant to FMLA, making it difficult for the Department to oversee FMLA practices in other departments. In part, this is because, similar to matters of discrimination or discipline, respondents to our survey revealed that they were as likely to turn to the Prosecuting Attorney's Office or another department for consultation regarding FMLA as they were to turn to the Human Resources Department.

Ultimately, we found that the Human Resources Department has not proactively trained department representatives in the administration of FMLA benefits, nor has it reviewed instances of extended leave to determine whether employees received correct information from their departmental liaisons or that FMLA policy had been applied consistently throughout the County. It therefore cannot be reasonably assured that FMLA practice throughout the County remain compliant.

C.1.b Staffing and Workforce Development

County Code requires the Human Resources Director to manage a professional system of human resources management and develop administrative procedures and guidelines as necessary to assist in the administration of the human resources system [Section 3A.03.010(2), SCC]. This includes those functions that remain decentralized, such as the hiring process (e.g., recruiting, selecting, and onboarding employees), workforce planning, and training and workforce development. Overall, we found that Human Resources and County departments were performing those functions described in County Code for which each is responsible. However, based on our observations and input from County departments, we found that the existing model of decentralization needs to be recalibrated such that departments continue their ability to make personnel decisions as they deem necessary while also positioning the Human Resources Department to better coordinate, lead, and oversee county-wide strategic initiatives that relate to all decentralized human resources activities. To illustrate, we present below three fully or partially decentralized functional areas in which Human Resources currently does not have a level of involvement that would be expected of a professional human resources agency.

- ✓ **Recruiting and Hiring.** Snohomish County Code states that the recruitment of candidates is the responsibility of elected officials and department heads, and requires the Human Resources Director to develop an active recruitment program designed to help departments meet current and projected employment needs [Section 3A.07.010, SCC]. We found that County departments and the Human Resources Department are generally fulfilling these responsibilities. Recruitment efforts are initiated

and carried out by each County department and, to assist departments in the recruitment and hiring process, the Human Resources Department developed resources to assist and facilitate departmental recruiting efforts. Specifically, Human Resources contracted with NeoGov, a third-party service provider of web-based human resources tools, guidelines and resources relating to job posting, recruiting, hiring, examination, scoring, and other related processes. The implementation of NeoGov in this area provides the tactical framework for recruiting and hiring throughout the County, providing a set of automated tools and promoting consistency among departments. Utilizing NeoGov, all departments perform their own recruiting and hiring activities and generally rely on Human Resources for assistance as needed.

While NeoGov provides a valuable tool for recruiting and hiring activities, the relative autonomy exercised by departments in these areas may undermine or create barriers to achieving broader strategic objectives. For instance, while the County Council has adopted an affirmative action plan that establishes goals for all department heads, the County is not well positioned to implement a broad strategic effort to achieve these goals. The plan sets forth a goal to increase diversity in a manner that reflects the diversity of Snohomish County. To achieve this goal, County Code requires county officials to “rigorously take affirmative action to eliminate barriers to equal employment opportunity encountered by women and racial minorities and to improve employment opportunities available to specific underutilized groups of women and racial minorities” [Section 3.57.010(2), SCC]. The Human Resources Director is responsible to develop an affirmative action plan, to coordinate and monitor these efforts, and to report annually on the County’s progress to the County Council [Section 3.57.030, SCC]; while department heads are responsible for implementing the plan [Section 3.57.040, SCC].

There are many methods to promote such a goal, including ensuring all job postings are advertised through resources that directly target specific minority audiences and implementing “blind assessments” of applications by decision makers, such as candidate names--among other methods. The Human Resources Department has developed optional tools for departments to utilize, such as the Strategic Recruitment & Selection Plan; however, whether departments use these tools, and how consistently they use the tools, is a matter of their discretion. So long as this remains the case, the implementation of broad strategic programs or goals in County hiring will remain a challenge.

- ✓ **Workforce Planning.** Similarly, while the Human Resources Director is required to develop an “active recruitment program designed to help departments meet current and projected employment needs” [Section 3A.07.010, SCC], we do not find that the tools and resources developed thus far sufficiently meet this objective. Rather, an active recruitment program requires a level of coordination and workforce planning that the County has not yet undertaken. Human resources management includes the responsibility for ensuring organizations have the right number of people, with the right skills, at the right time to perform the required work. This is the goal of workforce planning, and it can only be achieved through coordinated efforts of departments and centralized leadership. Workforce planning generally includes the following elements:

- An outline of organization’s strategic direction.

- An overview of organization's current demographic profile, including workforce statistics by gender, age groups, ethnicity, and disabled employee representation.
- The current and future separation trends, organized by classifications, position types, and/or occupational series.
- An analysis and forecast of separations/retirements, based on a wide range of factors. These are unique to each organization, but can include transfer, voluntary separations, number of employees that have reached a certain age, total retirements in the last 12 months, trends vs. actual separations from 3 years ago, 2 years ago, 1 year ago, etc.
- The identification of competencies necessary today and expected for the future to successfully achieve the organization's mission and critical functions.
- A list of all critical/key leadership positions, ranked by most critical to least.
- A summary of employee preferences, experiences, and perceptions, as illustrated by an employee survey.
- A workforce gap analysis, including recruitment gaps, retention issues/gaps, professional development challenges, knowledge transfer challenges, associated risks, and priority order of challenges that will be addressed.
- The development of workforce planning initiatives, based on the results of this workforce gap analysis, that will be implemented or improved on to meet workforce needs.

Government services are changing and evolving, placing new demands on the skills and abilities of their employees. Identifying current competencies and delineating future needs assists leaders to determine near- and long-term gaps, and to develop training and hiring strategies to meet those demands. Like many government agencies, the County has not engaged in workforce planning.

- ✓ **Workforce Development and Training.** The County has implemented several approaches to promote the professional development of its workforce. This includes centralized training opportunities offered through the Human Resources Department, decentralized opportunities facilitated by departments throughout the County, and a broad strategic initiative underway through the County Executive's Department that focuses on process and workforce improvements. Yet, these efforts are distinct from one another, uncoordinated, and disparate.

For instance, the Human Resources Department administers a training program that offers both mandatory (e.g., sexual harassment, ethics, etc.) and generalized (e.g., training on computer applications, supervision, management, etc.) training that is offered both online and in-person. For instance, utilizing an online learning management portal (Continuous Learning Center) through its third-party vendor, Skillsoft, Human Resources is able to make available to County employees hundreds of online training courses. The Human Resources Department also hosts orientation for all employees during sessions held twice per month, a process that covers benefits, County work culture, harassment training and rules of conduct, and other logistical matters.

In addition to training offered by Human Resources, significant employee training and professional development occurs outside the purview of the Human Resources Department. This includes longer-term employee onboarding processes and specialized training that address the unique needs and work of different departments.

Beyond typical training that is offered through Human Resources and County departments, the County Executive has initiated a Continuous Improvement program referred to as STEP (i.e., the Service, Technology, Excellence Program) that incorporates LEAN principles into County processes. While this effort is largely focused on process improvement and customer service, it also focuses on empowering employees and fostering the skills to solve problems and implement change, and is perhaps the most significant effort currently underway that will have a lasting impact on the County's future workforce.

While training and employee development are widely recognized as fundamental aspects of human resources management—and are traditionally administered, facilitated, and/or overseen by human resources departments—the Human Resources Department appears entirely divorced from the training and workforce development aspects of the STEP program and of the efforts of County departments to develop and train employees.

In part, Human Resources has not been as involved in these activities as would generally be expected of a human resources department because the Department's role in human resources has traditionally been viewed as administrative, not strategic, in nature. As is discussed in the next finding, the Department has largely been organized to provide administrative support to departments, to consult with management in appropriate personnel actions, and to process and file paperwork submitted by departments—applications, position change forms, classification change forms, benefit enrollment forms, etc.—with a focus on maintenance, regulatory compliance, and administrative tasks. However, it is now commonplace for human resources departments to take on tactical and strategic roles within organizations, developing and implementing programs that support the overall growth of the organization, productivity improvement, workforce planning, succession planning, employee relations, and talent management and development. Such a role is consistent with the responsibilities set forth in Snohomish County Code.

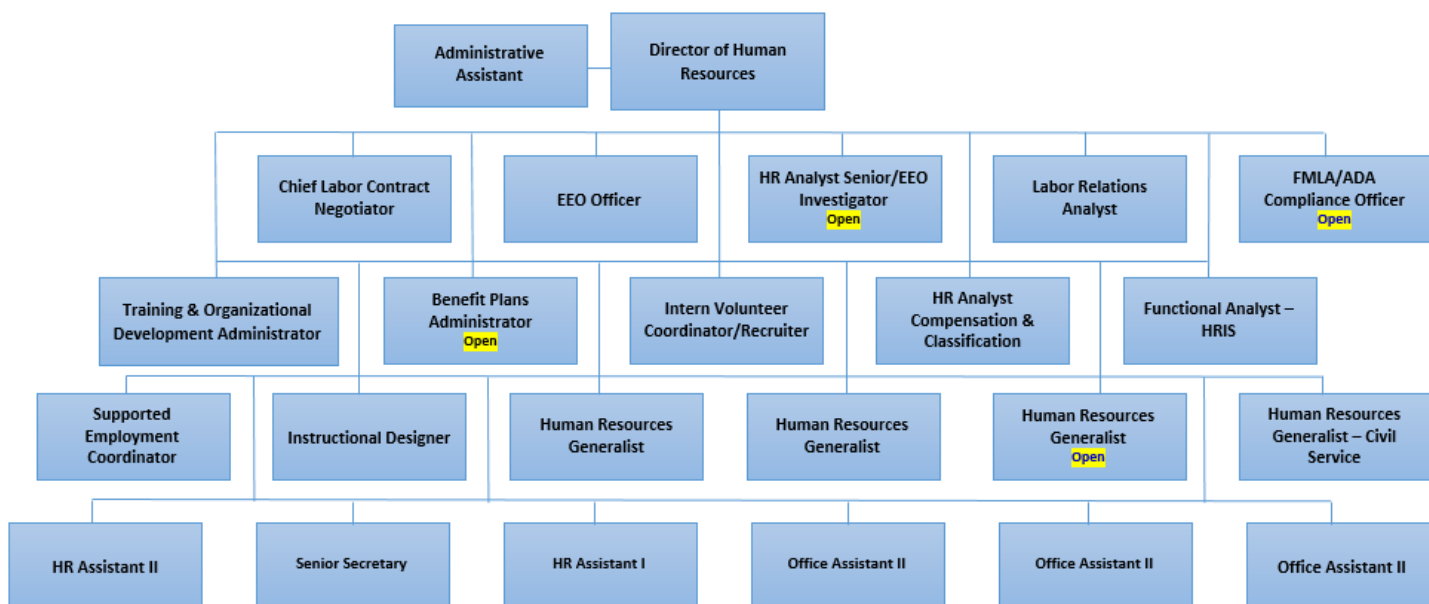
Furthermore, in reviewing County Code and existing policies and guidelines, we found that neither adequately addresses the decentralization of human resources functions, the types of controls that should be in place when human resources functions are carried out by personnel outside the Human Resources Department, or the role of the Human Resources Director in providing oversight of human resources functions or activities performed in other departments. In fact, half of the departments surveyed as part of this audit stated that County Code was either confusing with respect to human resources matters, or did not provide clear guidance to the Human Resources Department or decentralized departments. Therefore, we recommend that the Director work with County officials to more clearly define the roles and responsibilities of Human Resources and other departments in carrying out decentralized personnel functions, and develop professionally sound policies and procedures for departments to follow in performing these activities.

C.2 The Department Is Not Structured in a Manner Consistent with Industry Standards

There is no single organizational structure that is considered “best practice” in the field of human resources management. Generally, human resources departments are responsible for all aspects of human resources activities, including employment, training, safety programs, benefits, compensation, employee relations, labor relations, personnel file maintenance, employee programs and services, and termination-related activities—or, if a decentralized model is employed, they are involved in each of these functional areas in some capacity. Ultimately, though, the form the organizational structure takes will follow the function the department is expected to fulfill. There are pros and cons with respect to how human resources departments structure operations to carry out core functions. In this audit, we did not evaluate all the possible organizational structures that could be employed by the County; rather, this audit evaluated the existing organizational structure of the Human Resources Department, and identified opportunities for improvement.

The Human Resources Department consists of 24 positions, including the Director. At the time of this audit, 20 positions were filled and there were four (4) vacancies, as reflected in the organizational chart in Figure 1.

Figure 1: Human Resources Department Organizational Chart



As is evident in this organizational chart, the Human Resources Department is a flat organization, with all employees reporting to the Director and with few distinguishable organizational units. This is problematic for several reasons.

First, the current span of control within the Department is excessive and not practical for an organization responsible for human resources management functions associated with 3,200 employees. There is some disagreement in the industry regarding what an appropriate span of control is between supervisor and staff. In some cases, professionals advocate for a target span of control between five (5) and six (6) direct reports and, in other cases, professionals advocate for a target span of control between 15 and 20 direct reports.

With 24 authorized positions in the Department, the Director’s span of control is 1:23—at the very high end of what professionals consider best practice. The reason for disagreement in determining the ideal span of control, however, stems largely from the recognition that there are many factors that impact the effectiveness of a large or wide span of control versus a narrow span of control. Figure 2 illustrates the impact of such factors in determining the ideal span of control.

Figure 2: Span of Control Considerations

← Narrow Spans		Wide Spans →	
Complex	Nature of the work	Not complex	
Different	Similarity of activities performed	Similar	
Not clear	Clarity of organizational objectives	Clear	
Fuzzy	Degree of task certainty	Definite rules	
High	Degree of risk in the work for the organization	Low	
High	Degree of public scrutiny	Low	
Weak	Supervisor’s qualifications and experience	Strong	
Heavy	Burden of non-supervisory duties	Light	
High	Degree of coordination required	Low	
None	Availability of staff assistance	Abundant	
Weak	Qualifications and experience of subordinates	Strong	
Dispersed	Geographic location of subordinates	Together	
← More Supervisors		Fewer Supervisors →	

In short, a wide span of control, or a large number of direct reports, is most appropriate in organizations where the work is not complex, the work performed is similar for all employees, there is relatively low risk associated with the work performed, and there is a low degree of coordination required. We do not believe these characteristics represent human resources management functions. It is true that some human resources activities are not complex and where several employees are generally performing similar work; this is most true for staff processing paperwork, such as applications or personnel change request forms, and entering the data into High Line.

However, other functions are complex, differ significantly, and are associated with a significant amount of risk: classification and compensation—as is discussed in the following section—labor relations, employee benefits, employee relations, federal and state compliance, Equal Employment Opportunity and affirmative action program administration. These functional areas do not simply represent variations in the type of work performed, but they are areas of professional specialization governed by well recognized bodies of knowledge and industry standards. Because of this, we do not believe a span of control of 1:23 is feasible.

Second, the organizational structure does not recognize, to the extent that is typical in human resources organizations for employers as large as Snohomish County, key areas of specialization through the use of distinct organizational units. In only a few cases, such as labor relations and EEO, does the Department employ distinct organizational units—even without supervisors or managers—that align with these functional areas of specialization, or have assigned employees with professional expertise to those functional areas.

Not only would this help develop specialized expertise within the Department, but it would also help communicate to employees and decentralized departments who in the Human Resources Department is responsible for what, and where departments and employees should turn to address specific questions. It is critical that employees and managers throughout the organization know where to go in the Department for answers and, based on the results of our department survey, several participants indicated that they did not.

Therefore, we recommend that the Department develop a plan to move from a wide/flat structure to an organizational structure that incorporates distinct organizational units that reflect these areas of specialization. Ultimately, management or supervisory personnel will be necessary to alleviate the Director's span of control and to ensure key functional areas are managed by individuals with appropriate expertise.

Third, at the time of this audit, the Department did not have a professional development program for its own personnel. A critical step the Department could employ in moving toward an organizational structure defined more specifically by these areas of specialization is to promote specialization among its current employees. This could include more explicitly encouraging professional growth, development, and specialization within the Human Resources Department, including professional certifications and continuing professional education.

There are numerous widely recognized professional certification programs in the field of human resource management. The prominent “generalist” certifications include the Professional in Human Resources (PHR) and Senior Professional in Human Resources (SPHR) awarded by the Human Resource Certification Institute (HRCI); the Society of Human Resource Management's (SHRM) Certified Professional (SHRM-CP) and Senior Certified Professional (SHRM-SCP); and the Certified Professional for Human Resources offered through the International Public Management Association (IPMA-SCP). There are also numerous “specialist” certifications in the field of human resources management; these include the Certified Labor Relations Manager, Certified Employee Benefit Specialist (CEBS), Certified Compensation Professional (CCP), among others. These typically require 40 or so hours of continuous professional education hours every one or two years. Given the size of the County's workforce, we recommend that County management promote the attainment of professional certifications and related continuous professional education within the Human Resources Department.

Finally, it is unclear that the Human Resources Department is appropriately staffed. As of the end of audit fieldwork, the Department employed 20 staff, including the Director, for an overall workforce of approximately 3,200 employees, for a ratio of 0.63 human resources staff per 100 employees. Industry standards suggest this is a relatively low level of staffing. The generally accepted ratio is between one (1) and (2) full-time human resources employees for every 100 employees in the organization, with the assumption that those employees are fully qualified and trained human resources professionals. Numerous factors impact the ideal ratio an employer should consider targeting when staffing a Human Resources Department, including the extent to

which human resources functions are decentralized, and the level of staffing dedicated to human resources activities in other departments; the relative complexity of the organization's strategic mission and objectives for the human resources function; the extent of automation within the Human Resources Department; among other factors.

At this point, we do not believe there is sufficient evidence to recommend a specific FTE-to-employee ratio as the necessary level of staffing to be considered properly staffed. Rather, based on the findings presented in this section, and our recommendations to undertake two organizational initiatives—i.e., to re-define the role and responsibilities of the Department in designing and overseeing human resources management activities in the County and, including the responsibilities of decentralized departments, and the re-organization of the Human Resources Department into work units that promote specialization and reduce the number of staff reporting directly to the Director—we recommend that the Department hold off on making any significant changes to the number of staff until after these initiatives indicate such changes are necessary.

D. Classification & Compensation

As a matter of professional practice, human resources management serves three critical purposes with respect to an employer's compensation decisions. First, it is essential to maintain a consistent compensation structure within an organization. Inconsistencies in the administration of compensation are common contributors to complaints of unequal pay for similar work and increased administrative costs associated with tracking employee- or department-specific variations in pay. Classification and compensation programs are designed to fulfill this purpose in an efficient manner by providing a transparent framework that guides compensation decisions. This includes determining the requirements of every job; grouping similar jobs—those with similar duties, responsibilities, and requirements—into classifications; and assigning each classification a salary range or compensation package sufficient to recruit, retain, and motivate a talented workforce.

Second, while executive management ultimately makes decisions regarding compensation, it is essential that human resources stay informed of the market rates for compensation in the region, and let management know existing compensation levels are drifting too low or high as compared to the employment market.

Third, employers must ensure compliance with compensation-related laws, including wage and hour laws (e.g., Fair Labor Standards Act, or FLSA) or discrimination laws. Federal law requires employers to pay their employees a minimum wage and compensate them for overtime unless such employees have specifically been exempted from such rules. Federal law also requires employers to pay employees of protected classes equal compensation for performing substantially equal work.

Ultimately, employers create rewards programs to entice workers to come work for them, retain, and motivate the employer's workforce. With this goal in mind, human resources departments are responsible to inform management of market rates of compensation necessary to recruit, retain, and motivate; advocate internally-consistent pay levels throughout the organization; and minimize compensation-related risks related to federal and state statutory requirements. This audit revealed problems with respect to each of these elements, which contribute to inconsistencies, inefficiencies, and uncertainty in the application of compensation-related protocols. These problems, when combined, affect the County in two key ways.

First, the Human Resources Department has not maintained a compensation structure that promotes internally-consistent pay levels throughout the County. The Department has not applied FLSA requirements, particularly relating to overtime compensation, or established a clear rationale to determine exemptions; and has assigned employees within the same or similar classifications differing compensation levels without a clear rationale. Further, while department policy requires newly-hired employees to start at the first pay grade in the assigned classification, it is not uncommon for departments to assign newly-hired employees to higher pay grades without defined criteria or a clear rationale. Employee pay levels and the availability of overtime compensation are subject to significant discretion and subjective decision making within Human Resources and by County management, increasing the risk that employees may be compensated differently for performing substantively the same work, thus placing the County at risk.

Second, the Department lacks the very foundation for ensuring consistent, equitable, and market-based compensation: a sound classification and compensation structure. The Human Resources Department has

not taken steps to develop a compensation philosophy, which typically provides a sound basis upon which compensation-related recommendations are derived; evaluate systematically the duties and responsibilities assigned to County employees; maintain an updated classification system that groups similar jobs into classifications, identifies the FLSA status of each classification based on the characteristics of the positions allocated to the classifications or the physical demands of the positions allocated to each classification, pursuant to the Americans with Disabilities Act; or keep informed of compensation rates in the employment market for comparable positions in order to inform County leadership of how the County's compensation levels compare to the market.

These deficiencies are described in the four findings below.

D.1 The County's Job Classification System Is Outdated, Cumbersome, and Inconsistent

For employers the size of the County, it is not efficient or practical to administer compensation on a position-by-position basis. Instead, grouping similar positions into classifications and creating pay ranges and a corresponding pay structure helps set financial limits on compensation, provides similar pay for positions performing similar work, and allows for market-based benchmarks and strategies. Snohomish County Code requires the Human Resources Director to develop and maintain a classification plan for all positions of employment with the County and to develop classification specifications for each classification [Section 3A.04.010 et seq., SCC]. Classification specifications describe the body of work assigned to a group of employees, including essential duties and characteristics that distinguish one group or classification from another within the County's classification system. They may also include the FLSA-status of the positions allocated to the classification (i.e., whether the employees working within the classification are entitled to overtime compensation) and the physical requirements of the jobs performed within the classifications, as defined in the Americans with Disabilities Act (ADA).

The most recent comprehensive classification study commissioned by the County was completed in 1997, more than 20 years ago. Since this time, the County's classification structure has undergone numerous changes, has become increasingly inefficient to administer, and has contributed to inequities in compensation. There are three reasons for this, as described below.

- ✓ **The County's classification system has become cumbersome and inefficient to administer.** Typically, classification systems are developed through a multi-step process that includes identifying the specific work of each job, including the roles, responsibilities, duties, and qualifications through a complete job analysis; identifying the exempt or non-exempt status of each job under FLSA and the physical job requirements under the ADA; and grouping substantially similar jobs into classifications and job families. Such a classification system provides a systematic means of determining a defensible and consistent compensation structure.

Job descriptions serve as the basis for recruiting and hiring processes, setting performance expectations and conducting performance evaluations, and defining specific characteristics of each position that facilitate compliance with federal law, including FLSA and ADA. Classifications group substantially similar jobs together; define through specifications the general duties, responsibilities,

qualifications, and characteristics of each job included in the classification; and define the salary range for every job in the classification, thereby ensuring consistency in compensation for all substantially equal jobs.

However, at the time of the 1997 classification study, the County did not develop detailed position descriptions, reflecting the roles and responsibilities of each position. Rather, it focused on grouping similar positions and developing classification specifications for the group as a whole. Over time, the specific duties and responsibilities of individual positions change, often at a faster pace than the generalized roles and responsibilities of entire groups of positions. To accommodate these changes relative to specific positions, managers sought modifications to the classifications and, if the changes were not applicable to the entire group of positions, the Human Resources Department opted to create new classifications for the now-unique positions. By following this practice, the number of classifications in the County’s classification system increased from 481 in 1997 to 945 classifications in 2018, nearly doubling the number of classifications the Department administers.

As a result, classifications are increasingly specific to individual positions—which is contrary to the intended effect of grouping like positions into classifications. This is illustrated in Table 1, which shows that the majority of the County’s classifications have five or fewer incumbents.

Table 1: Number of Incumbents per Classification

Number of Classifications	Number of Incumbents
474	1
315	2-5
125	6-20
23	21-50
8	51+

Source: Position incumbent report prepared by the Department.

Because the County’s personnel system was designed to apply salary ranges to classifications of similar positions, not individual positions, this shift to position-specific “classifications” has eroded the intent of the classification system envisioned in County Code, and has increased the risk that compensation may not be equitably applied to positions with responsibilities, duties, and qualifications that are similar. It also makes the process of evaluating market compensation costlier. That is, the more classifications within the classification system, the more complex and resource intensive compensation studies become.

- ✓ **Employees within the Same or Similar Classifications Are Assigned Differing Compensation Levels Without a Clear Rationale.** A key purpose for establishing and administering a classification system that groups similar jobs into classifications and assigns pay ranges to those classifications is to ensure that employees performing similar work are compensated similarly and that compensation

decisions are defensible. Pay guidance provided by a grade assignment and range minimums and maximums is intended to prevent considerations of an employee's pay from becoming a stand-alone event.

This analysis revealed two means through which inequities in compensation appear evident in the County. Specifically,

- Our analysis of all classifications currently in use revealed 20 for which employees within the classification—which, unless assigned out-of-class work would be performing substantially similar work—were assigned different pay scales in the County's human resources information system, High Line. According to the Human Resources Department, this is due in part to the fact that some of these positions are represented through different bargaining units. While representatives of one bargaining unit may advocate for the salary increase of certain positions under representation, another may not for similar positions; as a result, compensation may increase for some employees and not others, even though the work performed may be sufficiently similar to justify similar salaries.
- In addition to the classifications described above, we also identified a few dozen more classifications that were substantively similar to other classifications, but were assigned differing pay scales in High Line. For example, there are 17 distinct "Administrative Assistant" classifications with similar job duties and responsibilities, each of which were assigned to one of six (6) different pay scales. Similarly, several Accounting and Office Assistant classifications also provided differing pay scales based on the Department employing the position. We found no strategic or operational rationale for these variances.

The United States Equal Pay Act (EPA) prohibits unequal pay for equal or substantially equal work performed by men and women. This audit did not assess the extent to which the pay disparities described above correlate to gender differences, but the existence of such disparities at the classification level, the lack of clear rationales for them, and the increasing likelihood that compensation decisions could become stand-alone events create unnecessary risks. The EPA applies to individual employees, specifically, and not to general classifications; yet, once a pay disparity is established between a male worker and a female worker performing substantially equal jobs, the onus is on the employer to justify the disparity.

- ✓ **Existing classification specifications or job descriptions do not provide sufficient detail regarding the physical requirements of positions they represent.** It is standard industry practice for position-specific job descriptions to include sufficiently detailed information regarding the environmental conditions and physical requirements of a specific position as a means of establishing reasonable accommodation controls. This typically includes the physical attributes an employee must have to perform the job duties with or without a reasonable accommodation, the working conditions (e.g., temperature, noise level, inside or outside, exposure to hazardous materials, shifts, etc.) and physical demands of a job (e.g., bending, sitting, lifting, driving, etc.). Establishing such requirements on a position-specific basis is necessary to limit the County's liability in making hiring decisions and fulfilling reasonable accommodation requests.

However, because the County has not established position-specific job descriptions, it has instead included general language in most, but not all of its classification specifications that describe at a high level the work conditions of jobs typically allocated to the classification. For instance, for the classification of Real Property Appraiser, the classification defines “working conditions” as:

“Work is performed in the office and in the field. Meetings or project requirements involve working evenings, weekends and holidays as necessary.”

For the classification of Judicial Process Assistant II:

“The work is performed in all areas of the Clerk’s Office and Superior Court, including the Denney Juvenile Justice Center and off-site locations.”

And, for the Community Services Counselor:

“Work is performed in the usual office environment and in a variety of community settings.”

This level of detail is not considered meaningful or sufficient in defining the environmental and physical demands of a specific position for the purposes of making hiring decisions or reasonable accommodation determinations.

- ✓ **A comprehensive classification study is necessary.** As time passes classification specifications must be updated. Classification plans require routine monitoring and maintenance to ensure they continue to accurately reflect the County’s workforce. As business needs change, employees’ functions, responsibilities, and duties will also change. Over time, even seemingly insignificant changes to employees’ functions, responsibilities, or duties compound, potentially rendering outdated the classifications to which the employees are allocated. Therefore, it is best practice to conduct periodic system maintenance studies. Such studies can be comprehensive (analyzing all classifications within the personnel system) or they can be specific to a subset of classifications. It is standard professional practice to conduct a comprehensive system maintenance study every 15-20 years, and to conduct system maintenance studies on a select number of classifications on a periodic basis. County Code generally reflects this need by allowing the Director to perform classification studies of individual positions or groups of positions as deemed necessary [Section 3A.04.030(1), SCC].

Because the classification system, as a whole, has not been re-evaluated in more than 20 years, departments routinely seek Human Resources assistance to revise existing classifications, create new classifications, eliminate outdated classifications, or re-allocate existing positions to different classifications. Between 2017 and 2018, County departments have requested that the Human Resources Department perform more than 280 classification evaluations for one of these reasons, between two and three requests per week. Each request requires a job analysis, which involves the preparation and submittal of request forms by management to Human Resources, the independent evaluation of the request, and an assessment of the impact of any classification change on

compensation and internal equity—and often requires significant back and forth between Human Resources and department management.

While County Code acknowledges the need, from time to time, to perform classification studies of individual positions or groups of positions, the process currently employed has become resource intensive, time consuming, and reactive, and it does not result in an improved classification structure.

Keeping the County's classification system up-to-date requires the periodic evaluation of all existing classifications, with the goal of aligning and maintaining the entire system, not simply updating specific classifications or positions. This can be achieved through comprehensive classification studies (e.g., evaluating all classifications at one time) or proactive system maintenance studies designed to address all classifications over a defined period of time. Regardless of the approach, periodic evaluations of the classification system not only enable employers to ensure classifications are up-to-date, but also enable employers to ensure the structure can be managed in a cost-effective manner. Because the County's classification system serves as the basis for defining job expectations and compensation, all of this ultimately impacts the County's ability to recruit, retain, and motivate a qualified and talented workforce.

D.2 Application of FLSA Overtime Requirements Is Inconsistent and Requires Updating

A critical element in classifying jobs for any employer within the United States is the identification and determination of those positions that the employer considers and designates as exempt from overtime requirements of the Fair Labor Standards Act (FLSA). FLSA requires most employees in the United States to be paid at least the federal minimum wage for all hours worked, and overtime pay for all hours worked over 40 hours in a work week. However, the FLSA includes exemptions from the overtime pay requirement for employees who qualify under a specified set of guidelines. For one of the following exemptions to apply, an employee's specific job duties must meet all of the requirements of the U.S. Department of Labor's FLSA regulations:

- **Executive Exemption:** Primary duties must be managing the enterprise, or managing a customarily recognized department or subdivision; employee must regularly direct the work of two other full-time employees; and play a significant role in the hiring, firing, advancements, and promotions of other employees.
- **Administrative Exemption:** Primary duties must include the performance of office or non-manual work directly related to the management or general business operations of the employer or the employer's customers; and those duties include the exercise of discretion and independent judgment with respect to matters of significance.
- **Learned Professional Exemption:** Primary duties must be the performance of work requiring advanced knowledge and which include the consistent exercise of discretion and judgment; the advanced knowledge must be in a field of science or learning; and the advanced knowledge must be acquired by a prolonged course of specialized instruction.

- **Creative Professional Exemption:** Primary duty must be the performance of work requiring invention, imagination, originality, or talent in a recognized field or artistic or creative endeavor.
- **Computer Employee Exemption:** Must be employed as a computer systems analyst, computer programmer, software engineer, or other similarly skilled worker in the computer field performing duties in systems analysis, including analysis of software, hardware, or system functionality; design and development of computer systems or programs or programs related to machine operating systems; or a combination of the above duties.

All Snohomish County positions have been classified as either exempt or non-exempt under the above FLSA regulations, and these classifications are entered into High Line, the County's human resources information system, designating whether an employee will be paid for overtime hours worked. To evaluate the County's compliance with the FLSA overtime exemption rules, we selected a sample of positions classified as both exempt and non-exempt and analyzed the job descriptions to determine whether the position appears to match the FLSA status assigned by the County, based on the U.S. Dept. of Labor regulations. This analysis revealed two problems.

- ✓ **Existing FLSA designations appear to inconsistently or inappropriately restrict some employees' rights to overtime compensation.** Generally, FLSA guarantees all employees the right to a minimum level of compensation, including overtime pay, unless an employer exempts the employee under specific circumstances. Correspondingly, County Code requires the County to compensate non-exempt employees for time worked in excess of 40 hours [Section 3A.05.020(11), SCC]. Exempting employees that do not qualify for exemption effectively restricts an employee's right to fair compensation. Three factors suggest some employees may be mis-classified as exempt:
 - First, High Line-generated reports showing the FLSA status of all County employees reveal several instances in which the FLSA classification appears to be inconsistent with federal law. For instance, there were many law enforcement officials designated as salaried, or exempt from FLSA overtime requirements, but public safety personnel are typically not considered exempt from FLSA overtime rules. Similarly, High Line revealed instances in which staff, including lower-level staff (e.g., Accountant I, Program Assistant, Secretary, Administrative Assistant, etc.) were designated as FLSA-exempt, but their job descriptions do not appear to fall into one of the exemption categories established in law and described above.
 - Second, we analyzed the data to see if employees within the same classifications were generally treated consistently with respect to FLSA status, and found 50 classifications that have incumbent employees with differing FLSA status designations, sometimes within the same department. For instance, in a single classification (such as Office Assistant I), some employees with the same job description were designated as salaried (exempt) and some were designated as hourly. This means some have the right to overtime compensation while others do not have that right, even though the employees perform substantially equal work at the same pay range. This does not appear to comply with federal law.
 - Third, as described previously, the existing classification system includes many classifications that are substantively similar to one another. Above, we illustrated how the

classification system included 17 distinct “Administrative Assistant” classifications with similar job duties and responsibilities, each of which were assigned to one of six (6) different pay scales. Likewise, there were several distinct classifications that represented substantively the same job duties (e.g., Accountant I and Accountant I (OOC)) and found that some were designated as salaried (exempt) and some as hourly, without a clear rationale for the differing FLSA designation.

- ✓ **The County may be paying overtime to employees either not entitled to overtime pay or to employees that the County may be able to rightfully exempt from overtime pay.** While County Code allows for additional compensation for FLSA-exempt employees in limited circumstances when the employee is required to work overtime under limited circumstances [Section 3A.05.020(12), SCC], we identified numerous examples where the County may be incurring excessive overtime costs related to exempt employees. Two factors support this conclusion:
- A review of FLSA designations in High Line suggest that some employees designated as “hourly” could be considered exempt under federal law, such as engineering personnel; certain analysts; medical, mental health, engineering, and other professionals; and senior supervisory and management personnel, among others.
 - Likewise, a review of overtime charged by employees in 2017, there were nearly 700 “salaried” employees who charged overtime in 2017, though, as discussed above, many employees designated as “salaried” or exempt appear, in fact, to be non-exempt under FLSA (e.g., law enforcement personnel). Therefore, overtime payments for many of these employees appear appropriate; however, overtime compensation given to legitimate salaried employees would not be appropriate and unnecessarily increase the County’s overtime costs.

Furthermore, based on this, it appears that High Line does not have a system control that prohibits salaried/exempt employees from being compensated for overtime worked and that the protocols for establishing FLSA status designations in High Line are flawed. According to the Department, it will be working with its High Line vendor to determine the feasibility of implementing system controls designed to prevent departments from paying overtime compensation to employees designated by the County as exempt from FLSA overtime requirements.

D.3 Decentralized Departments Assign Newly-Hired Employees to Higher Pay Grades without Defined Criteria or a Clear Rationale

Each job classification is assigned a pay range that sets forth the minimum and maximum base salaries employees within the classification shall be compensated in a given year. In accordance with County Code and standard industry practice, pay ranges are divided into multiple steps or intervals [Section 3.69.040(1), SCC] that establish both the starting salary for a position and salary increases as an employee progresses through the salary range over time [Section 3A.05.030, SCC]. County Code requires that the starting pay rate for all employees hired into a classification be the minimum of the pay range for the classification, or “Step

1,” and allows the Human Resources Director to authorize exceptions to this requirement allowing employees to start at a “step” higher than the minimum [Sections 3.69.040(2)(a) and 3A.05.020(1), SCC].

We examined the initial pay determinations for all newly hired employees between 2016 and 2018 and found that 161 (or 14 percent) of the 1,119 full time employees hired by the County during the three-year period were assigned a pay grade above Step 1 in their respective classification ranges. This is not entirely uncommon, as hiring managers, in general, will routinely argue for higher salaries and higher starting rates for qualified candidates—making it easier for them to recruit talent and to motivate their employees. However, to ensure pay equity and the defensibility of pay differences, guidelines should establish protocols allowing starting salaries to be set above the minimum, and oversight should ensure such protocols are followed. When exceptions are made on a regular basis, and compensation decisions become stand-alone events, the employer increases the risk of pay disparities among employees performing substantially equal work.

We requested documentation for 24 newly-hired employees who were assigned a pay grade above Step 1 between July and December 2018 to determine whether the Human Resources Director authorized advanced pay in these cases as required and, if so, whether there was a defined rationale guiding the determinations so as to promote consistency and minimize the risk of discrimination. Based on this review, we found that the Human Resources Director authorized 11 of these exceptions.

This is consistent with general industry practice. However, we found no evidence that the Human Resources Director authorized increased pay in 13 of the cases. According to the Human Resources Director, departments occasionally circumvent this approval step in seeking authorization for such pay increases, either altogether or after receiving an initial denial from the Director. This practice is not consistent with the County Code and, without clear guidelines for the consistent application of such exceptions, granting authorization for advanced pay on a case-by-case basis or outside of the Human Resources Department increases the risk that an employee could claim discrimination.

D.4 The Department Does Not Monitor or Inform County Leadership of Market Compensation Levels

County Code requires the Human Resources Director to develop a Classification Plan [Sections 3A.04.010, SCC], as noted previously, and to assign salary ranges to each classification in the plan [Section 3.69.040, SCC]. County Code further states that salary range adjustments may be proposed annually to the County Council by the Human Resources Director based on consideration of the results of salary surveys of comparable positions in the labor market, the results of union negotiations, changes in the cost of living, the County’s ability to pay, and other applicable factors [Section 3.69.040(3)(a), SCC]. This is consistent with industry standards, which generally recommends that employers conduct comprehensive market studies on a periodic basis and partial or “benchmark” studies on an annual basis in order to keep a pulse on the employment market. Generally, organizations that fail to perform thorough market analyses could have employee recruitment and retention difficulties or could be unnecessarily overpaying salaries.

This audit revealed little evidence that the Human Resources Department had conducted any substantive salary surveys of comparable positions in the labor market in more than 20 years. Current management noted that, on rare occasion, it may conduct a market analysis in preparation for labor negotiations, but

typically would only do so for “interest arbitration” groups, such as public safety positions (e.g., firefighters, correctional officers, etc.). Management also stated that, in 2015, the County engaged in a small-scale salary survey specifically related to director-level positions throughout the County. In reviewing three salary surveys provided by management upon request, it was evident that each used differing methodological approaches and included different labor markets or comparable agencies.

This practice is not consistent with industry standards, particularly over the course of 20 years. To be effective, market studies are not intended to focus on a small subset of an employer’s workforce, such as only executive directors, firefighters, and correctional officers. Rather, market information should be considered on a system-wide basis.

- ✓ **Comprehensive versus Maintenance Market Studies.** There are two types of system-wide market studies, comprehensive studies and maintenance studies, and each differs in scope, resources required to perform, and purpose. A “comprehensive” study includes an evaluation of the total compensation provided to a defined set of classifications comprising most of the organization’s positions, and comparing the County’s total compensation for those positions to that which is provided by other employers within the County’s labor market. Snohomish County’s 1997 Classification and Compensation Study found that the County’s labor market included numerous counties (e.g., Clark, King, Kitsap, Pierce, etc.), cities (e.g., Bellevue, Edmonds, Everett, Kirkland, Renton, Seattle, Tacoma, etc.), and other public sector agencies (e.g., school districts, Snohomish Public Utilities District, and the State of Washington). In general, creating a competitive compensation plan requires employers to analyze the markets in which they compete for talent—that is, from where does the County recruit talent and to which employers does the County lose talent.

This process allows the Department to determine how the County compares to other employers in its labor market, and to identify all potential adjustments to the total compensation plan that would be required to ensure the plan provides competitive compensation for all positions throughout the County.

A maintenance study differs from a comprehensive study in that it includes significantly fewer classifications, possibly as few as 20 percent of the employer’s classifications. The selected classifications, known as “benchmark classifications,” represent a cross-section of jobs and all departments within the County, as well as the range of lowest to highest paying classifications. Benchmark classifications also represent positions that are easily identifiable in the labor market and for which compensation for similar classifications can be found in most published compensation surveys. Maintenance studies are less resource intensive and thus, more cost-effective than comprehensive studies and provide information on whether the labor market experienced a significant shift in any of the key sectors, professions, trades, or industries within which the County hires employees. If the maintenance study reveals a significant change, the employer may elect to expand the study to include additional positions within the sector or industry, implement targeted adjustments to compensate for the affected positions, or monitor the market more closely before determining a specific course of action. The overall results from a benchmark study is intended to

guide an employer in determining how much, if any, total compensation must change to continue to ensure that it remains competitive in the labor market.

- ✓ **Published versus Custom Surveys.** Determining how well the County's compensation plan compares to the labor market requires the Department to measure compensation provided by other employers. Professional compensation firms publish annual surveys that employers can purchase and utilize when comparing their compensation plans to those of other employers. Employers may also conduct custom surveys of employers within their labor market. Custom surveys often allow employers to obtain more current compensation data from employers that best reflect their defined labor market, but they require more time and resources than utilizing published surveys.

In 1997, the consultant elected to use both published and custom surveys in evaluating the County's market competitiveness—often considered a best practice in public sector agencies.

Having not conducted a comprehensive study, or engaged in a systematic maintenance study cycle, the County does not have sufficient information regarding compensation in the labor market to adequately determine its own competitiveness and, if the County budget is unable to meet market demands, to inform County leadership of the disparity and its potential consequences.

D.5 The County Has Not Established a Compensation Philosophy as the Framework for its Classification and Compensation Program

A compensation philosophy lays out the guiding principles and serves as a mission statement for an organization's compensation policy, provides the employer's strategic approach to compensation and benefits, and gives both managers and employees—including labor representatives—a better understanding of the organization's position on compensation and benefits. Generally, a compensation philosophy defines the employer's competitive market (i.e., what is the employer's market for talent and with whom does the employer compete for employees) and competitive position (i.e., compensation in relation to the market, such as setting base salaries to equal the median of the market). It also sets forth the employer's goals with respect to its compensation plan, as well as the balance of salary, benefits, and incentives in the compensation plan. For instance, it is not uncommon for public sector agencies, which have fiscal responsibilities to the public, to define its competitive market as other public sector employers and competitive position to equal the median of compensation provided by other public sector employers, and to have an increased focus on benefits and work-life balance. Regardless, establishing a compensation philosophy provides guidance in all compensation-related matters, including labor negotiations and compensation recommendations.

Organizations without a clear, written compensation philosophy risk rewarding employees inconsistently, which increases the risk of discrimination law violations, and risk either paying too much or too little in salaries, which impact operating costs and employee retention.

This audit found that the County did not have a clearly defined compensation philosophy and did not have a strategic approach in establishing compensation levels, which occur primarily through labor negotiations. In the 1997 Classification and Compensation study commissioned by the County, the consultant found that the County did not have a compensation philosophy, but identified several objectives County management

desired of a compensation plan at the time, including “providing pay and promotional opportunities which are competitive with comparable regional employers, based on ability to pay,” and “administer pay equitably across both departmental and occupational lines.” These are reasonable objectives, but we found that the Department was ill equipped to achieve them in part because it lacked the foundation, direction, resources, and tools for executing them.

For instance, according to Department management, salaries for classified employees—the majority of employees employed by the County—are determined through labor negotiations; and, in this process, the Department does not routinely evaluate compensation of comparable regional employers and does not consider pay equity across both departmental and occupational lines to be a priority. Rather, the Department gauges resource availability based on input from the County Council and the County Executive, listens to requests of labor representatives, and considers which requests can be granted within the resource constraints of the County. According to the Department, it is not uncommon for each bargaining unit to have different priorities and, if similar positions are represented through different bargaining units, salaries for some positions may be increased through negotiations while others may not. This, in part, contributes to the disparities in compensation for similar positions described previously.

A philosophy statement is not intended to be so detailed as to cover all factors needed for the administration of a compensation program, such as a definition of the process used to determine internal equity (job evaluation), the different types or elements of compensation, clearly defined management responsibilities, or compensation program administration procedures. But, it is necessary to define the framework for making compensation-related decisions.

E. Record Retention

It is necessary for employers to capture and maintain key employee information and to document the basis for employment decisions. Developing and maintaining an efficient system for capturing and storing employee information ensures that relevant information is available, in an easy to use format, to decision makers at the time that personnel decisions are being made. In particular, employment-related decisions are facilitated if a complete employment history is maintained on each employee, including information relating to positions held, pay rates, performance assessments, disciplinary actions, significant achievements, and professional development activities. In addition to informing personnel decisions, employment records are also useful in justifying or defending against legal challenges for disciplinary or other personnel actions, and for ensuring compliance with federal and state employment law, as well as internal employer policies and procedures.

Specifically, documentation is necessary to demonstrate compliance with federal and state employment law, including, but not limited to wage and hour laws (e.g., the Fair Labor Standards Act), mandated leave benefits (e.g., the Family and Medical Leave Act), equal employment and non-discrimination laws (e.g., the Americans with Disabilities Act), employee relations, and other statutes. Documentation is also necessary to demonstrate adherence to organizational policies and procedures, such as those relating to employee compensation, eligibility for advancement, professional development, and performance evaluation, among other areas. The importance of an employer's documentation of personnel actions is memorialized in both federal and state law, which generally requires employers to obtain and retain information relating to personnel, payroll, medical, benefit, and residency matters, as summarized below.

- **Personnel Files:** Employers routinely capture and maintain general personnel records, including employment applications, employment references and recommendations, results of background checks, employee licenses, performance evaluations, compensation records, disciplinary records, grievance records, and a wide variety of other employment records.
- **Medical Files:** In certain circumstances, employers must gather and retain employee information relating to physical examinations (e.g., periodic or post-job offer), drug and alcohol testing, occupational health and medical records, disability and health insurance claims records, medical information related to medical leaves of absence, and medical information related to workers' compensation claims.
- **Payroll Files:** Employers must gather and retain payroll-related information for each employee, including Forms W-4, wage and salary data, time cards and attendance records, authorization for payroll deductions or withholdings, garnishments, child support deduction orders, etc.
- **Benefits Files:** Employers are required to maintain information relating to an employee's insurance provider, enrollment information, and beneficiary information.
- **U.S. Citizenship and Immigration Services Form I-9 Files:** Employers are required to maintain Form I-9, include residency, citizenship, and immigration-related information regarding employees or prospective employees, information which is used to verify employment eligibility.

- **Investigation Files:** Employers must maintain results of past investigations of internal or external charges.

The importance of maintaining comprehensive and confidential personnel records is reflected in Snohomish County Code, which requires the Human Resources Director to:

[E]stablish and maintain a personnel records system which will include a copy of each employee's application, the job title under which the employee is employed, the rate of pay, date of employment, the organizational unit assignment, reports of all personnel actions including disciplinary actions, reports of work performance, employment history and such other records, reports or information as deemed pertinent. The human resources department will be the central depository for all such personnel records and files ... Every appointment, transfer, promotion, demotion, termination, dismissal, suspension, leave of absence, change of pay rate or other change in an employee's status will be reported to the human resources department in writing in the manner, time, form and method prescribed by the director. [Section 3A.15.010 *et seq.*, SCC].

Just as important as an employer's documentation of personnel actions is *how* the employer maintains and retains personnel records of current and past employees. Record keeping requirements and protocols in the field of human resources management focus on three key principals. First, documentation should be sufficient to demonstrate compliance with applicable federal and state laws, as well as employer human resources policies and procedures. Second, to be useful, personnel records should be complete and maintained in an organized and consistent manner. Strong record keeping reduces organizational risk because employment records can be used to justify or defend against legal challenges to disciplinary or other human resources actions. For example, if an EEO complaint is filed against the County, up-to-date performance evaluations maintained in a personnel file can be used to prove that termination of an employee was related to job performance and was non-discriminatory.

Finally, all of this information is sensitive and confidential, and is relevant to only certain aspects of human resources management; therefore, to avoid unauthorized disclosure or breach of employee personally identifiable information (PII) or personal health information (PHI), access to personnel records should be limited to only those authorized human resources professionals that require access in order to perform assigned human resources duties. For instance, in the case of Form I-9s, once an employee is deemed eligible to work in the United States, Human Resources staff generally no longer have a legitimate need to maintain access to Form I-9; yet, the Department must maintain the forms in the event a federal audit were initiated. Therefore, maintaining Form I-9s along with other personnel records is not considered an acceptable practice because it routinely exposes sensitive information to employees that do not need the information to carry out their assigned job duties. The same can generally be said of each of the different types of employee records described above.

Below, we present three findings related to the Human Resources Department's record keeping practices. These relate to the overall efficiency of its practices, its effectiveness in ensuring the completeness of official personnel files, and its ability to protect confidential employee information.

E.1 The Existing Record Keeping Process Is Inefficient and Results in Duplicative Records Maintained in Multiple Locations

According to Human Resources Department management, it has captured and stored personnel records in the form of microfiche since the early 2000's, when it converted paper files to microfiche in order to reduce the space required to store several decades of personnel files. This decision, and the processes employed to microfiche and maintain centralized personnel records, has contributed to an unnecessarily inefficient and duplicative record keeping process.

Generally, personnel records may be generated centrally through the Human Resources Department, such as those initiated through the new-hire orientation process, or by other county departments, offices, or courts, such as Personnel Record Change (PRC) forms, promotions, or related personnel actions. Regardless of how the record is initiated, preparing the record for inclusion in an employee's personnel file requires the submission of the record to the Human Resources Department, the processing of the record, and the conversion of the paper document to microfiche.

All personnel files are initially routed to a group of human resources generalists working within the Human Resources Department, who review the documents for content, accuracy, and completeness; enter relevant personnel information into the County's human resources information system (High Line); and forward the record to a designated Human Resources Department employee for conversion to microfiche. This employee receives the files, organizes them by type (medical, personnel, discipline, etc.) and by document retention/destruction cycle, places the records into storage boxes, and prepares record retention logs reflecting the contents of each storage box. Once a storage box is full, the employee sends the box of records to the County's document imaging center, which photographs each page by hand, develops the microfiche record, sends the microfiche record to the Human Resources Department, and sends the storage boxes of original personnel records to the Snohomish County Records Center for archiving. The Human Resources Department places the microfiche within the respective employee's personnel file, which is organized in a manner that segregates general personnel records, medical records, disciplinary records, and Form I-9 records. The County Records Center archives the record until the Local Government Common Records Retention Schedule (CORE), issued by the Washington State Archives, allows the destruction of the record.

We found this process to be overly cumbersome, outdated, and inefficient for the following reasons.

- ✓ **The Process is Inefficient:** According to the Department, the process to microfiche and file official personnel records takes approximately six (6) months to complete, an excessive amount of time. This is because, rather than imaging the record immediately for inclusion in the employee's personnel file, staff wait until there are hundreds of similar, but unrelated personnel files that also require imaging before beginning the process to microfiche and file the record. As described below, during this six-month period, official personnel files remain incomplete while confidential employee documents are stored at an employee's desk, either in piles or in boxes, that are accessible to all individuals with access to the Human Resources Department office, including all Human Resources staff as well as other County custodial, maintenance, information technology, security and other personnel.

- ✓ **The Process is Duplicative:** In addition to the length of time it takes to file personnel records, the process the Department employs to microfiche and file the record results in two sets of records: (1) the storage of original hard-copy records first in the Human Resources Department offices, then in the imaging center facilities, and finally in the County Storage Center, and (2) the microfiche record in official personnel file maintained by the Human Resources Department. Both sets of records must be maintained and secured in a manner compliant with federal and state law, which requires ongoing resources and unnecessarily increases the number of County employees with access to confidential employee records, which in turn increases the risk of unauthorized disclosure or breach of personally identifiable information or personal health information.
- ✓ **The Process is Impractical:** While management personnel responsible for the transition to microfiche in the early 2000s were no longer with the Department, it appears that the primary factor leading to the decision to utilize microfiche as the official record was that it required far less storage space than original hard-copy records. Microfiche's efficient use of space is a key reason why it is a medium well suited for long-term storage and archiving. However, its use as a medium for maintaining actively used records in the field of human resources management is not common because, while microfiche reduces the need for storage space, it is generally more cumbersome to use than other media. It is not easily accessible, it is not searchable, and it is not usable. It requires the use of specialized reader machines, which can be far more time consuming than reading a hard-copy personnel file, and requires conversion back to hard-copy or another image if the personnel file were ever needed to defend against a complaint or lawsuit. It is, according to imaging center staff, also an increasingly dated technology that is becoming increasingly difficult and costly to maintain.

E.2 This Process Does Not Ensure the Completeness of Employee Personnel Files

We reviewed a sample of 27 employee personnel files to evaluate the condition and content of the files. Overall, we found that personnel files were well-organized, consistent, and included the type documentation expected of a personnel file, such as the employee's original job application, performance evaluations, PRC forms, compensation and benefits information, leave-related documentation, and other documentation supporting personnel actions. While we found that the storage of these records could be improved to better restrict access to only those employees that require access—as described in the following discussion—we generally found that the personnel files contain most of the information we would expect to see in a personnel file. However, the completeness of the files varied by department and type of record.

- ✓ **Personnel Record Change Forms:** The majority of personnel files did not contain all PRCs necessary to support or document a variety of personnel actions, including salary increases, promotions, reclassifications, etc. In many cases, the most recent PRC in each file included in our sample was often several years out of date in terms of both employee salary and employee status (class and grade). For instance, the most recent PRC for one employee showed a salary of \$5,946 per month, while High Line shows that the employee is receiving a salary of \$8,699 per month. For another employee, the most recent PRC was in 2015 and showed a salary of \$4,883 per month, while High Line reflected a salary of \$9,494 per month. Personnel Record Change Forms are not merely a hard-copy documentation of an electronic record in High Line; rather, they are key in

demonstrating that the increase in compensation was appropriately authorized by management and, therefore, comprise an important control against improper changes to employee compensation.

- ✓ **Performance Reviews and Performance-Related Documentation:** All department heads are required to develop and maintain performance evaluation systems for all groups of employees [Section 3A.12.020(2)(a), SCC], and records of the performance evaluations are required to be maintained in the official personnel records maintained by the Human Resources Department, as described previously. However, of the 27 files reviewed, 22 files did not contain up-to-date performance reviews, and six (6) did not contain a performance review at all. Human Resources did not actively monitor whether departments are sending performance reviews to the Department for filing. For the performance reviews that were on file, they were generally completed in a thoughtful manner and contained constructive feedback that was directly related to the employee's job performance.

Likewise, according to the Department, it does not always maintain all disciplinary records in personnel records. In part this is because initial warnings or reprimands are handled at the department level and Human Resources may not be made aware of the incidents. This includes EEO complaints, which are also encouraged to be addressed at the lowest level possible before being escalated. It is also due to language in several collective bargaining agreements which requires the Human Resources Department to remove documentation of oral warnings and written reprimands for many violations after only one (1) year, for safety violations after two (2) years, and for EEO-related discrimination violations after three (3) years. This practice exposes the County to undue risk by making it more difficult to effect progressive discipline over time or to justify future disciplinary actions, including terminations. It is critical, and is considered best practice, that personnel files retain a record of disciplinary actions, including warnings; failure to do so may prevent an employer such as the County from fully justifying its actions in terminating an employee's employment. It is considered a best practice that personnel records include all relevant documentation of verbal warnings, written warnings, suspensions, and terminations.

Several factors can impact the completeness of an employee's personnel record. Because of the decentralized nature of human resources management within the County, the Human Resources Department is dependent upon County departments forwarding and submitting all relevant personnel documents. Based on input from the Human Resources Department and other County departments, decentralized human resources personnel do not always submit personnel records to the Human Resources Department for inclusion in the official personnel file. Specifically, our survey of decentralized human resources staff revealed that 80 percent maintain a set of personnel files for their employees, which include employee performance evaluations, disciplinary documents, personnel record change requests, onboarding materials, training documents, copies of I-9, W-9, direct deposit information, and background check documentation, among other documents. While in some cases, it is appropriate for departments to maintain copies of these records, in other cases—such as I-9 and payroll records—such documentation should be restricted to Human Resources personnel. Despite best practices, the Human Resources Department has historically considered this an acceptable practice, has primarily served as a facilitator in filing whichever documents are sent to them by the departments, and has not played an active role by ensuring the files are comprehensive and up-to-date.

Further, it is not uncommon for individual supervisors to maintain their own sets of employee files, who may not consider certain files to be part of a formal employee file; however, all records pertaining to an employee's employment status within an organization or personnel actions taken with respect to the employee are considered to be official personnel records if an employee or former employee brings legal action against the employer. If the Human Resources Department is unaware of the existence of such records, the County's liability may be increased. Thus, a formal record keeping function should clearly indicate to supervisors the County's policy on maintaining unofficial employee files. Supervisors should be allowed to maintain employee files containing only copies of original documentation, and should not be permitted to maintain unique data not found in the employee's "master" personnel file or any documentation containing confidential information, such as medical information relating to a FMLA leave request, for example.

Finally, the excessive time it takes to file personnel records in the official microfiche personnel files also contributes to the incomplete personnel records identified in our review. Employees' personnel files are routinely incomplete while personnel records are held in storage boxes—or at an employee's desk—waiting to be imaged and filed in the employee's official personnel file. With a six-month timeframe to process personnel records and place them in an employee's personnel file, it is possible that a significant number of employees' personnel files are incomplete at any given time.

E.3 Access to Confidential Personnel Records is Not Sufficiently Restricted

As a general principal, access to sensitive or confidential information—no matter the type or subject—should be restricted to only those employees that require such access to carry out assigned duties.

Standard industry practice suggest that employers, given the sensitivity of the personal information maintained in such records, develop and communicate to its employees a formal, written employee records policy addressing several key aspects of employee records management. This includes, but is not limited to records description, information sources, review cycles, record retention, employee file inspection, adding or modifying employee records, information requests by employees or external sources, records maintenance, file security, and records destruction. While the Human Resources Department did not have such a policy, it did design a records maintenance system to address some of these factors.

For instance, it designed records maintenance protocols that segregated various types of sensitive employee data. As described above, the Department stored general personnel information for each employee in one microfiche folder, organized chronologically, but stored other sensitive personnel information (such as medical-related information and disciplinary information) for each employee in separate microfiche folders within the same file cabinet. Completed employee immigration status and employment authorization forms (Form I-9) were not microfiched, but were stored in hard-copy in a separate file cabinet. In the event an individual within or outside of the Department were to review a personnel file, the Department could give them access to the elements they need without disclosing information they do not need. The Department also followed Washington State's requirements regarding document retention and destruction through the County's Record Storage Center, which tracked retention schedules, identified original/hard-copy human resources documents scheduled for destruction, and administered the destruction process.

However, we found these protocols to be inadequate on their own to adequately protect sensitive employee records from unauthorized disclosure or breach, and we found numerous factors that enabled employees to have access to sensitive employee information, including personally identifiable information and personal health information, that they did not need access to carry out assigned job duties.

- ✓ **Untimely Record Destruction:** While the Human Resources Department relies on the County's Document Storage Center to track document retention schedules and to initiate the destruction process for all hard-copy personnel records, it has not implemented any protocols for the tracking of retention or destruction of microfiche records. Because of this, the County has not initiated the systematic destruction of any sensitive personnel records maintained on microfiche since it transitioned records to microfiche in the 2000s. According to management, it now stores records for past employees that date back to the 1970s and, due to space limitations, stores microfiche records for past employees in the document imaging center. Because of this, both Human Resources Department staff and staff of other departments have unwarranted access to sensitive information of past employees that should have been destroyed long ago.
- ✓ **Access to Records Is Not Sufficiently Restricted:** While it is best practice to maintain personnel records in a double-locked location (such as in a locked file cabinet located in a locked room) to which only those employees whose assignments require it have access, the Human Resources Department does not do this. Rather, it maintains personnel records for active employees within the Human Resources Department's secured office space—to which all Human Resources Employees have access—but does not further secure the files to limit which Department staff have the ability to access the records.

Within the Human Resources Department, the microfiche personnel files are kept in a centrally located file cabinet, which is accessible to all Human Resources employees, as well as any visitors to the Department. During audit fieldwork, we found that the file cabinet is generally not locked on a regular basis. Files for all active employees are located in the same unlocked file cabinet as the personnel files for many former employees, and all Human Resources employees have access to all microfiche records.

While each type of record is segregated into separate folders by employee, every employee in the Human Resources Department has access to these sensitive records, even those that do not need such access, such as staff responsible for administrative support, labor relations, recruiting, and other unrelated activities. Similarly, Forms I-9, which contain immigration and residency status information, are maintained in a separate unlocked file cabinet; and all personnel records, regardless of type or sensitivity that are awaiting to be photographed on microfiche are stored unsecured at an employee's desk for months or longer. In addition to Human Resources personnel, non-departmental employees such as custodial, maintenance, security, information technology, and other County employees or visitors would also have unnecessary access to sensitive employee information.

- ✓ **Personnel Records Include Payroll Information:** Nearly all personnel files reviewed contained payroll information, such as Forms W-4, even though payroll is not a function of the Human Resources Department, there is no operational reason for Human Resources staff to use employee

payroll information, and the Finance Department's payroll unit maintains its own records for all employee payroll matters. It is standard industry practice that payroll records (such as tax information, withholdings, garnishments, etc.) be kept separate from personnel records because any disclosure of such information to individuals without a need-to-know could be considered a violation of employees' right to privacy.

There are inherent risks to retaining personnel records, which may contain medical records, disciplinary records, personally identifiable information, and other sensitive and confidential information, long after the record is required to be retained. For instance, a future unauthorized breach or disclosure of such records, if it were to occur, would pose financial risks to the County. We recommend that Human Resources consult with the Prosecuting Attorney's Office regarding the destruction of all records that are no longer legally required to be retained.

F. Conclusions and Recommendations

This report presents findings that point to deficiencies in four key areas of human resources management within the County. Specifically, we found that the structure and approach to human resources management within the County was flawed in that it (a) did not promote adequate collaboration between the Human Resources Department and County offices, departments, and courts; and (b) did not exhibit the level of specialization or well-defined units within Human Resources as would be expected, or a span of control sufficiently manageable for an organization with such diverse responsibilities. Further, we found that (c) the County's classification and compensation model was outdated, cumbersome, and inconsistently applied, potentially resulting in excessive costs and undue risk; and (d) its record retention practices were also outdated, cumbersome, and exposed the County to undue risk, specifically in that personnel files were incomplete and records were not adequately controlled and restricted.

Based on this, we recommend that the Department undertake four initiatives, as presented below:

- F.1. Develop and implement a strategy to better coordinate decentralized human resources functions within the County and throughout each elected office, executive department, and court. We recommend that this emphasize:
 - Defining the roles and responsibilities of County departments and the Human Resources Department in carrying out decentralized personnel functions, as well as the internal controls required to be in place.
 - Enhancing the Human Resources Department's role as a risk manager as it relates to compliance with federal and state laws relating to employers.
 - Developing policies and procedures that specify the responsibilities of supervisors and managers with respect to matters of compliance and risk.
 - Enhancing consistency in the administration of decentralized human resources activities throughout the County.
 - Developing clear policies and procedures and the implementation of an adequate and authoritative oversight program designed to identify noncompliance and to recommend corrective action.
- F.2. Develop a plan to move from a wide/flat structure to an organizational structure that incorporates distinct organizational units that reflect these areas of specialization. We recommend that this include reorganizing the Human Resources Department to:
 - Reduce the number of staff reporting directly to the Human Resources Director; in doing so, determine the appropriate number of supervisory or management personnel necessary to effectively supervise Department employees and manage each specialized work unit.

- Establish clearly defined organizational units, with clear roles, responsibilities, and expertise.
- Ensure key functional areas are managed by individuals with appropriate expertise.
- Promote the attainment of professional certifications and related continuous professional education within the Human Resources Department.
- Communicate to departments throughout the County key points of contact for each area of specialization.
- Evaluate, after implementation of Recommendation F.1 and the re-organization of the Human Resources Department into work units that promote specialization and reduce the number of staff reporting directly to the Director, whether each specialized work unit is properly staffed to meet the needs of Snohomish County.

F.3. Conduct a comprehensive and methodologically sound classification and compensation study—consistent with accepted professional practices—that achieves the following goals:

- Develop a compensation philosophy that reflects the priorities of the County.
- Develop job descriptions that define the roles, responsibilities, work conditions, and physical requirements of each job.
- Group all substantially similar jobs into classifications, balancing the need to minimize the overall number of classifications so as to ensure the efficiency of the classification system and the need to ensure adequate differentiation between classifications so as to ensure only those jobs that are substantially similar are classified together.
- Develop classification specifications that, in general, describe the duties, responsibilities, qualifications, and FLSA status of all the jobs within the classification.
- Conduct professionally sound market analyses, on a periodic basis, to (a) stay informed of market compensation provided by similarly situated employers, such as those of similar size and type as well as those with which the County competes for employees, and (b) inform County officials of where the County stands with respect to its position relative to the market.
- Ensure compensation protocols, including salary ranges and overtime, are consistently applied for all employees.

F.4. Develop and implement document retention policies and procedures that reflect best practices. We recommend that the Human Resources Department:

- Instruct, in the short term, all County departments to submit all original personnel records in their possession to the Human Resources Department for filing, and to retain copies of only those records that department management has a legitimate need to retain.

- Initiate the destruction of personnel records, in consultation with legal counsel, that the County is no longer legally required to retain, including microfiche records.
- Develop a strategic plan to modernize record keeping of personnel records in the County, including moving away from microfiche, eliminating the excessive lag in time currently experienced to include personnel records into the official personnel file, and better restricting access to personnel records, even within the Department.

Appendix A – Human Resources Department’s Response

The Director of the Human Resources Department submitted the following statement in response to this performance audit report.

HR is in agreement with the report as structured and recognizes that many of the issues identified evolved over time and became part of County culture. Many of the recommendations will require long term, strategic planning and it is imperative that the County recognizes that HR will require support from all levels in order for any true change to take place.

HR believes that recommendations relative to centralized versus decentralized human resource functions are an important piece to making any of the other changes. When there is clarity relative to functions and authority it will serve to reduce the numerous potential risks that currently face the County.

HR agrees that the current model of one director who is also directly responsible for the supervision of all staff is an untenable model and one that needs attention.

Classification and compensation is an area which regularly creates tensions between HR and departments. Although County Code places authority for such processes in HR, over the years a culture has developed that has created channels that allow departments to override any actions with which they do not agree. After the comprehensive classification/compensation study that was done in the late 1990’s was not implemented, many were left with the belief that staff is undercompensated relative to the market. As a result, the classification system is often used to “reclassify” staff in order to generate what is believed to be the appropriate pay. A comprehensive study, will allow the County to have a clearer picture of the market. It will be imperative for the County to develop a plan which identifies, where it wants to sit relative to the market, what its comparative market is, and, amongst other things a strategy for it will communicate and implement any classification/compensation changes.

While HR agrees that the County has significantly more “classifications” than other organizations, it should also be noted that in the last couple of years, HR has been working to reduce that number as we are aware that having numerous, one-off classifications will further complicate our ability to complete a classification/compensation study which produces reliable data.

In sum, HR is in agreement with the report and its recommendations. We want to thank Mr. Skiles for the respect and professionalism that he showed while working with HR staff to conduct this audit.