



**A Report to the
Audit Committee**

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Audit of Nashville General Hospital Human Resources

October 28, 2022

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

October 28, 2022



Why We Did This Audit

The audit was conducted due to the importance of providing quality human resources services to Nashville General Hospital employees and recruiting and retaining a high-quality workforce for the Nashville community.

What We Recommend

- Improve documentation of the recruitment process.
- Require training to ensure the interview process is fair and consistent.
- Clearly define responsibilities between hospital leaders and the Human Resources Department for the recruitment process.
- Provide written notification of employee benefits termination date.

Audit of Nashville General Hospital Human Resources

BACKGROUND

Nashville General Hospital is a publicly funded community hospital with a mission of improving the health and wellness of the Metropolitan Nashville community by providing equitable access to comprehensive, coordinated, patient centered care. The Human Resources Department is tasked with the recruitment of employees for the hospital. Strategic objectives of the department include making Nashville General Hospital one of Nashville's best places to work, delivering an exceptional experience for employees, and improving the quality of human resources practices.

OBJECTIVES AND SCOPE

The objectives of this audit are to determine if:

- The hiring process locates the best candidates to further the mission of Nashville General Hospital.
- Terminated employees are properly treated and displaced according to internal Human Resources policies and related laws and regulations.

The scope of this audit included Nashville General Hospital recruitment and terminations between January 1, 2020, and December 31, 2021.

WHAT WE FOUND

The Human Resources Department is effectively managing the recruitment process within Nashville General Hospital. The department has developed strategic goals and procedures to ensure that quality internal services are provided. Positive survey results were received from new hires and hospital leaders receiving services from the Human Resources Department.

Documentation was lacking for the recruitment process. While hospital leaders are receiving training on the recruitment process, the training did not include how to conduct an interview to ensure that candidates are being treated fairly and consistently. The responsibilities of the human resources department and the hospital leaders in the recruitment process are not documented in policies and procedures

GOVERNANCE

The Hospital Authority Board of Trustees consists of 11 members and is the governing body of Nashville General Hospital. The Board of Trustees appoints the Chief Executive Officer of Nashville General Hospital. The Chief Executive Officer has the authority and control to operate Nashville General Hospital, subject only to policies adopted or orders issued by the Board of Trustees. The Director of Human Resources oversees the recruitment of Nashville General Hospital employees and reports directly to the Chief Human Resources Officer who reports directly to the Chief Executive Officer.

BACKGROUND

Recruitment Process

The recruitment process begins when a need is identified by a department hiring manager. The Human Resources department uses Jobvite, an applicant tracking and recruitment software, to manage the recruitment process. The hiring manager will create a requisition within Jobvite to be reviewed and approved by their Executive Team Leader and the Chief Financial Officer.

Once the requisition is approved, the job is filtered out to external job boards via Jobvite. The recruiter within the Human Resources department will review all applicants to ensure job qualifications are met. The applicants meeting job requirements will be sent to the hiring manager.

The hiring manager is responsible selecting applicants for interviews, rejecting the applicant before the interview, and conducting the interview with applicable team members. A Human Resources representative is not present for the interview and the hiring managers are encouraged, but not required, to leave notes regarding the interviews within Jobvite. Once the interviews are conducted, the hiring manager will communicate with Human Resources department when to extend a job offer to the candidate.

The recruiter reviews the pay scale for the position and determines the salary to be offered based on the role, skills, internal equity, and market data. A verbal job offer is extended, and an anticipated start date is determined. Once the job is accepted, a formal offer letter is extended via Jobvite. The applicant is vetted in a variety of ways including a criminal background check, education and employment verification, drug screening, and social security number tracing. A welcome email is sent to the employee with information regarding onboarding tasks, the new employee orientation date, pay information, and hospital policies.

Nashville General Hospital Workforce

The Nashville General Hospital workforce is grouped into employees and physicians. Employees are separated into either nursing or non-nursing due to nurses being the most challenging to recruit and retain. The workforce consisted of approximately 690 employees during the audit period. Employee turnover was 18.9 percent in 2020 and 15.7 percent in 2021. The breakout of the Nashville General Hospital workforce can be seen in Exhibit A and Exhibit B below.

Exhibit A – Nashville General Hospital Workforce by Type

Employee Type	Percent of Workforce
Nursing	25%
Non-nursing	57%
Physicians	18%

Source: Nashville General Hospital Human Resources Department

Exhibit B – Nashville General Hospital Workforce by Ethnicity

Ethnicity	Percent of Workforce
African American	46%
Hispanic	2%
White	45%
Other	7%

Source: Nashville General Hospital Human Resources Department

OBJECTIVES AND CONCLUSIONS

1. *Does the recruitment process at Nashville General Hospital locate the best candidates to further the mission of the hospital?*

Generally, yes. Nashville General Hospital uses a reputable applicant tracking and recruitment system to post positions, track applicant status, and schedule interviews. The system has access to multiple major internet job posting sites to ensure an adequate reach to candidates.

Eight out of 11 (73 percent) reviewed external job postings did not have interview notes detailing the interview questions and information on the candidates. Hiring managers are encouraged, but not required, to leave interview notes within Jobvite. A Human Resources representative is not present in the interviews. Training was conducted in August 2021 to explain the hiring process within Nashville General Hospital to hospital leaders specifically how Jobvite is used to facilitate the process. However, the training did not include how to properly conduct an interview and which questions would be unlawful or inappropriate to ask. A review of training logs found that 79 percent of hospital leaders completed the training. Without oversight from the Human Resource Department there is a risk that wrong or inappropriate questions can be asked opening Nashville General Hospital to possible litigation. (See Observation A.)

Delivering exceptional employee experiences and providing high-quality services and assistance to hospital leaders are strategic goals of the Human Resources Department. To gauge whether these goals were being achieved, a survey was sent to both new hires and leaders within the hospital. A survey regarding the recruitment process was sent to 87 new hires during the audit period. The new hires responded favorably to most questions. All respondents agreed that the Human Resources staff were courteous and respectful during the recruitment process. The highest disagreement came from questions regarding the new hires understanding of how their performance was measured.

A survey was also sent to 71 hospital leaders and hiring managers about their satisfaction with services received from the Human Resources Department. The Human Resources Department scored favorably with most questions. Opportunities for improvement include the timeliness of information, maintaining confidentiality, job posting, and the overall assistance provided during the recruitment process. (See Observation B.)

2. *Are terminated employees properly treated and displaced according to internal human resources policies and related laws and regulations?*

Yes. Nashville General Hospital has policies and procedures that govern employee separation from the hospital in a fair and consistent manner. The turnover rate within Nashville General Hospital of 18.90 percent in 2020 and 15.69 percent in 2021 was comparable to other public safety-net hospitals.

A sample of terminated employee files were reviewed. All terminated employees had a signed separation letter on file. Employees dismissed for cause had a documented disciplinary record in all applicable instances. However, an opportunity exists to improve the notification of the termination date for benefits for separated employees. (See Observation C.)

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives to sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO), Internal Control – Integrated Framework, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision-making and governance of the organization. See **Appendix B** for a description of the observation *Assessed Risk Rating*.

Observation A – Interview Process Documentation and Training

Oversight of the interview process by the Human Resources Department is lacking. The department has a service delivery goal of treating all potential employees equally. The goal is at risk of being achieved because a Human Resources representative is not present in interviews, and the interview process is not being documented. The department leader determines which interviews to hold, determines the questions asked, and schedules the interviews. Department leaders are encouraged, but not required, to leave notes regarding the questions asked and results of the interviews within the applicant tracking system. However, 8 out of the 11 (73 percent) reviewed external job postings did not have interview notes detailing the interview questions and information on the candidates. The Human Resources Department does provide training opportunities for leaders and hiring managers, but there was not a record to determine if all the leaders had attended training.

The risk of noncompliance with laws and regulations and the risk of litigation from wrong or inappropriate interview questions is increased with the lack of oversight from the Human Resources Department.

Criteria:

- *COSO, Control Activities—Principle 10—*The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- *COSO, Control Activities—Principle 12—*The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Assessed Risk Rating:

Medium

Recommendations for management of Nashville General Hospital to:

1. Update policies and procedures to require department leaders to document interview results during the recruitment process.
2. Provide trainings to hospital leaders and hiring managers on how to conduct interviews to ensure the fair and consistent treatment of candidates. Maintain a record of the trainings.

Observation B – Human Resources Department Service Satisfaction

A survey of internal customers of the Human Resources Department revealed areas of dissatisfaction with the services received. A survey was sent to 71 hiring managers within Nashville General Hospital, and 41 responses were received for a response rate of 58 percent. Respondents were asked to rate their agreement or satisfaction for a total 10 statements with 5 being strongly agree or extremely satisfied, 3 being fairly satisfied, and 1 being strongly disagree or not satisfied. A summary of results can be seen in Exhibit C.

Exhibit C: Human Resources Department Satisfaction Survey Results

STATEMENT	AVERAGE ANSWER	% AGREED / SATISFIED	% DISAGREED / DISSATISFIED
<i>The Human Resources Department is available and responsive when needed.</i>	3.24	71%	29%
<i>The Human Resources Department provides accurate, helpful information.</i>	3.17	66%	34%
<i>The Human Resources Department provides information when you need it and/or in a timely manner.</i>	2.83	51%	49%
<i>The Human Resources Department exhibits a solid understanding of human resources issues.</i>	3.02	68%	32%
<i>The Human Resources Department treats requests and/or concerns with an appropriate level of confidentiality.</i>	3.34	47%	53%
<i>Satisfaction with Job Posting</i>	2.88	59%	41%
<i>Satisfaction with job applicant screening.</i>	3.02	68%	32%
<i>Satisfaction with new employee orientation.</i>	3.17	73%	27%
<i>Satisfaction with benefits onboarding and enrollment assistance.</i>	3.37	78%	22%
<i>Satisfaction with Human Resources overall assistance during the hiring process.</i>	2.90	54%	46%

Internal customers rated the Human Resources Department highest with being responsive and available and were satisfied with the onboarding and enrollment assistance. However, the department scored lowest in areas related to the timeliness of information, job posting, treating issues and concerns with an appropriate level of confidentiality, and overall assistance provided.

A total of 19 respondents provided written feedback. Comments were mixed with roughly half being complimentary and half discussing areas for improvement. Positive comments praised the department for being professional, helpful, and providing quality service. Recurring areas for improvement included ensuring leave taken under the Family and Medical Leave Act is not abused and being consistently followed, improving the speed of recruitment, and ensuring that the hiring process is consistently followed for all candidates.

When services provided to employees are lacking there is a risk of confusion and interruption in the recruitment process.

Criteria:

COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Assessed Risk Rating:

Medium

Recommendation for management of Nashville General Hospital to:

Clearly define the responsibilities in policies and procedures of hospital leaders and the Human Resources Department in the recruitment process.

Observation C – Notification of Employee Benefit Termination

Notification of the employee benefit termination could be improved. Each terminated employee signs a separation letter detailing the reason and date of separation. A Human Resources representative will meet with the employee to finalize this process which includes a verbal discussion of when benefits will be terminated. However, this information is not included in the separation letter. Including benefits termination in the separation letter or having the employee sign a form with this information decreases the risk of the employee being unaware of the loss of benefits.

Criteria:

- *COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.*
- *COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.*

Assessed Risk Rating:

Low

Recommendation for management of Nashville General Hospital to:

Provide written notification including the termination of benefits date to employees upon separation.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

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 observations and conclusions based on our audit objectives.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Reviewed applicable employment laws and regulations.
- Interviewed key personnel within the Human Resources Department.
- Evaluated internal controls currently in place.
- Performed analysis on the employee turnover rate.
- Surveyed Nashville General Hospital employees regarding Human Resources services received.
- Reviewed sample selections to evaluate the effectiveness of internal controls.
- Considered risk of fraud, waste, and abuse.

AUDIT TEAM

Elizabeth Andrews, CFE, Staff Auditor

Nan Wen, CPA, In-Charge Auditor

Seth Hatfield, CPA, CIA, CFE, CCFO, Quality Assurance

Lauren Riley, CPA, CIA, CFE, CMFO, ACDA, Metropolitan Auditor

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing their response to our recommendations.

	Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
<i>Risk</i>	<i>Recommendations for the management of Nashville General Hospital to:</i>		
M	A.1 Update policies and procedures to require the documentation of the interview result a requirement of department leaders during the recruitment process.	Accept.	10/31/2022
M	A.2 Provide trainings to hospital leaders and hiring managers on how to conduct interviews to ensure the fair and consistent treatment of candidates. Maintain a record of the trainings.	Accept.	11/30/2022
M	B.1 Clearly define the responsibilities of hospital leaders and the Human Resources Department in the recruitment process.	Accept.	11/30/2022
L	C.1 Provide written notification for the termination of benefits to employees upon termination.	Accept.	Complete. Benefits at Separation of Service added to termination process on 10/01/2022.

APPENDIX B – ASSESSED RISK RANKING

Observations identified during the course of the audit are assigned a risk rating, as outlined in the table below. The risk rating is based on the financial, operational, compliance or reputational impact the issue identified has on the Metropolitan Nashville Government. Items deemed “Low Risk” will be considered “Emerging Issues” in the final report and do not require a management response and corrective action plan.

Rating	Financial	Internal Controls	Compliance	Public
HIGH	Large financial impact >\$25,000 Remiss in responsibilities of being a custodian of the public trust	Missing, or inadequate key internal controls	Noncompliance with applicable Federal, state, and local laws, or Metro Nashville Government policies	High probability for negative public trust perception
MEDIUM	Moderate financial impact \$25,000 to \$10,000	Partial controls Not adequate to identify noncompliance or misappropriation timely	Inconsistent compliance with Federal, state, and local laws, or Metro Nashville Government policies	The potential for negative public trust perception
LOW/ Emerging Issues	Low financial impact <\$10,000	Internal controls in place but not consistently efficient or effective Implementing / enhancing controls could prevent future problems	Generally complies with Federal, state, and local laws, or Metro Nashville Government policies, but some minor discrepancies exist	Low probability for negative public trust perception
Efficiency Opportunity	An efficiency opportunity is where controls are functioning as intended; however, a modification would make the process more efficient			