

Citywide Succession Planning Audit

May 18, 2021



GAINESVILLE CITY COMMISSION

Lauren Poe, Mayor *
Gail Johnson, Mayor-Commissioner Pro Tem *
David Arreola
Desmon Duncan-Walker
Adrian Hayes-Santos
Reina Saco
Harvey Ward

TABLE OF CONTENTS

INTRODUCTION	3
AUDIT OBJECTIVE	3
AUDIT SCOPE AND METHODOLOGY	3
RESULTS AND CONCLUSION.....	4
BACKGROUND	5
RELATED FACTS AND FIGURES	6
GOVERNMENT AUDITING STANDARDS COMPLIANCE.....	7
INTERNAL AUDIT TEAM.....	8
AUDIT ISSUES AND MANAGEMENT ACTION PLANS	9

INTRODUCTION

The Citywide Succession Planning Audit was included in the City Auditor's Audit Plan, approved by the City Commission on January 7, 2021. Effective succession planning is key to ensuring quality and consistency in the provision and delivery of City services. Succession planning processes include not only timely replacement of vacant leadership positions, but also plans for continuity of all key positions and coverage of future organizational needs. In addition, quality plans include equitable training and development programs to increase the likelihood of filling key vacancies internally.

As of April 1, 2021, the City had approximately 2,230 active permanent employees. Approximately 23% of these employees are over the age of 55 with 15% currently eligible for some form of retirement benefit from the City. An additional 13% would be eligible for retirement benefits in 5 years (See **Figures 2, 3 and 5** on pages 6 and 7). Turnover in key positions is inevitable with the City's aging workforce increasing the need for effective succession planning.

AUDIT OBJECTIVE

The objective of the engagement was to review citywide succession planning policies and procedures, and internal controls to assess the City's level of preparedness for continuity and growth.

AUDIT SCOPE AND METHODOLOGY

The scope of this review included assessing the design and operating effectiveness of the controls related to citywide succession planning processes. We conducted interviews with Human Resources leadership and 31 senior members of management who had oversight of 33 departments or functional areas, and reviewed documentation. Specifically, the audit team:

Governance

- Reviewed the adequacy and completeness of policies, procedures and guidance related to succession planning and assessed them for their level of preparedness for continuation of operations and the adequacy of management oversight and monitoring of succession planning activities.

Succession Plan

- Reviewed processes used by individual departments and functional areas and determined whether succession planning is sufficient to ensure operational continuity during the turnover of key positions.
- Analyzed impacted processes, compared them to best practices as identified by the Society for Human Resource Management (SHRM) as well as the Government Finance Officers Association (GFOA), and recommended tools to aid with succession planning.

Equity Considerations in Succession Planning

- Determined if succession planning policies, procedures and guidance adequately included equity considerations to ensure an equitable, diverse, and inclusive workforce.

RESULTS AND CONCLUSION

As a result of this engagement, we determined that succession planning policies, procedures and internal controls should be improved to ensure a satisfactory level of preparedness for continuity and growth. The following two opportunities for improvement were identified:

1. Lack of a formal and centralized citywide succession planning program (High)
2. Lack of formal and centralized policy, procedures and guidelines (High)
 - **High Risk:** Key controls do not exist or are not effective, resulting in an impaired control environment. High Risk control weaknesses require immediate corrective action detailed in the management action plan.
 - **Moderate Risk:** Adequate control environment exists for most processes. Moderate risk control weaknesses require corrective action detailed in the management action plan.
 - **Low Risk:** Satisfactory overall control environment with a small number of low risk control improvement opportunities that do not require corrective action or a management action plan.

The details of these audit issues and management action plans are included within the *Audit Issues and Management Action Plans* section beginning on page 9.

We would like to thank each Charter Officer, the Human Resources Interim Director, the Gainesville Regional Utility Chief People Officer, the Human Resources Learning and Development Manager, and senior management across the City for their professionalism and cooperation during this engagement.

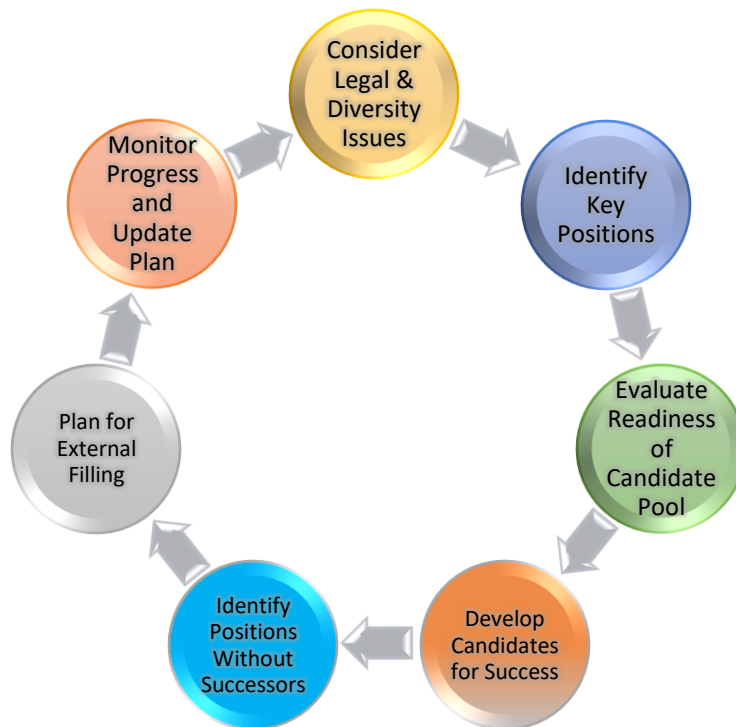
BACKGROUND

Succession Planning

Succession planning is a critical function for any enterprise and can help ensure a smooth transition of leadership and services provided by key positions within the City. Recently, the City of Gainesville experienced a period of disruption in operations, which were the result of Charter Officer and key leadership departures. Additionally, some key functions lost a large number of support staff in a short period of time adding to the disruption of operations. Appropriate succession planning could help reduce the negative impact of these events in the future.

SHRM defines succession planning as the process of implementing a talent management strategy for identifying and fostering the development of high-potential employees or other job candidates who, over time, may move into leadership positions of increased responsibility (SHRM Learning System, 2017). In addition, SHRM explains succession planning as the heart of the Talent Management process as it includes identifying key roles and mapping out ways to ensure the organization has the right people with the right skills, capabilities and experiences, in the right place at the right time.

Figure 1 below depicts common steps in an effective succession planning process.

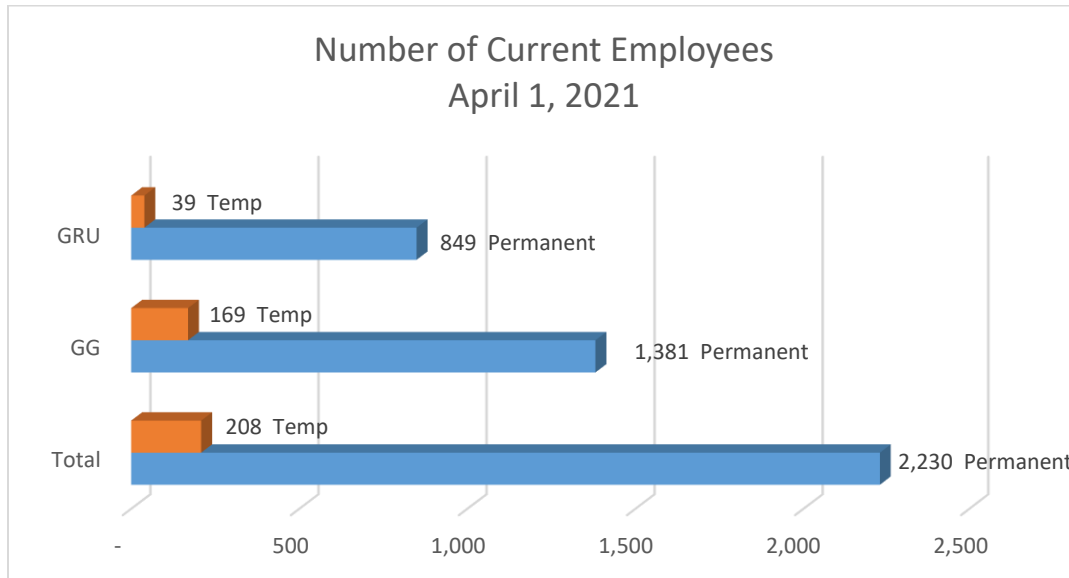


All members of management are responsible for individual succession planning efforts. Human Resources is typically responsible for developing the succession planning program while department and functional area managers are responsible for implementing the program within their respective areas. The managers should coordinate with Human Resources personnel throughout the process and report on their progress. Human Resources management is responsible for reporting to executive level management on the status and effectiveness of succession planning efforts.

RELATED FACTS AND FIGURES

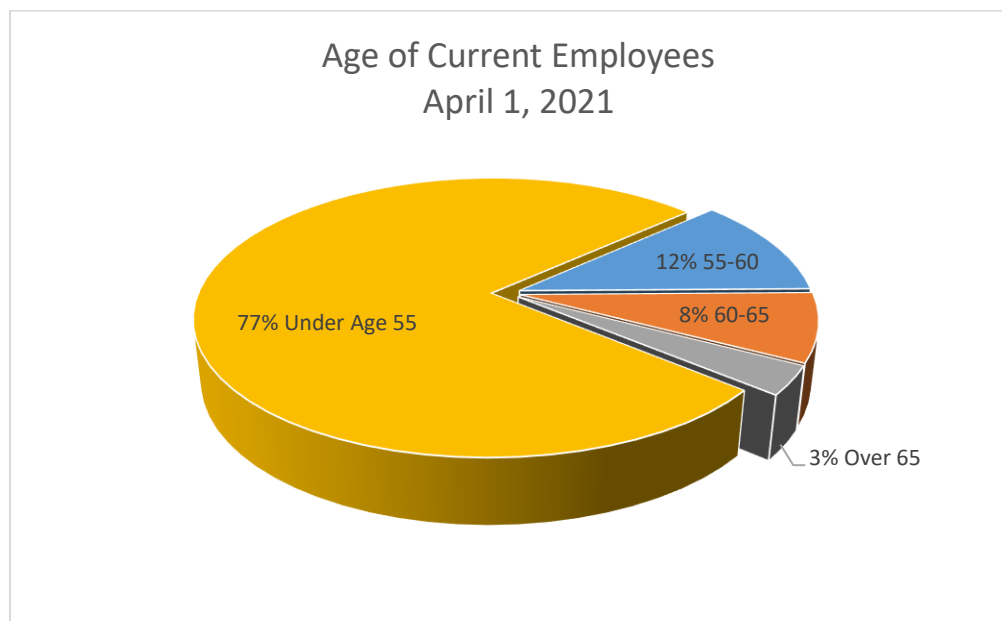
The information listed below in **Figures 2, 3, 4 and 5** provide information related to current employees of the City.

Figure 2



Source: Current Employee File provided by the Human Resources Department

Figure 3



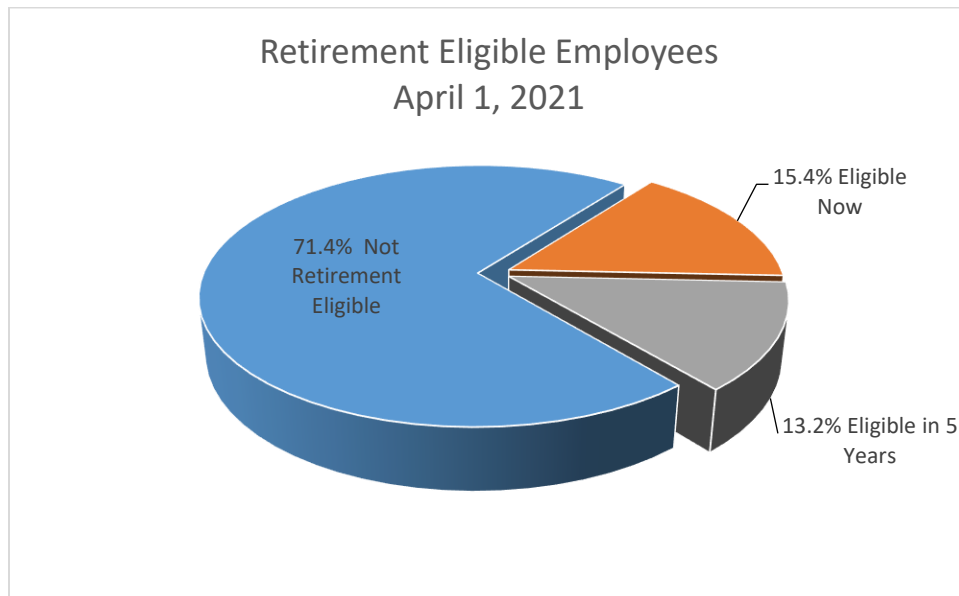
Source: Current Employee File provided by the Human Resources Department

Figure 4

Years of Service	Number of Employees	Percentage
<20 Yrs	1,952	87.53%
20-25 Yrs	156	7.00%
25-30 Yrs	81	3.63%
30+ Yrs	41	1.94%
Total	2,230	100%

Source: Current Employee File provided by the Human Resources Department

Figure 5



Source: Current Employee File provided by the Human Resources Department

GOVERNMENT AND INTERNAL AUDITING PROFESSIONAL STANDARDS COMPLIANCE

We conducted this performance audit engagement in accordance with *Generally Accepted Government Auditing Standards*, the *International Standards for the Professional Practice of Internal Auditing*, and *ISACA IS Audit and Assurance Standards*. These standards require that we plan and perform the engagement 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 observations and conclusions based on our audit objectives.

INTERNAL AUDIT TEAM

Ginger Bigbie, CPA, CFE, City Auditor

Brecka Anderson, CIA, CFE, Assistant City Auditor

Gregory Robeson, CPA, CIA, CFE, Internal Audit Manager (Lead Auditor for this engagement)

Vincent Iovino, CISA, CRISC, IT Audit Manager

Patrick Keegan, CISA, Senior IT Auditor

Diana Ferguson-Satterthwaite, FCCA, CIA, Senior Internal Auditor

AUDIT ISSUES AND MANAGEMENT ACTION PLANS

ISSUE #1 Lack of a formal and centralized citywide succession planning program

Risk rating: High

Observation:

The City does not have a centralized succession plan in place to provide for the continuance of operations upon the eventual (anticipated or unanticipated) turnover of personnel in key positions. Neither formal nor informal succession planning practices were utilized for 16 of 33 key positions interviewed during the course of the audit. Additionally, informal practices used by some departments or functional areas did not conform to best practices in the following areas:

- Consideration of legal, regulatory and diversity issues
- Centralized monitoring and oversight of succession planning efforts
- Periodic monitoring and update of the plan to meet current needs

Criteria:

According to GFOA best practices, governments should develop succession planning strategies that include continual assessment of the potential for turnover of employees in key positions and encouraging the personal development and leadership skills of the pool of employees who might fill the key positions when they become vacant. SHRM succession planning guidance mentions that without a concentrated effort on succession planning, “a business that has been successful can quickly fail if it loses one or more of its leaders”. This guidance also explains, “When succession planning is carefully conducted and a plan is periodically reviewed, an organization can avoid extended and costly vacancies”.

Cause:

Neither current policies nor procedures require a formalized succession plan for key positions within the city.

Risk:

The absence of a citywide succession plan increases the risk that City operations or services will be disrupted in the event of a short or long-term absence of personnel in key positions. Furthermore, inadequate planning may lead to an unnecessary increase in expenditures resulting from unexpected vacancies of key positions.

Recommendation:

The City Auditor recommends and agrees with management on the following management action plan.

Management Action Plan

The Human Resources Director will develop, implement, and monitor a centralized succession plan for the City and report on the achievements of the plan. The plan will include best practices identified by the GFOA and SHRM including but not limited to the following items:

- *To reduce bias potential, we will utilize cross-departmental coordination in selecting criteria used for identifying key positions and evaluating the candidate pool for classification into groups of those who are “ready now”, “ready in 1 year” and “ready in 3 years” for potential movement into key positions.*
- *To identify any requirements for consideration related to legal and diversity issues, we will coordinate with the City Attorney and the Office of Equity and Inclusion while developing and implementing the plan.*
- *To prepare personnel for movement into key positions when they become vacant, we will establish a development plan that will include individualized personal development goals, leadership training to assist in preparing for higher positions and mentorship to help personnel in meeting development plan goals.*
- *To ensure compliance with succession planning policy, procedures and guidelines, we will identify responsibilities for monitoring and oversight of the plan as well responsibilities for implementing the plan.*
- *To measure the successfulness of the plan, we will establish metrics for measurement from year to year.*
- *To ensure the plan remains updated and relevant, we will determine the time and composition of periodic reviews and report accordingly to executive management.*

Due date: December 31, 2021

Responsible Parties: Steve Varvel, Human Resources Interim Director

ISSUE #2 Lack of formal and centralized policy, procedures and guidelines

Risk rating: High

Observation:

The City does not have a Succession Planning policy nor centralized citywide procedures or guidelines. Informal procedures used by individual departments or functional areas are inconsistent and do not provide sufficient monitoring and oversight activities to ensure continuance of operations should a key position become vacant whether expected or unexpectedly.

Criteria:

According to GFOA best practices, governments should develop strategies that include an integrated approach to succession planning (rather than a “just-in-time” approach). Governments should provide a formal written plan as a framework for succession planning activities and develop written policies and procedures to facilitate knowledge transfer. SHRM emphasizes that effective succession planning enables a City to react to expected and unexpected vacancies in key positions.

Cause:

Neither current policies nor procedures require a formalized citywide succession plan for key positions within the city.

Risk:

Without a policy directing the implementation of a centralized Citywide succession plan and written procedures/guidelines to support the policy, succession planning across the City will remain “ad hoc” and could result in a disruption of City operations or services. Additionally, the City could experience an increase in expenditures to fill unexpected vacancies and/or inconsistent and inequitable treatment of staff being considered for movement into key positions.

Recommendation:

The City Auditor recommends and agrees with management on the following management action plan.

Management Action Plan

The Human Resources Director will prepare a Citywide Succession Planning Policy that will be vetted at the Charter Officer level. The policy will then be presented to the City Commission for approval. The policy will include:

- *Defining succession planning and its purpose*
- *Identifying roles and responsibilities for the administration of succession planning to include an emphasis on each department’s responsibility for implementing the succession planning program and Human Resources’ responsibility for management, oversight and reporting.*

In addition, the Human Resources Director will develop comprehensive procedures and guidelines that will outline timeframes and steps to be taken by department or functional area management that will enhance the level of succession planning across the City and that will meet the requirements of the new policy. Procedures will also include steps for centralized monitoring of the succession planning program, metrics for measuring the success of the program and reporting on the status of the program to the Charter Officers.

Due date: *December 31, 2021*

Responsible Parties: *Steve Varvel, Human Resources Interim Director*