

# Performance Audit of Strategic Human Capital Management II: Employee Performance Management

The City should ensure all employees receive performance reviews, and should enhance controls to ensure consistent and appropriate utilization of employee incentive and accountability tools

## Why OCA did this study

Within the City of San Diego, personnel expenditures represent about 70% of total expenditures for the City's General Fund. Budgeted personnel expenditures for the City's more than 11,800 employees totaled approximately \$1.6 Billion in fiscal year 2020.

The objectives guiding our work for this report grew from past risks we identified as part of this series of audits, particularly the [Strategic Human Capital Management \(SHCM\) audit](#), issued in April 2020.

We initiated this audit in order to evaluate the extent of and several internal controls around efforts to monitor and address employee performance issues

## What OCA found

Employee performance can affect an organization in multiple ways. Particularly in complex, team-based environments, if an organization does not effectively identify and address poor performance or misconduct issues, it may have a demoralizing effect on other employees, as well as ultimate impacts on serving the customer or the public. Additionally, employee appreciation and recognition can help engage employees and drive them to continue commendable performance.

**Finding 1:** The City should ensure all employees receive required performance evaluations to recognize and reward high performers as well as identify and address poor performance

**Finding 2:** The City utilizes multiple ways to recognize and reward commendable performance among employees, but utilization of the Rewards and Recognition Program varies widely among departments and its effect on employee satisfaction and retention is unclear

**Finding 3:** The Human Resources Department should strengthen its abilities to more strategically monitor aggregated discipline trends and issues within the City's workforce

**Finding 4:** Opportunities exist for the City to reform some elements of its disciplinary processes and discipline-related training for City supervisors



Source: City of San Diego Highlights and Successes report

## What OCA recommends

We make 11 recommendations to mitigate some of these effects and strengthen the City's capabilities to have an engaged workforce providing high-quality public services. The Human Resources Department and the Personnel Department collectively agreed to implement all 11 recommendations.

Key recommendations include:

- Reporting Employee Performance Review completion rates among departments in the City's annual workforce report
- Reviewing and monitoring the Rewards and Recognition Program for conformance with limits on cash awards and D/L awards, as well as the extent of program participation
- Strengthening the City's ability to more strategically monitor aggregate discipline trends – such as discipline cases or issues over time
- Requiring HR and Personnel to develop a plan for actions the City can take to better utilize mechanisms such as the probationary period, if/as appropriate, as well as continuing their efforts to expand training requirements, availability, and guidance to supervising employees.

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