

2002-2003 SANTA CLARA COUNTY CIVIL GRAND JURY

INQUIRY INTO THE POLICY OF THE REPLACEMENT OF KEY COUNTY PERSONNEL

Summary

The 2002-2003 Santa Clara County Civil Grand Jury (Grand Jury) conducted an inquiry into the circumstances surrounding the replacement of key personnel in county organizations that result from retirements, resignations, or discharges. This inquiry was initiated because of comments made during several interviews conducted by the Grand Jury dealing with other matters. These comments prompted the Grand Jury to examine the replacement policies for key personnel in representative departments, specifically the County Assessor's Office, the Office of the County Executive, and the General Services Agency. The Director of the Employee Services Agency was also interviewed. After discussion with these departments, the Grand Jury determined that there were unresolved issues relating to the replacement of key personnel. The Grand Jury believes that several steps can be taken to alleviate this problem, and several recommendations are made which will allow important positions to be filled in a more expeditious manner.

Background

The comments received during the Grand Jury interviews indicated that there is a significant problem caused by a lack of overlap between a departing supervisory individual and his/her replacement. Specifically, there is an inability to quickly replace key personnel and to provide for sufficient overlap between the person leaving and the person coming into the organization.

When a key supervisory position is left vacant for an extended period, inefficiencies occur. One inefficiency may occur when a new employee assumes a supervisory position without the benefit of training by his/her predecessor. Another inefficiency may result when important decisions are delayed while the position is vacant. A third cause of inefficiency is confusion as to just who is in charge of an organization. In many cases, the manager senior to the departed employee must assume his/her duties, thus detracting attention from the senior's primary responsibilities. Such inefficiencies are costly to the county, even though the exact cost may be difficult or impossible to determine. The Grand Jury

conducted several inquiries and reviews into the activities of Santa Clara County's departments and agencies. During meetings with county management personnel, a question similar to the following was often asked:

“If you could change one thing in the operation of your organization to make it run more smoothly, what would that be?”

The answer received very often was similar to the following:

“I would make it possible to fill important positions faster, avoid their being left vacant for an extended period, and provide for some overlap between the person leaving and his/her replacement”

As a result of these comments, the Grand Jury looked into the current situation to determine the cause of such a problem, and ascertain what changes could be made to solve it. Interviews were conducted with the Deputy County Executive, Employee Services Agency; Director, General Services Agency; Director, Office of Human Relations, Office of the County Executive; and four managers in the County Assessor's Office.

The Grand Jury found that the following were typical scenarios:

1. A senior employee in a supervisory position reaches retirement. This employee has several months of vacation accrued and chooses to take that vacation as leave time at the end of employment, rather than being compensated for it in a lump sum payment. When that happens, the position is considered “filled” as long as the employee is on vacation, even though the employee will not return to the organization when the vacation period is over. According to county personnel policy, the organization cannot hire a replacement as long as the position is filled. Thus, that key position is actually vacant for an extended period of time. Furthermore, when the new employee is hired to fill the position, he/she does not have the benefit of learning important, historic information from his/her predecessor.
2. A key individual retires, as above, but chooses to be compensated in full for the vacation accrued, rather than taking it over time. Even though this shortens the time in which the position is vacant, the organization takes a big hit in the budget. Current county procedures are such that budgets do not normally provide for a lump sum payment for a significant

amount of accrued vacation or the permitted allowable percentage of accrued sick leave. There is no provision for a county department head to plan for these significant unfunded liabilities.

The Grand Jury learned that different approaches are taken by different managers in an attempt to partially alleviate the effects of this problem. For example, on occasion, a retiree is rehired as a consultant in order to train his/her replacement. This step does provide some overlap between the old and new employee, but results in an extra expense for the consultant services, which often causes a budget overrun. If a vacancy is anticipated sufficiently in advance, the position can be posted, applications received, and interviews conducted for replacement. However, no offer can be made to a desirable candidate until the position is actually vacant. This situation often results in a desirable candidate taking other employment rather than waiting for the potential vacancy.

Some department managers have established an informal succession plan so that key positions can be filled from within as often as possible. In some cases, a deputy supervisor or manager has been appointed. The deputy may be actually designated as such on the organization chart, or may be informally recognized as the fill-in for the immediate superior. Such a policy offers long-term promise to top performers. However, there is no assurance that a vacant supervisory position will be filled by the designated individual. County policy calls for all positions to be posted, and for hiring of the most qualified person. That most qualified person may come from within the county government, but outside the department, or even from outside county government.

The Grand Jury learned that, although different managers attempt different solutions in an attempt to diminish the impact of the problem in question, there is no consistent procedure throughout the county to avoid the resulting inefficiencies.

Finding I

The requirement that a position be considered filled as long as the former employee is on terminal vacation upon retirement does not allow the department to hire a suitable replacement early enough for overlap training, and often results in a key position being left vacant for a long period of time.

Recommendation I-1

The Grand Jury recommends that when it is known that an employee in a key position will soon retire, or leave for any other reason, the director of his/her

department should be allowed to post that position immediately, and hire a replacement as soon as a qualified person is found.

Recommendation I-2

The Grand Jury recommends that if a suitable replacement for a retiring employee is identified, and the retiring employee is still in the position, either actually in place or on vacation, there should be provision for the director to establish a temporary position, identified by a specific employee code, so that the replacement individual can be brought into the organization for training and preparation to assume the vacant position.

Finding II

When there is a succession plan in place, or when there is a deputy to the departing employee, there is someone available to immediately assume the functions of the vacated position. Even if that individual is not later selected to fill the position, the organization can continue to function smoothly with that individual temporarily filling the vacancy until the recruiting process is complete.

Recommendation II

The Grand Jury recommends that directors be strongly encouraged to either appoint deputies for key supervisory positions, have a formal succession plan, or designate a temporary replacement to take over in case the position is open.

Finding III

When a long-term employee retires and chooses to take payment for his/her vacation and sick leave in a lump sum, the department faces the possibility of a significant budget overrun. It is possible for an employee who has been with the county for over 20 years to have 66 working days (or approximately 13 weeks) of vacation accumulated. It is also possible for a 30-year employee to have as much as 360 days of sick leave. The first 60 days will be paid on the basis of 50% of normal salary; the remaining 300 days will be paid on the basis of 12½ % of normal salary. Thus, the sick leave payment will be equivalent to another 13 weeks. This means that a long-term employee could be paid up to 26 weeks of salary, or half of his/her annual compensation.

Recommendation III – 1

The Grand Jury recommends that at the beginning of each annual budgeting cycle, each organization in the county should determine, as much as possible, which long-term employees plan to retire during the fiscal year. Those organizations should be given budget to cover the eventuality of having to pay for lump sum vacation and sick leave. As an alternative, the Employee Services Agency should be budgeted to cover these compensations, and the resultant charges transferred out of the other organization and into the Employee Services Agency budget.

Recommendation III – 2

The Grand Jury recommends that county personnel policy be changed so that after having accrued the allotted amount of vacation leave for one year's service, the employee is required to take time off or in-lieu payments rather than accumulating leave beyond that level.

Recommendation III – 3

The Grand Jury recommends that the county personnel policy be changed so that any terminal vacation must be paid on the last day of work rather than being taken as leave over succeeding months.

Finding IV

The Grand Jury learned that there are no standard guidelines in the county personnel procedures to address the problem of replacing key personnel.

Recommendation IV

The Grand Jury recommends that the Employee Services Agency establish guidelines for the various options for solving the problem in question and design an appropriate training program to deal with the problem of replacement of key personnel. This training program should be made available to all levels of senior management and administrative management in the county. It should inform management of the various methods available to them to plan for replacement and should incorporate the recommendations contained in this report from the Grand Jury.

PASSED and **ADOPTED** by the Santa Clara County Civil Grand Jury on this 22nd day of May, 2003.

Fred de Funiak
Foreperson

Ron R. Layman
Foreperson Pro Tem

Patricia L. Cunningham
Secretary

References

Documents

Santa Clara County Code, Chapter VI, Article 7, Vacation and Sick Leave Rules.

Interviews

Administrative Services Manager, Office of the County Assessor, October 7, 2002.

Chief Auditor-Appraiser, Business/Personal Property Division, Office of the County Assessor, October 22, 2002.

Deputy County Executive, Employee Services Agency, December 16, 2002.

Director, General Services Agency, February 24, 2003.

Director, Human Relations, Office of the County Executive, February 21, 2003.

Exemptions Administrator, Office of the County Assessor, October 22, 2002.