



Audit of Staff Recruiting and Hiring

The City of Denton has established general procedures for hiring managers related to the job posting process and making offers to candidates; however, guidance has not been developed for the interview process and interview notes are not consistently retained.

Civil service exams are generally managed appropriately, although a few issues were observed related to Fire exam score calculations. Further, the Fire Department and Public Safety Communications Division's processes for managing candidate records need to be enhanced.

While City employees do not currently reflect the Denton community's diversity, intentional efforts to increase parity and equity have begun.

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Audit at a Glance

Why we did this Audit:

Between Fiscal Years 2021 and 2023, the City hired just over 1,700 employees and had an average annual turnover rate of 15 percent. Ensuring that employees are qualified and a good fit for their position is critical to reducing hiring costs and operational impacts due to vacancies. This audit was included on the City's fiscal year 2022-23 Audit Plan as approved and amended by the City Council.

What we Recommend:

Recommendations 1 & 14

Establish recruitment and hiring performance goals, including those related to inclusion.

Recommendations 2, 8, 9, 10, 15, & 16

Develop guidance for civil and non-civil service Hiring Managers on documenting the candidate recruitment process, including how to minimize unintended biases.

Recommendations 3, 5, 11, 12, & 13

Ensure all recruitment and hiring process documentation is adequately complete and retained.

Recommendations 4 & 17

Adopt additional compensation equity-related best practices.

Recommendations 6 & 7

Adjust some civil service exam practices to further ensure compliance with State regulations.

What we Found:

This audit generally evaluated the effectiveness of the City's recruiting and hiring processes for non-civil and civil service positions. Audit findings are summarized below:

Non-Civil Service Candidate Management.

The City generally appears to hire qualified candidates who are a good fit for their position. Recent changes to the hiring and recruitment process made by HR have improved efficiency; however, documentation of candidate evaluations is generally not retained appropriately.

Civil Service Candidate Management.

Much of the candidate screening documentation for firefighters and public safety dispatchers could not be located, making it unclear why some candidates were disqualified; Police officer screening documentation was generally retained appropriately. Written guidance on how to recruit and evaluate candidates would help retain institutional knowledge for all three functions.

Minimum Employment Requirement

Verification. Not all required screening criteria verification documentation could be located – primarily due to HR staff's practice not to separately retain screening reports in personnel files.

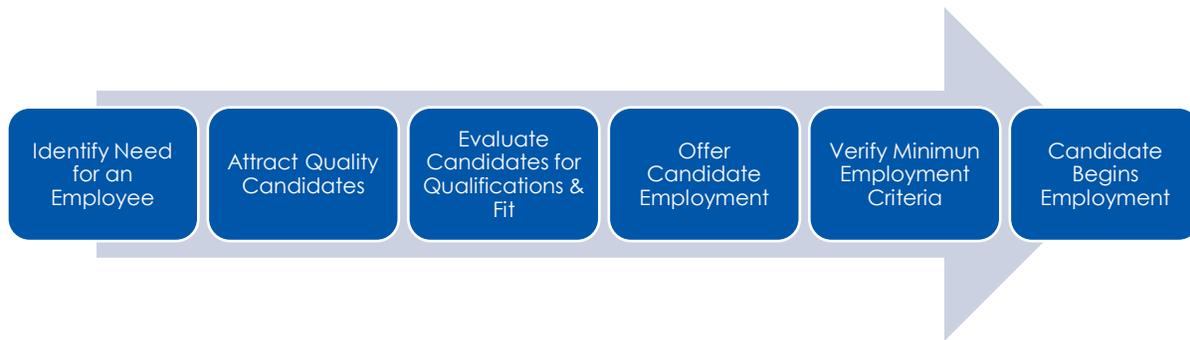
Commitment to Inclusion Alignment. City employees do not currently reflect the gender and racial diversity of Denton residents. In addition, there are indications that gender and racial pay equity could be further improved. Efforts to intentionally increase diversity have begun; however, additional monitoring and guidance would further advance this commitment.

Detailed Findings & Analysis

When an employee leaves an organization, time and money must be spent to find and train replacements. Further, a high turnover rate can negatively impact morale within the workplace. For this reason, recruiting and hiring processes are essential for organizations to ensure their employees are adequately qualified and a good fit for their positions so they are retained.

In general, recruiting involves identifying a need for a new employee, attracting quality candidates, evaluating candidates to determine if they are qualified and a good fit, and making them an equitable offer of employment. Once an offer is accepted, the hiring process begins, which involves verifying that the candidate meets minimum employment criteria. This process is illustrated in Figure 1.

Figure 1: General Recruiting and Hiring Process



The City of Denton has generally centralized the responsibility for hiring employees with the Human Resources Department. The City of Denton's recruitment process is generally the responsibility of the hiring department; however, the Human Resources Department facilitates these efforts to ensure compliance with regulations and City policy. In addition, Human Resources is primarily responsible for verifying candidate minimum employment eligibility criteria once they have accepted a position with the City.

This audit generally evaluated the City's recruiting and hiring processes including civil and non-civil service candidate management, minimum employment requirement verification, and alignment with the City's Commitment to Inclusion Policy.

Non-Civil Service Recruitment Process Appears Efficient; Development of Training Materials Could Assist Management

In general, industry research suggests that the efficiency and effectiveness of a recruitment process can be evaluated using certain performance metrics described in Table 1. In addition, best practices suggest all job postings must be properly authorized, jobs should be adequately advertised based on accurate job descriptions, candidates should be evaluated fairly based on clearly applied, consistent criteria, and candidate compensation offers should be considered holistically and without regard to previous salary information.

Table 1: Critical Recruitment and Hiring Metrics

Metric	Description
Job Posting Conversion Rate	The number of applications received divided by the number of times a job posting was viewed. Measures the ability to attract applicants.
Interview-to-Offer Ratio	The number of interviews held divided by the number of offers made. Measures the quality of applications received.
Offer-to Hire Rate	The number of offers made divided by the number of candidates hired. Measures the quality of compensation offers.
Time-to-Hire	The average days between a candidate applying and being hired. Measures efficiency of the recruitment and hiring process.
New Hire Turnover Rate	The number of hires terminated within their first 12 months divided by all hires during a certain period. Measures the ability to hire quality candidates.

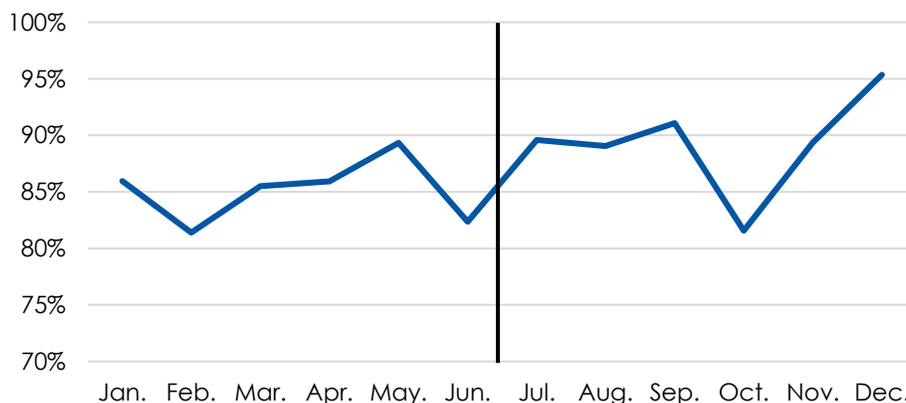
Further, Federal law requires that all application and interview notes from a recruitment be retained for at least one year and the Texas State Library and Archives Commission requires employment applications for both hired and non-hired individuals to be retained for at least two years after they were received.

What We Found

- Human Resources started tracking quarterly performance data during Fiscal Year 2022-23 and is planning to establish performance metrics for the recruitment and hiring process during Fiscal Year 2023-24.
- All job postings were adequately authorized through the budget process and reviewed and approved by Human Resources before posting based on a review of a sample of 87 filled positions. In addition, all posted positions had an associated job description that outlined minimum qualifications and position requirements.
- The City's job advertisement methods generally attract applicants effectively.

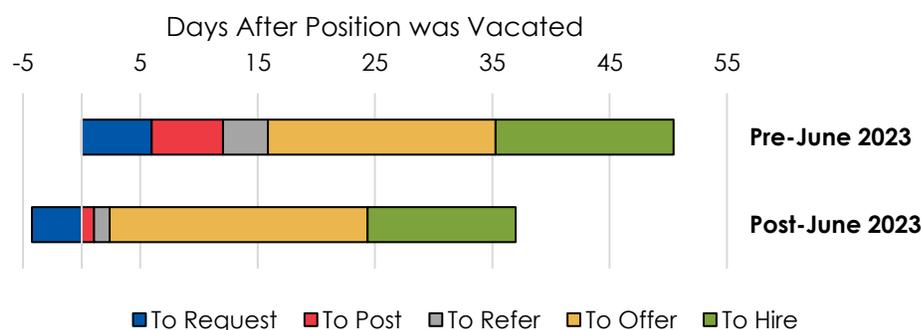
- The City coordinates hiring events, including job fairs with local schools and colleges, as well as city-wide job fairs and events focusing on veterans and families.
- The City's non-civil service job applications generally do not request information that would discourage an individual from applying such as requesting criminal history, military discharge information, and sick time use history.
- During 2023, the City's job posting conversion rate was about 2.4 percent, which generally aligns with the industry standard of three percent, indicating that job postings are generally advertised effectively.
- Hiring Managers do not appear to fully use the City's candidate management system, hindering efforts to fully evaluate if quality applicants are attracted or the quality of compensation offers.
 - Based on a review of a sample of 80 job postings, almost 90 percent of applicants met the City's minimum eligibility criteria and so were referred to the Hiring Manager for further evaluation and screening.
 - Based on the City's candidate management system, during 2023 the City's interview-to-offer ratio was about 2.3, which is slightly lower than the three-to-one ratio suggested by best practices to indicate quality applications are being received.
 - On the other hand, about 87 percent of offers made in 2023 resulted in a hire with there being an increase in the percent of accepted offers after the City's compensation study was implemented in July 2023 as shown in Figure 2. Best practices suggest a higher offers-to-hires rate indicates a more attractive compensation package.

Figure 2: 2023 Monthly Offer-to-Hire Percentages



- However, based on a review of a sample of 86 hired candidates, approximately 30 percent did not participate in an interview as part of their hiring process according to logged screening steps, indicating that the metrics calculated by the candidate management system may not be reliable due to data entry issues.
- The City's hiring process generally appears to result in adequately qualified candidates who are a good fit for their position being hired.
 - About 98 percent of new hires appeared to meet the minimum requirements for their position based on a comparison of applications to job descriptions.
 - All submitted resumes for non-entry level positions were consistent with the corresponding application, though three non-entry level job postings did not appear to require resumes.
 - The city-wide annual new hire turnover rate was about 26 percent, which is almost half of the 40 percent industry standard, indicating most new hires are generally a good fit for the position they were hired to perform.
- Vacant positions are generally filled promptly with timeliness further improving due to recent process changes.
 - Based on benchmark comparisons from the City's candidate management system, the City's average time-to-hire was about 22 days – eight days less than similar organizations during 2023.
 - Recent changes to Human Resources' processes have significantly decreased the time it takes to fill a vacant position, particularly due to decreases in the time it takes for Human Resources to post a job opening. Specifically, before these changes in June 2023, it took 77 days on average to fill a vacant position, but after June 2023 it took only 42 days as illustrated in Figure 3.

Figure 3: Average Days to Fill a Vacancy



- In addition, Human Resources has developed several guides to help Hiring Managers request a job opening be posted and manage the candidate recruitment process, seemingly helping to reduce the time it took for some Hiring Managers to request a job be posted.
 - Meanwhile most new positions took about five months to fill with about 70 percent of that time being due to the hiring manager not beginning the process.
- Documentation of candidate evaluations, typically documented through phone screen and interview notes, were not always retained as required by Federal law.
 - Of a sample of 79 candidates that received an interview according to the City's candidate management system, only 14 candidates' interview records could be located.
 - Based on a review of the 18 interview questions and recorded notes, all questions appeared appropriate. Still, according to Human Resources staff, there is no process to verify whether interview questions were reviewed and approved by Human Resources before conducting interviews.
- While the City has generally established pay transparency, compensation offers were historically made unilaterally by the Hiring Manager, increasing the risk of inequitable compensation. Recent process changes should help to reduce this risk in the future.
 - The City posts pay grades and bands for almost all positions on a public website and generally posts pay ranges with job postings. Still, the City's application process requests salary history and expectation information from candidates, which industry research suggests can result in previous inequities being carried over between organizations.
 - The City conducted a compensation study during 2023 and implemented many pay grade changes and employee salary adjustments, helping to mitigate historic compensation equity issues. In addition, Human Resources implemented a holistic compensation review process in September 2023, that requires all compensation offers to be approved by Human Resources before it is extended to a candidate. This review includes comparisons to market compensation data.
 - Of 164 compensation offers from 2023 that were reviewed, 149 occurred before the process changed. Of these, about 42 percent were at or above the 25th percentile of the pay range, which required additional justification and approval to help ensure compensation

- equity. Only 11 percent of the required documentation for these was found.
- Of the 15 offers made since the compensation review process was implemented, all but one went through the process as required. This one exception occurred within a month of the process being implemented. About 60 percent of these were at or above the midpoint of the pay range, which requires additional justification and approval to help ensure compensation equity. Based on review three of the nine at or above midpoint offers did not receive adequate approval. According to Human Resources staff, this is because the at or above midpoint approval process is currently manually assigned.

Why It Matters

In general, the City's recruiting and hiring performance metrics indicate these processes are generally effective and efficient with recent process changes further improving timeliness. Still, establishing internal recruitment and hiring performance metric goals will help the City to continually monitor performance and identify areas for improvement in the future. Especially since potential issues with data entry into the City's candidate management system indicate that certain metrics may not be completely reliable.

In addition, Federal law requires the candidate evaluation process to be recorded to ensure hiring decisions comply with legal requirements, including discrimination prohibitions. However, candidate evaluation records could not be located for many filled position vacancies. Development of written guidance and training for hiring managers on how to document and retain candidate evaluation records would help to ensure the City's legal requirements are met in the future. Similarly, any compensation offers above the pay grade's midpoint should be justified and approved per City policy to facilitate equity and compliance with federal law.

Recommendations:

1. Establish recruitment and hiring performance metric goals.

Human Resources Comments: *During recent improvements to Hiring and Recruiting, Human Resources identified the need to establish recruitment and hiring performance metric goals. This initiative was included in the development of the Human Resources FY 2024 Workplan. Staff is continuing to improve the data integrity and then will move into the development of metric goals.*

2. Establish guidance or training for Hiring Managers on using the candidate management system to document application reviews, phone screens,

interviews, and candidate rejections, including updating applicant system status.

Human Resources Comments: *The current Human Resources Information System (HRIS) database is not a sufficient tool for Talent Acquisition. The current system infrastructure creates an additional administrative burden for hiring managers and talent acquisition staff and does not make the best use of time and resources. Staff continues to retain the appropriate notes and documentation within the files and through Smartsheet tracking and is pending the Enterprise Resource Planning (ERP) project. Due to these reasons, a Requisition Management Guide was created in June 2023 to provide guidance for managers that prefer to use the system but staff has not made this mandatory.*

3. Establish a process to ensure candidate evaluation documentation – including phone screen and interview notes – is received and adequately retained by Human Resources.

Human Resources Comments: *Staff has historically collected candidate evaluation when possible but not with a defined process or consistency in place. Human Resources will outline a formal process as part of the Requisition Close Out to ensure all phone screen and interview notes have been received and filed in Laserfiche.*

4. Consider removing requests for compensation history and expectations from non-civil service job applications.

Human Resources Comments: *Part of the candidate screening process includes compensation expectations to ensure hiring managers and candidates are aligned with the offered compensation for the position. The inability to receive this information up front would create an unnecessary additional use of staff time and in a fast past recruitment culture, this would hinder talent acquisition efforts. However, staff agrees that previous salary history is not relevant. After reviewing the system capabilities, Human Resources has updated the system of application process to remove the salary history field in the work experience section.*

5. Ensure that all compensation offers at or above the midpoint are adequately justified and approved.

Human Resources Comments: *During recent improvements to Hiring and Recruiting, Human Resources identified the need to ensure all compensation offers are justified and approved. As such, the Compensation Offer Request (COR) form process was implemented in September 2023. This process requires all City of Denton employee movements including new hires, rehires,*

promotion, demotion, and/or lateral transfer go through a thorough review and approval workflow. All offers made at or above midpoint must be approved by the Department Director, Human Resources Director, and the appropriate City Manager/Assistant City Manager before a verbal offer may be made.

Civil Service Recruitment Process Managed Independently; Recruit Record Retention Processes Could Be Enhanced

Similar to non-civil service positions, firefighter and police officer recruitment is the responsibility of the hiring department. However, due to the unique regulatory requirements of those civil service positions, the candidate evaluation is generally more involved. While public safety dispatchers are not civil service positions, they are required to comply with similar regulatory requirements for police officers and so follow a similar recruitment process.

In particular, civil service candidates must pass several screening tests in addition to undergoing interview panels before an offer of employment is made. Specifically, both firefighter and police officer candidates must pass a civil service exam, background investigation, psychological, drug, credit, and physical screenings, and polygraph testing. These requirements are generally regulated by the City's Civil Service Commission as well as the Police and Fire Department's individual meet and confer agreements per the Texas Local Government Code.

What We Found

- Not all requirements of the City's Local Rules and Regulations of the Civil Service Commission were met during the 2023 administration of Police and Fire civil service exams.
 - All 31 Police Department Summer 2023 civil service exam scores were calculated accurately.
 - However, four of Fire's 253 civil service exam scores were calculated inaccurately by one point. This appeared to be due to Fire Department staff calculating exam scores manually and not including some points that should have been awarded for residency. Fire has begun calculating scores using spreadsheet software to minimize the potential for errors.

- Neither the Police nor Fire 2023 civil service exam scores were posted in City Hall as required, though they were posted at City Hall East. Specifically, the City Hall bulletin board only contained scores from 2022 exams. In addition, the City Hall bulletin board is not easily accessible to the public because it is in a vestibule near a door that cannot be opened by the public.
- The Fire civil service exam registration process allows individuals who are over the Texas Local Government Code's maximum age requirement to become a firefighter to register and take the exam.



Picture 1: City Hall Bulletin Board

- The Fire and Police Departments and Public Safety Communications Division have established hiring guidelines that lay out the general screening step processes that candidates must go through before they are eligible for hire. However, neither of the departments nor the Public Safety Communications Division have developed a standard operating procedure to outline how the results of these screening steps should be documented and retained.
- Historically, the Fire Department has manually tracked firefighter candidate applications, which has resulted in some required screening documentation not being retained.
 - Specifically, over 48 percent of required screening process documents could not be located for a judgment sample of ten hired recruits. This issue generally appears to be due to the staff's practice of not separately retaining polygraph, psychological test, physical exam, and drug screening results. Similarly, a standard form for documenting Fire's physical ability test results has not been established, making it difficult to retain and understand if test requirements were met. It should be noted that all personal history statements, interview notes, required certifications, and investigator summaries were located.
 - Based on a review of four disqualified candidates, one candidate file did not have records to support the rejection justification noted. Two candidates' statuses were unable to be determined based on the notes and available documentation in their files, while one candidate's file could not be located at all.
- The Police Department utilizes a public safety-specific, background investigation management system to track candidates after initial screening processes.

- Based on a review of two hired Police recruits from the July 2023 civil service exam, documentation of all screening steps was adequately retained.
- Additionally, based on a review of 25 disqualified candidates, 22 had adequate notes and information included with their file to justify their disqualification; however, three candidates did not appear to have appropriate notes or records to support the disqualification status.
- Public Safety Communications positions are considered civilian positions – not civil service. However, they are licensed through the Texas Commission on Law Enforcement and must go through screening steps like civil service positions due to their access to criminal justice information. The Public Safety Communications Division utilizes the same public safety-specific, background investigation management system to track candidates after initial screening processes as the Police Department.
 - Approximately seven percent of all required screening process documents could not be located for a judgment sample of seven hired dispatchers. This issue generally appears to be due to the staff's practice of not centrally retaining screening step documentation. Specifically, screening records processed by previous management could not be located, and testing records completed at the previous training center could not be accessed due to uninstalled software.
 - In general, the justification for rejecting candidates could not be verified due to missing documentation. In addition, the rejection reason for some candidates with needed documentation did not align with the available documentation. Specifically, 31 rejections could not be verified due to being unable to locate candidate documentation, and two rejections did not appear to be supported based on the available candidate records.

Why It Matters

Due to the unique nature of civil service positions, the recruitment and hiring of candidates is highly regulated by both the State of Texas and City-specific agreements. Compliance with these regulations not only protects the City from liability but also helps to ensure the recruiting and hiring process is fair and transparent. For this reason, the responsibility for posting civil service exam results should be clarified to ensure all candidates can access their scores. Similarly, the Fire Department should consider prohibiting individuals who surpass the age requirement to become firefighters from taking the civil service exam to ensure exam takers are aware of their ability to become firefighters and reduce administrative costs.

In addition, Federal law requires the candidate evaluation process – including those for civil service positions – to be recorded to ensure hiring decisions comply with legal requirements, including discrimination prohibitions. However, civil service candidate evaluation records could not be located for many firefighter and public safety dispatcher candidates. Development of written standard operating procedures for civil service and public safety dispatch recruiters on how to document and retain candidate evaluation records would help to ensure the City's legal requirements are met in the future. Further, while the Police Department did not have similar documentation retention issues, written procedures on how to perform and retain recruitment and hiring processes would help to retain institutional knowledge, facilitate consistency, and navigate emergencies in the future.

Recommendations:

6. Clarify responsibility for ensuring civil service exam result posting requirements are fulfilled at Main City Hall in per Texas Local Government Code.

Human Resource Comments: *Per Texas Local Government Code Chapter 143, notices must be posted in the main lobby of the City Hall and the Commission's office (located at City Hall East). Staff will coordinate with the City Secretary's Office to ensure all notices and exam results are posted in the main lobby at City Hall.*

7. Consider prohibiting individuals who are ineligible to become firefighters due to the Texas Local Government Code's age requirements from taking the City's Fire Department civil service exam.

Fire Department Comments: *This will be addressed by utilizing NEOGOV and a web-based interest form for all initial applicants wishing to take our Civil Service Exam.*

8. Establish a standard operating procedure detailing the Fire Department civil service candidate recruitment and hiring process, including civil service exam administration, candidate application management, profile management, rejection justification, screening criteria result documentation, and file retention. All candidate screening steps should be documented and tracked throughout the recruitment and hiring process. Consider using a background investigation or candidate management system to streamline recruit application and screening management.

Fire Department Comments: *This will be addressed with updates to our hiring policy along with utilizing NEOGOV, and Laserfiche. Request future funding for a more comprehensive software solution.*

9. Establish a standard operating procedure detailing the Police Department civil service candidate recruitment and hiring process, including civil service exam administration, background investigation system application process, profile management, rejection justification, screening criteria result documentation, and file retention.

Police Department Comments: *A standard operating procedure for all these items exists but they are in multiple places. Staff will be working to move all these processes into a single document, the Denton Police Department Police Recruit Hiring Standards. Having them housed in a single document will allow easier referencing for all personnel who need access to, or have questions about, these processes. This should be completed by the end of FY24, Q2.*

10. Establish a standard operating procedure detailing the Public Safety Communications candidate recruitment and hiring process, including the background investigation system application process, profile management, rejection justification, screening criteria result documentation, and file retention. All candidate screening steps should be documented and tracked throughout the recruitment and hiring process.

Public Safety Communications Division Comments: *I will write and implement a policy that documents each step in the hiring process listed above, and clearly states how documents are handled and retained.*

Some Necessary Onboarding Documentation Could Not be Located

According to City policy, an individual must successfully pass a drug screening and background check to become an employee of the City. In addition, some positions require an employee to pass a physical exam and driving record check based on the job responsibilities. Federal law also requires all employers to complete an I-9 form for each employee to verify their identity and authorization to work in the United States. The I-9 must be completed within three business days of the employee's start date and requires certain documentation to be presented that establishes their identity and employment authorization.

Further, Federal law requires that all application and interview notes from a recruitment be retained for at least one year and the Texas State Library and Archives Commission requires employment applications for both hired and non-hired individuals to be retained for at least two years after they were received.

What We Found

- Human Resources has developed a checklist within the City's candidate management system to help ensure all minimum employment criteria are verified through the onboarding process.
 - Based on a sample of 87 hired candidates, all background checks had been appropriately completed; however, about five percent of all required onboarding documentation could not be located as summarized in Table 2.

Table 2: Hired Employee Onboarding Review

Requirement	Issue Noted
Drug Screening	4%
Physical Exam	2%
Driver's License Check	6%
I-9 Verification	16%
Payroll Verification	8%
Retained in Laserfiche	2%

- This appears to be due, at least in part, to the staff's practice of not separately retaining the physical exam, drug screen reports, and driving record checks in the employee's personnel file.¹
- Further, as noted in Table 2, some I-9 forms were not completed per the Federal government's requirements, including using expired documents and being completed after the employee's start date.
- Additionally, many job descriptions include additional certification and training requirements that must be fulfilled by certain times, such as obtaining a lifeguarding certification before the start date or obtaining an International Code Council Certification within one year of employment. These requirements are currently not verified by Human Resources. Instead, the hiring department is responsible for verifying these job-specific requirements.
 - As such, over 97 percent of hired candidates did not have documentation to verify these additional training or certification requirements in their personnel file.

Why It Matters

As previously noted, Federal law requires the candidate evaluation process, including the steps taken to ensure potential employees are eligible to become

¹ According to Human Resources personnel, all drug screenings were completed; however, the department was unable to provide all support documentation due to an expired access link from the vendor.

employees, to be recorded to ensure hiring decisions comply with legal requirements, including discrimination prohibitions. However, minimum employment criteria verification records could not be located for many hired employees, despite written guidance. This seems to be mostly due to staff's practice of not retaining copies of drug screening, physical exam, and driving record check reports in the employee's personnel file.

In addition, the City is required to verify that every employee is authorized to work in the United States using the I-9 Form. Conducting periodic I-9 audits would allow Human Resources to verify a sample of records as part of general operations based on neutral and non-discriminatory criteria and make any required corrections.

Recommendations:

- 11.** Retain copies of drug screening, physical exam, and driving record check results in each employee's personnel file to streamline the retention of minimum employment requirement verification documentation.

***Human Resources Comments:** Human Resources will outline a formal process and include in the onboarding phase to ensure all background check results, driving record results (when applicable), drug screens, and physicals from the appropriate vendor portals are saved in the employee's personnel file. Additionally, staff will add a new task in the onboarding portal of NEOGOV for the Talent Acquisition Specialist to ensure compliance.*

- 12.** Develop a process to conduct periodic I-9 audits to ensure any issues are identified and corrected per Federal law.

***Human Resources Comments:** Staff began an I-9 audit in January 2024 including a review of the Human Resources system of record and the implementation of E-Verify. System structure issues exist that have required additional staff and financial resources which have been made available but delayed progress. Staff is continuing to make progress on the initiative amidst the set back.*

- 13.** Consider requiring Hiring Departments to obtain employee additional job requirement documentation and retain it in a central location.

***Human Resources Comments:** Human Resources will outline a formal process and include as a responsibility within the employee relations function of Human Resources to ensure all new hires obtain all additional job requirements within the required time frame.*

City Employees do not Currently Reflect the Denton Community; Efforts to Intentionally Increase Diversity Have Begun

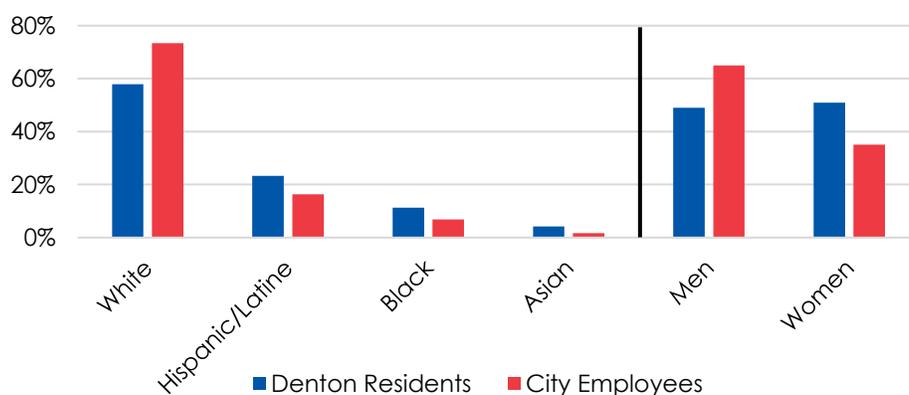
Diversity, equity, and inclusion – or DEI – begins during the recruiting and hiring stages of an organization. The benefits of DEI in the workplace include innovation, an engaged workforce, a positive culture, an expanded audience, and improved teamwork. DEI in an organization can also assist with building a reputation that attracts talent and encourages employee retention while reducing turnover rates.

Generally, organizations aim to attract candidates and hire employees that reflect the diversity of their communities. To do this, organizations must capture not only employee but also candidate demographic data so hiring trends can be identified. In addition, Federal law requires that employees performing substantially equal work receive equal pay. For this reason, best practices suggest organizations identify and address pay equity between genders and racial groups.

What We Found

- The City has begun efforts to encourage employee diversity and inclusion.
 - At the beginning of Fiscal Year 2022-23, the City adopted Inclusion as a Core Value. This core value was further implemented through the adoption of Policy 100.03 “Commitment to Inclusion” in April 2023. Still, the City has not developed goals to further actualize this policy.
 - The City’s employee demographics do not currently reflect the Denton community as shown in Figure 4. Specifically, men and white employees are significantly overrepresented.

Figure 4: Comparison of City Employees to Denton Residents²



² The City’s current system configuration does not have options to capture the full spectrum of gender expression. For this reason, gender categories are reported as Men and Women.

- Over the last three fiscal years, the share of City employees who are white women has increased by about seven percent with a proportional decrease in white men, while other racial and gender demographic groups' share of employee composition has remained similar.
- Still, much of the growth in racial diversity comes from an increase in the number of Hispanic or Latine, Black, and Asian or Pacific Islander employees in part-time and seasonal positions as shown in Table 3.

Table 3: Change in Employee Composition from FY21 to FY23

	Executive	Full-Time	Public Safety	Part-Time
White	4%	1%	0%	-9%
Hispanic/Latine	-46%	2%	6%	22%
Black	-5%	3%	-7%	25%
Asian	NA	2%	-6%	138%
Men	0%	-3%	-1%	3%
Women	0%	7%	10%	-2%
Avg. Employees:	27	1,047	411	207

- The City generally attracts diverse applicants that mirror the relevant communities; however, this diversity is not completely reflected in hired candidates.
 - In general, there is parity between applicants for City positions and the potential applicant pool.

Table 4: 2023 Applications Parity Analysis

	Census Avg. ³	Applications
Men	49%	50%
Women	51%	48%
White	52%	50%
Hispanic/Latine	26%	19%
Black	14%	18%
Asian	5%	4%
Other	3%	5%

- However, when compared to applicants, Black men and women are generally not being hired proportionally as shown in Table 5.

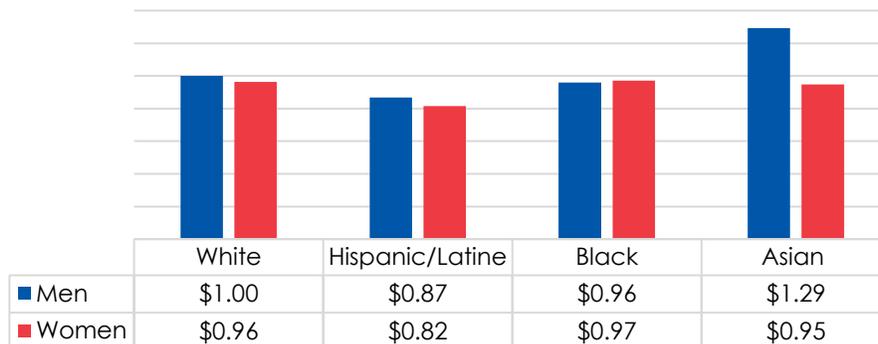
³ This was calculated by averaging the percent of the City of Denton population and the percent of the DFW population for each demographic group.

Table 5: 2023 Applicants to Hires Comparison

	Share of Applicants	Share of Hires	Difference
White Men	28%	33%	6%
White Women	22%	27%	5%
Latinos	10%	12%	2%
Latinas	9%	8%	-1%
Black Men	9%	5%	-4%
Black Women	9%	6%	-3%
Asian Men	2%	1%	-1%
Asian Women	2%	1%	-1%

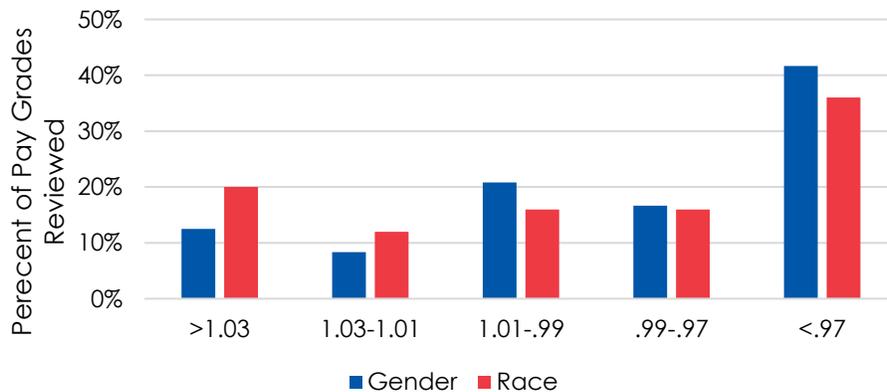
- It should be noted that this table does not include civil service positions, which are separately managed. Data to compare applicant-to-hire diversity was not readily available for Police or Fire civil service positions.
- The City has created a repository of resources on diversity in hiring; however, formal guidance on how to implement candidate evaluation strategies intended to minimize the effects of unintended biases has not been developed. In addition, best practices intended to increase employee diversity such as requirements for standardized scoring sheets, diverse interview panels, and blind hiring techniques have not been adopted City-wide.
- Pay gap analyses indicate gender and racial pay equity could be further improved.
 - The City does not conduct regular pay equity reviews to identify potential inequities and determine if existing discrepancies are warranted by other factors.
 - Based on a City-wide comparison of City-wide pay rates, for every dollar a white man makes most racial and gender demographic groups make at least three cents less on average as shown in Figure 5.

Figure 5: City-wide Average Pay Gap



- o In addition, when these comparisons are adjusted to review only employees within the same pay grade,⁴ over half of the pay grades reviewed had a pay gap greater than three cents as shown in Figure 6. It should be noted that pay grades typically include multiple positions, so this analysis does not necessarily mean employees are receiving unequal pay for equal work, only that this is possible.

Figure 6: Pay Grade Pay Gap Size Frequencies



Why It Matters

Enhancing DEI within the workplace can increase employee retention rates resulting in reduced hiring costs for the organization. The City has begun making progress toward its commitment to inclusion with the establishment of Policy 100.03. Still, establishing and periodically reporting on DEI-related goals assists with enhancing transparency and visualizing progress.

Capturing candidate demographic data is critical to identifying any potential gender or racial disparities caused by the recruiting and hiring process. Similarly, developing guidance for hiring managers will further assist with ensuring candidates are evaluated fairly and per federal hiring requirements while assisting with City inclusion goals. Further, pay equity reviews should be completed periodically to reduce the likelihood of internal pay gaps and ensure candidates receive equitable compensation compared to the market.

⁴ Only pay grades that had at least five employees of each comparison group (i.e., men and women and Black and Indigenous people of color and white people) were included in this comparison. Based on this, 29 pay grades were included in the gender analysis and 25 in the race analysis of the 118 unique full-time employee pay grades.

Recommendations:

14. Develop and periodically report on actionable and measurable recruitment and hiring inclusion goals to further actualize Policy 100.03 “Commitment to Inclusion.”

Human Resources Comments: *In alignment with Strategic Initiative 3.4.6, Reaffirm Diversity, Equity, and Inclusion Efforts, staff will submit a supplemental request for funding to contract with an Inclusion Consultant in FY 2025. This recommendation will be included within the scope of work for the consultant.*

15. Ensure civil service applicant demographic data is captured and retained so it can be used throughout the recruitment and hiring process.

Human Resources Comments: *Staff currently tracks demographics that candidates submit when registering for the entrance exam. This information is presented to the Civil Service Commission (the “Commission”) when the raw score list is reviewed/approved by the Commission. Staff will work with the Police and Fire Departments to ensure this information is appropriately linked to the candidate’s profile to be used throughout the recruitment and hiring process.*

16. Develop guidance for hiring managers on how to evaluate applicants to minimize the effects of unintended biases such as using standardized scoring sheets, diverse interview panels, and blind hiring techniques.

Human Resources Comments: *As part of our initiative to contract with a Diversity Consultant in Fiscal Year 2025, staff will work with the consultant to develop guidance for Hiring Managers and Supervisors.*

17. Establish a process to periodically conduct pay equity reviews. Reviews should be documented, and discrepancies investigated to determine if they are warranted based on other factors. Consider providing the results of pay equity reviews to employees.

Human Resources Comments: *Staff is dedicated to implementing a systematic approach for the regular review of employee compensation. The proposed three and five-year strategies for conducting annual compensation studies/analysis of the City are recommended to correct pre-existing compensation issues that were not resolved with the 2023 Compensation and Classification Study (e.g., Equity) and to assist in a continuous review of the organization as staff work towards the goal of establishing an ongoing process with readily available data through a robust compensation platform.*

Audit Project Background

The City Auditor's Office is responsible for providing: (a) an independent appraisal⁵ of City operations to ensure policies and procedures are in place and complied with, inclusive of purchasing and contracting; (b) information that is accurate and reliable; (c) assurance that assets are properly recorded and safeguarded; (d) assurance that risks are identified and minimized; and (e) assurance that resources are used economically and efficiently and that the City's objectives are being achieved.

Auditing Standards

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 findings and conclusions based on our audit objectives.

Management Responsibility

City management is responsible for ensuring that resources are managed properly and used in compliance with laws and regulations; programs are achieving their objectives; and services are being provided efficiently, effectively, and economically.

Objectives, Scope, and Methodology

The City Auditor's Office has completed a performance audit of the City's staff recruiting and hiring processes. This report is intended to provide assurance that the City has established adequate controls to ensure the City's civil and non-civil service recruitment and hiring processes are efficient, effective, equitable, and aligned with applicable regulations.

Audit fieldwork was conducted during September, October, November, and December 2023, and January 2024. The scope of the review varied depending on the procedure being performed. The following list summarizes major procedures performed during this time:

- Reviewed documentation to develop criteria including documented policies, industry standards, and best practices;

⁵ The City of Denton City Auditor's Office is considered structurally independent as defined by generally accepted government auditing standard 3.56.

- Developed process narratives to identify current control activities in the recruiting and hiring processes for non-civil and civil service positions;
- Interviewed Human Resources, Fire, and Police Departments staff;
- Reviewed a statistical sample of 80 posted job position requisitions to calculate ratios comparing total received applications, referrals, interview quantities, and website traffic;⁶
- Reviewed a judgment sample of 86 applicants to determine whether applicants fulfilled minimum job qualifications as required by the job description and whether applications were complete and consistent with provided resumes;
- Calculated annual new hire turnover rates and examined job posting conversion, interview-to-offer, offer-to-hire, and time-to-hire calculations made by the City's candidate management system;
- Estimated the time it took to fill a vacancy based on a statistical sample of 87 filled job position requisitions;⁷
- Reviewed a statistical sample of 79 applicants that received interviews to determine whether interview questions appeared appropriate, were approved by HR, and if interview notes were adequately documented and retained;⁸
- Reviewed a statistical sample of 87 external offers and 77 internal offers to determine whether compensation offer requests were appropriately recorded, justified, and approved per City procedure;⁹
- Recalculated civil service exam scores for Fire and Police recruits;
- Reviewed a judgment sample of 20 Fire recruit candidates and all 31 Police recruit candidates to determine whether related applications, questionnaires, and screening steps were managed appropriately, and candidate statuses tracked and updated per Civil Service rules and regulations and department standards;¹⁰
- Reviewed a judgment sample of 49 Public Safety Communications job applicants to determine whether applications, questionnaires, and

⁶ This sample size provides with 95 percent confidence that the true population mean is within ±10 percent of the sample estimate.

⁷ This sample size provides with 95 percent confidence that the true population mean is within ±10 percent of the sample estimate.

⁸ This sample size provides with 95 percent confidence that the true population mean is within ±10 percent of the sample estimate.

⁹ This sample size provides with 95 percent confidence that the true population mean is within ±10 percent of the sample estimate.

¹⁰ The total population of Police recruit candidates was obtained from the July 2023 civil service exam processing list.

screening steps were managed appropriately and whether candidate statuses were tracked and updated per department standards;

- Reviewed a statistical sample of 87 preboarding and onboarding candidates to determine whether all candidates fulfilled minimum conditions of employment before their start date;¹¹
- Compared current City of Denton employee gender and racial demographic information to 2020 Census Denton residents and trended this data over fiscal years 2021, 2022, and 2023;
- Compared gender and racial demographic data of City applicants to hires and the 2020 Census data for the Denton residents and the Dallas-Fort Worth Metroplex; and
- Calculated gender and racial pay equity ratios City-wide and for pay grades with adequate variability.

¹¹ This sample size provides with 95 percent confidence that the true population mean is within ± 10 percent of the sample estimate.

Appendix A: Management Response Summary

The following summarizes the recommendations issued throughout this report. The auditors found that staff and the Departments were receptive and willing to make improvements where needed. Management has provided their response to each recommendation.

1	<i>Establish recruitment and hiring performance metric goals.</i>		Agree
Responsibility:	HR Supervisor (Talent Acquisition)	Expected Completion:	Fiscal Year 2024
2	<i>Establish guidance or training for Hiring Managers on using the candidate management system to document application reviews, phone screens, interviews, and candidate rejections, including updating applicant system status.</i>		Partially Agree
Responsibility:	HR Supervisor (Talent Acquisition) and Assistant Director of HR	Expected Completion:	Future ERP Solution
3	<i>Establish a process to ensure candidate evaluation documentation – including phone screen and interview notes – is received and adequately retained by Human Resources.</i>		Agree
Responsibility:	Talent Acquisition Specialists	Expected Completion:	Immediately (Quarter 2)
4	<i>Consider removing requests for compensation history and expectations from non-civil service job applications.</i>		Partially Agree
Responsibility:	Assistant Director of HR System Operations Admin	Expected Completion:	Immediately (Quarter 2)
5	<i>Ensure that all compensation offers at or above the midpoint are adequately justified and approved.</i>		Agree
Responsibility:	Senior Compensation Analyst	Expected Completion:	Implemented FY23
6	<i>Clarify responsibility for ensuring civil service exam result posting requirements are fulfilled at Main City Hall in per Texas Local Government Code.</i>		Agree
Responsibility:	Civil Service Secretary	Expected Completion:	Immediately (Quarter 2)
7	<i>Consider prohibiting individuals who are ineligible to become firefighters due to the Texas Local Government Code's age requirements from taking the City's Fire Department civil service exam.</i>		Agree

Responsibility:	CRRO	Expected Completion:	FY 24, Q4
8	<p><i>Establish a standard operating procedure detailing the Fire Department civil service candidate recruitment and hiring process, including civil service exam administration, candidate application management, profile management, rejection justification, screening criteria result documentation, and file retention. All candidate screening steps should be documented and tracked throughout the recruitment and hiring process. Consider using a background investigation or candidate management system to streamline recruit application and screening management.</i></p>		Agree
Responsibility:	CRRO	Expected Completion:	FY 25, Q1
9	<p><i>Establish a standard operating procedure detailing the Police Department civil service candidate recruitment and hiring process, including civil service exam administration, background investigation system application process, profile management, rejection justification, screening criteria result documentation, and file retention.</i></p>		Partially Agree
Responsibility:	Deputy Chief Bradford, Support Bureau	Expected Completion:	FY24, Q2
10	<p><i>Establish a standard operating procedure detailing the Public Safety Communications candidate recruitment and hiring process, including the background investigation system application process, profile management, rejection justification, screening criteria result documentation, and file retention. All candidate screening steps should be documented and tracked throughout the recruitment and hiring process.</i></p>		Agree
Responsibility:	PSC Recruitment & Public Education Coordinator	Expected Completion:	2024, Q3
11	<p><i>Retain copies of drug screening, physical exam, and driving record check results in each employee's personnel file to streamline the retention of minimum employment requirement verification documentation.</i></p>		Agree
Responsibility:	Talent Acquisition Specialists	Expected Completion:	Immediately (Quarter 2)
12	<p><i>Develop a process to conduct periodic I-9 audits to ensure any issues are identified and corrected per Federal law.</i></p>		Agree

Responsibility:	Ethics & Policy Administrator; HR Supervisor (Talent Acquisition); Assistant Director of HR	Expected Completion:	Quarter 3
13	<i>Consider requiring Hiring Departments to obtain employee additional job requirement documentation and retain it in a central location.</i>		Partially Agree
Responsibility:	Human Resources Business Partners	Expected Completion:	Quarter 4
14	<i>Develop and periodically report on actionable and measurable recruitment and hiring inclusion goals to further actualize Policy 100.03 "Commitment to Inclusion."</i>		Agree
Responsibility:	Organizational Development & Diversity Manager	Expected Completion:	Fiscal Year 2025
15	<i>Ensure civil service applicant demographic data is captured and retained so it can be used throughout the recruitment and hiring process.</i>		Partially Agree
Responsibility:	Civil Service Secretary	Expected Completion:	Quarter 3
16	<i>Develop guidance for hiring managers on how to evaluate applicants to minimize the effects of unintended biases such as using standardized scoring sheets, diverse interview panels, and blind hiring techniques.</i>		Agree
Responsibility:	Organizational Development & Diversity Manager	Expected Completion:	Fiscal Year 2025
17	<i>Establish a process to periodically conduct pay equity reviews. Reviews should be documented, and discrepancies investigated to determine if they are warranted based on other factors. Consider providing the results of pay equity reviews to employees.</i>		Agree
Responsibility:	Senior Compensation Analyst	Expected Completion:	Ongoing (Three and Five-Year Strategies)