



# Richmond Office of the City Auditor

Office of the Inspector General

*Fighting government waste, fraud and abuse*

**Umesh Dalal, CPA, CIA, CIG**

Richmond City Auditor/Inspector General

June 21, 2017

The Honorable Mayor Stoney

The Office Inspector General has completed an investigation in the Department of Public Utilities (DPU). The results of the investigation along with the conclusions and recommendations are presented in this report.

## Complaint

Employees from the Gas and Water Division sent a letter to the Office of the Inspector General indicating that the work environment was as bad as it had been prior to the inception of the 700 Strong cultural improvement effort. They also alleged that the 700 Strong Program is not effective.

This investigation thus determined to answer the following:

- Have work conditions substantially improved since the 700 Strong program was initiated?
- Is the program and vendor investment worth continuing, as is or at all?
- What recommendations might be made to ensure that the City does not face a similar risk of lawsuit as occurred in 2011?

### Major Conclusions:

A vendor (Vendor) was hired to help in resolving work related issues. However, this effort has not been effective as discussed subsequently throughout this report. This investigation, based on interviews, employee surveys by both the Vendor and the Inspector General's Office, and focus groups across all functions and levels, indicates that:

- Work conditions have not substantially improved since inception of this project. An environment of low morale, stress, and high anxiety continues.
- The vendor investment of nearly \$2 million does not seem prudent and additional investment should not continue as is.
- Employees have lost trust in a management system that is supposed to be unbiased and provide equal opportunity to all employees.
- The employees allege management by intimidation and a continual shortage of resources to do the job safely and effectively.

## Total Amount Spent on the 700 strong Effort

<i>Purpose</i>	<i>Amount</i>
<i>Baseline Survey</i>	\$34,999
<i>Organization Culture Change</i>	\$1,817,734
	\$1,850,733

Based on the RFP document, it appears that the project awarded to the Vendor was expected to last five years. Currently, the project is almost at completion of year four since the award. The contractor is being paid at the contracted rate of \$420,000 per year for the fourth year of the contract. At this rate, the total cost of these services could exceed about \$2.2 Million for the five year project period.

## The Lawsuit

According to the DPU Director, in 2010 the Department had some supervisors that mistreated employees reporting to them. In 2011, twelve DPU employees filed a discrimination complaint with the City's Department of Human Resources due to unequal treatment. Five months later, the Human Resources Department confirmed incidents of discrimination. Subsequently, some of these employees filed a lawsuit against the City, which was settled after payment of more than \$1 million. The City incurred over \$400,000 in legal fees. As a result of this lawsuit, the DPU director terminated employment of several employees accused of wrongdoing. In addition, the Customer Service Division and call center employees complained that they were not treated fairly by their supervisors. The DPU and 311 call center employees complained about disparate pay and treatment, and some other Customer Service Division employees complained about poor supervisor treatment.

## The Baseline Survey

In 2012, the former Mayor and the former Chief Administrative Officer approached the DPU Director to "do something" about the employee complaints. The DPU Director identified that the Department is full of technocrats, who needed improvement in managing people. According to him, the Department did not get support from the CAO's Office or the Human Resources Department due to constant turnover in leadership positions. The Director realized that DPU had problems with accountability and understanding of the right things to do. He decided to hire a consultant to determine a baseline of the problem and perceptions in the Department.

Vendor was hired to conduct a baseline assessment related to DPU employees' opinions and attitudes towards work environment and conditions. According to their report, the results of the assessment process was expected to help the City determine the nature and extent of the organizational challenges affecting employees' attitudes, opinions and engagement.

The survey showed employees' negative perceptions about:

#### Management Practices:

- Ability of employees to express their concerns without fear of negative consequences
- Appreciation of good work
- Availability of opportunities for professional growth and development
- Effectiveness of Communication between staff, supervisors, and management
- Receiving feedback from supervisors that motivate the employees to do better jobs
- Availability of opportunities for advancement and promotions
- Availability of incentives for best work
- Possession of "people skills" by supervisors to manage effectively

#### Work Environment:

- Valuing employees' opinion at work
- Caring about employees' growth and development
- Employee morale at work
- Stress in the work environment
- Confidence in the leadership of their respective divisions
- Management sensitivity about impact on employees of the changes made in the workplace
- Supervisors showing favoritism

The employees had positive perception about their understanding of what was expected of them at work.

#### Vendor recommended:

- Organizational culture change strategy
- Management training
- Support for all employees
- Training to all staff in DPU
- Holding people accountable for their workplace behavior
- Long-term culture change support

### The Current Project

To implement the above recommendations, DPU invited request for proposals. The Vendor was the successful vendor amongst the three vendors who submitted proposals for the project. The Vendor's proposal included the following:

*"Our approach is designed to help employees feel respected and valued, which will ultimately increase their sense of pride and ownership within organization to benefit both employee and customer. In order to achieve this, organizational behavior and values must be brought into alignment.*

...

*We have created a five-tiered approach designed to transform the culture, increase employee engagement, provide support throughout, and build internal capacity to measure, assess, and sustain*

*the efforts indefinitely. The five tiers include: (1) Senior Level Strategy, (2) Training, (3) On-going Support, (4) Assessment, and (5) Redundancy Planning.*

...

*Assessment: ... After year two, the assessment will include measurable accountability through the Leader Action Profile and support will include supporting the implementation and maximization of the chosen tool.”*

Based on the above language, it appears that the proposal was to evaluate the efforts and results on an annual basis and alter the strategy to maximize impact on organizational values and behaviors.

According to the DPU Administration, the Vendor provided the Interim Contract Report – DPU 700 Strong (dated 1/28/16) describing the tools provided to the Department since the inception of their contract:

#### FY2014

All employees were taken through an 8-hour “baseline” training. During these sessions, all staff shared their perspectives and defined success for the department’s employee goals while developing skills and tools to treat each other with greater respect. Employees created a new vision statement for the department.

#### FY2015

Vendor worked with DPU Internal Communications to leverage every available channel to keep employees informed about the initiative. Through surveys, employees reported that supervisors needed soft skills support and an emotional intelligence training was implemented. Training was implemented for all employees through a program known as CAP – Cultural Allies Program. There are 2 to 3 sessions each month on topics for skills building and they are 90 minutes long. All staff is encouraged to attend.

#### FY2016

A CAP Ambassador program was created to empower employees to attend the training sessions and to learn to manage the program. Trinity Consultants developed a second level of leadership training. This program was focused on lower level managers with leadership potential. A management track was added to the CAP program to take the themed learning to an even deeper level. Vendor provided team-building and spot interventions for employees at all levels. A 360-feedback pilot was launched to provide DPU with a quantifiable, individual starting place for individual growth paired with coaching and accountability.

In addition, each work team has available coaching and small group skills development on topics important to all staff. Various work teams have used the contractor services for this work and training. “

## Outcome

The following recap of three surveys indicate that the issues identified in the 2012 survey continued to have negative employee perception through 2016:

Vendor used the following colors to depict the employee perceptions:

<i>Depiction</i>	<i>Scale</i>	<i>Perception</i>
	1.00 -2.24	Overwhelming support and agreement
	2.25 – 3.74	Average and expected level of agreement, satisfactory
	3.75 – 4.74	Below average level of agreement, attention needed
	4.75 – 7.00	Poor level of support or agreement

Vendor distinguished their rating for the statements for which employees' **agreement would mean negative response** and vice versa as follows:

<i>Depiction</i>	<i>Scale</i>	<i>Perception</i>
	4.75 -7.00	Overwhelming support and agreement
	3.75 – 4.74	Average and expected level of agreement, satisfactory
	2.25 – 3.74	Below average level of agreement, attention needed
	1.00 – 2.24	Poor level of support or agreement

Vendor conducted the baseline survey and four more surveys to gauge impact of their training and coaching. Based on the employees' survey results, the areas where the employees had generally positive perceptions, remained positive. However, for most part, the employee sentiments remained negative for the other areas surveyed.

## All Vendor Surveys Recapped

Generally Positive Employee Perceptions:	Baseline			
	2012	2014	2015	2016
I understand what is expected of me at work.	2.36	2.3	2.33	2.45
I get to do the job I am hired to do.	2.97	2.81	2.92	2.9
I get to do work I am best at every day.	3.57	3.4	3.4	3.29
I know that someone at work cares for me as a person.	3.55	3.26	3.1	3.15
Employees of all sexual orientations are treated with equal respect.	3.51	3.61	3.48	3.25
I sometimes feel pressured to support my colleagues' opinions.	4.48	4.56	4.66	4.46
Of all people I work with, most have strong work ethics.	3.72	3.61	3.65	3.66
The mission and purpose of DPU makes me feel my job matters.	3.75	3.51	3.44	3.43
Supervisors have necessary "Technical Skills" to manage effectively.	3.67	3.81	3.74	3.57

Generally Negative Employee Perceptions:	2012			
	Baseline	2014	2015	2016
My opinions are valued at work.	4.79	4.45	4.38	4.5
I receive praise to do good work.	4.6	4.64	4.32	4.43
I can express my concerns at work without fear of negative consequences.	5.02	4.68	4.4	4.63
I have all necessary tools to accomplish my job.	4.3	4.19	4.06	4.07
I am provided regular opportunities for professional growth and development.	5.07	4.65	4.71	4.81
I have high morale when I am at work.	4.44	4.15	4.09	4.33
I have confidence in leadership of my direct supervisor.	4.16	4.14	3.99	3.92
I have confidence in leadership of my division.	4.52	4.24	4.34	4.29
I have confidence in leadership of my department.	4.53	4.21	4.24	4.19
Communication between staff, supervisor, and management is effective.	5.25	4.99	4.96	4.94
Supervisors have necessary "peoples Skills" to manage effectively.	4.05	4.13	4.05	3.89
The feedback I get from my supervisor motivates me to do better job.	4.29	4.36	4.4	4.4
My supervisor shows favoritism.	3.74	3.8	3.86	3.74
Opportunities for advancement and promotion are available to me,	5.24	4.81	4.77	5.27
There are incentives besides pay for me do my best work.	5.7	5.14	5.32	5.33
There is too much stress in the work environment.	3.04	3.29	3.4	3.33
Mistakes made in the workplace are appropriately addressed.	4.99	4.79	4.76	4.77
Employees of all races/ethnicities are treated with equal respect	4.28	4.07	4.16	3.94
Employees of all genders are treated with equal respect	3.87	3.87	3.68	3.82
Changes in the workplace initiated by DPU are made with their impact on employees in mind.	5.48	5.09	5.02	5.09
If I have "people problems" at work, I have confidence they will be effectively addressed through DPU channels.	5.18	4.98	4.95	5.07

## The Inspector General's Survey

During this investigation, the Inspector General's Office surveyed DPU employees using the identical technology used by Vendor. This survey used the stated objectives in the Vendor contract.

The following results were obtained:

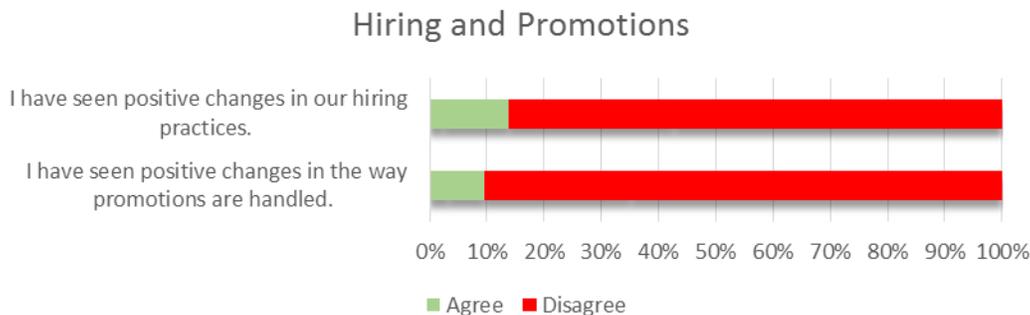
This section outlines grouped survey questions by topic area and then gives context by summarizing the comments made after the survey related to the topic area. A total of 213 Employees were surveyed. The response rate for each question is included in Appendix A. The survey results were generally negative as follows:

### Work Climate



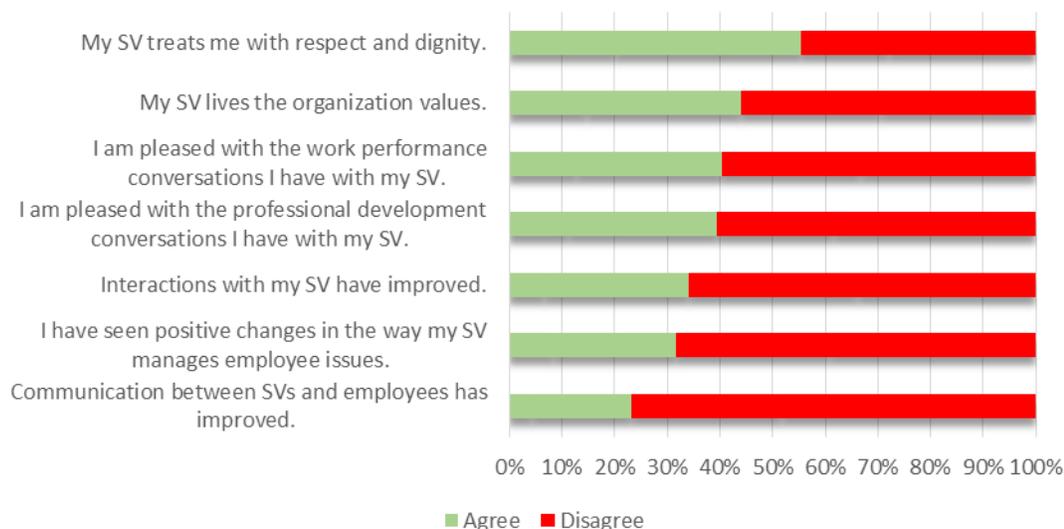
The general impression is that the program has not positively impacted the work climate. Employee's perception of DPU as a great place to work were slightly negative (60% either disagreed or strongly disagreed). The remaining questions regarding employee value, work climate, and changes to facilitate better job performance were all above 70% in either they disagree or strongly disagree category.

### Promotions, Hiring, and Broadband



Concerns around hiring and advancement continue. At least, 85% of employees disagreed or strongly disagreed with the changes in the way hiring practices and promotions are handled.

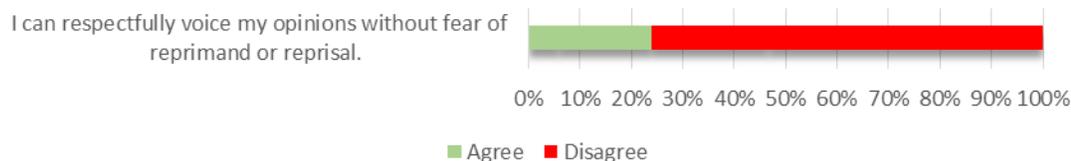
## Supervisor (SV) Interaction



Reviews are mixed regarding supervisor improvement, with most noted improvement in treating employees with respect and dignity. However, the overwhelming number of employees continue to seek improvement in interaction with, management practices of, and communication with their supervisors. The DPU Director is of the opinion that they have better managers today compared to the time prior to the lawsuit. Although unverifiable, this may be true but it does not appear to be adequate as a significant number of employees are still disgruntled with their supervisors.

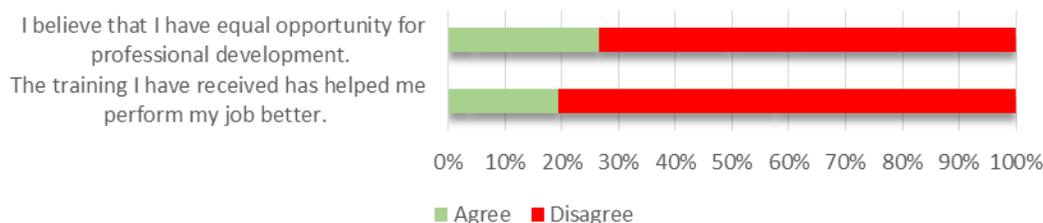
Employees felt like the program focus was spread too thin across the entire workforce, when focus needed to be on specific supervisors. Many of the employees feel that the vendor's training wasn't targeted enough toward Supervisors that needed the most work. Supervisors that thrived in the program were already held in high regard by their direct reports. Other comments that were heard were: Supervisors only care about numbers, don't have direct report's best interest in mind, or don't care at all.

## Retaliation



Less than 25% of employees surveyed continue to believe they can voice their opinions without fear of retaliation. This sentiment was voiced throughout the survey sessions in many forms. There were many comments/concerns about anonymity of the Inspector General's survey. They feared retaliation for responding to the survey questions. During an interview, the DPU Director stated that all employees at any organizational level are not afraid to speak up. It appears that his understanding is not consistent with reality in the Department.

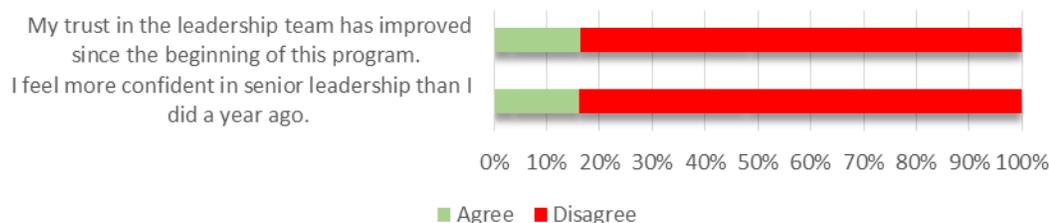
### On the Job Training



Less than 20% of employees surveyed believe that they have received training that has helped them to perform their job better or that they have an equal opportunity for professional development.

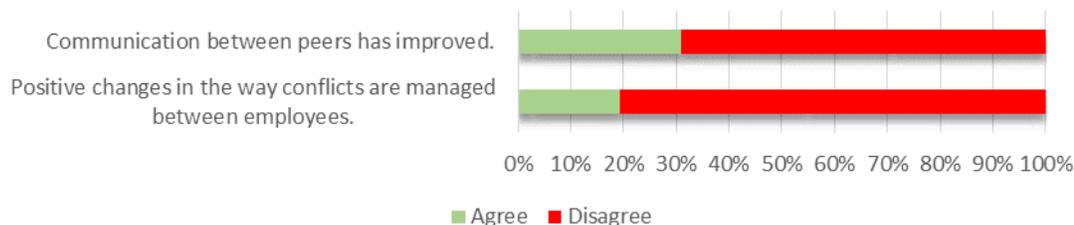
Training in the 311 call center varies in length and workers are put in the call center at an accelerated pace without receiving the full training course. This sentiment is shared across other divisions with reports of employees’ getting sent into the field without proper training and having to rely of seasoned employees to pick up the training slack. Seasoned employees are not valued for their ability to train new hires. The Gas Division is experiencing a lack of training across its staff. This could lead to violations leading to additional costs or liability for the City. Some employees do not feel prepared or compensated for hazardous/emergency conditions. The distribution of training varies widely across the different generations of workers.

### Leadership



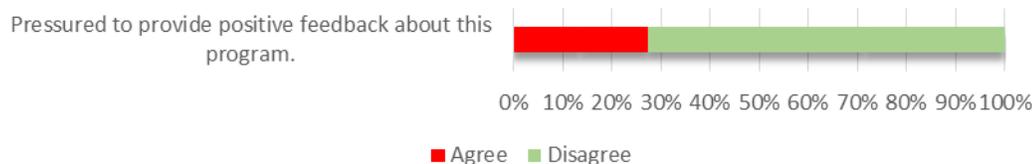
Over 80% of Employees expressed that Leadership sentiment has not improved since the beginning of the program.

### Conflict and Peers



About only 20% of employees have seen positive changes in the way conflicts are managed between employees, and nearly 70% of employees do not believe that communication between peers has improved.

## Feedback

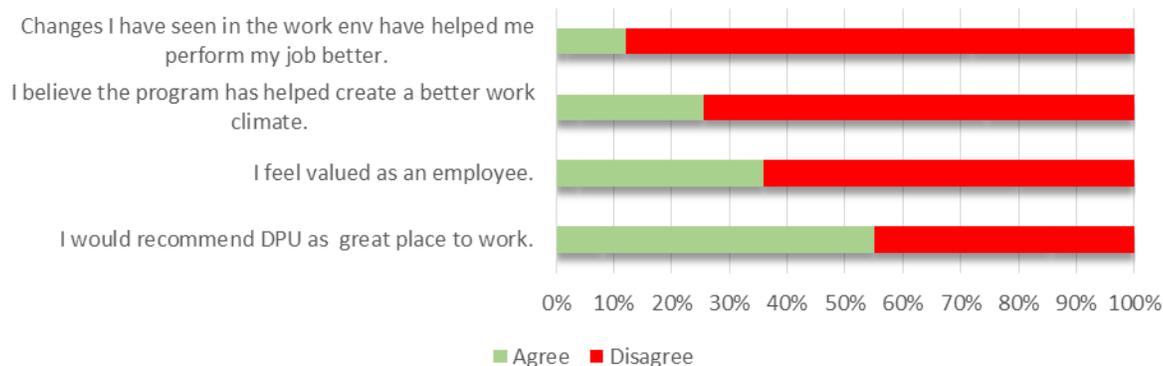


Over 70% of the employees indicated that they were not pressured to give positive feedback about the program. Therefore, despite some concerns expressed to the Office of the Inspector General, the majority of employees did not feel pressured to provide positive feedback on the 700 Strong program.

## Supervisor Survey Responses

This section outlines grouped survey questions by topic area and then gives context by summarizing the comments made after the survey related to the topic area. A total of 49 Supervisors were surveyed. The response rate for each question is included in Appendix B.

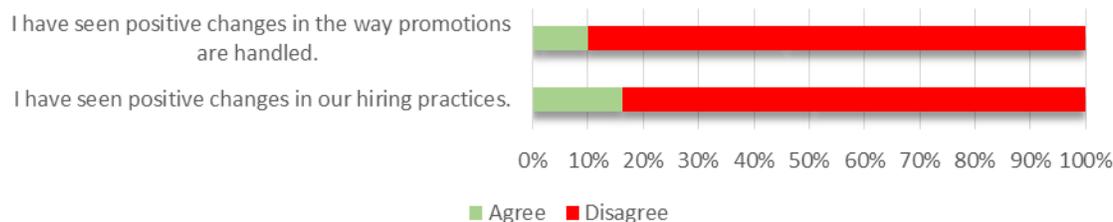
## Work Climate



Over 50% of supervisors believe DPU is a great place to work. Only 35% feel valued as employees. About 75% of the supervisors believe that the Vendor's program has not contributed to a better work climate. About 90% of them disagree with the statement that changes in the work environment have helped in their job performance.

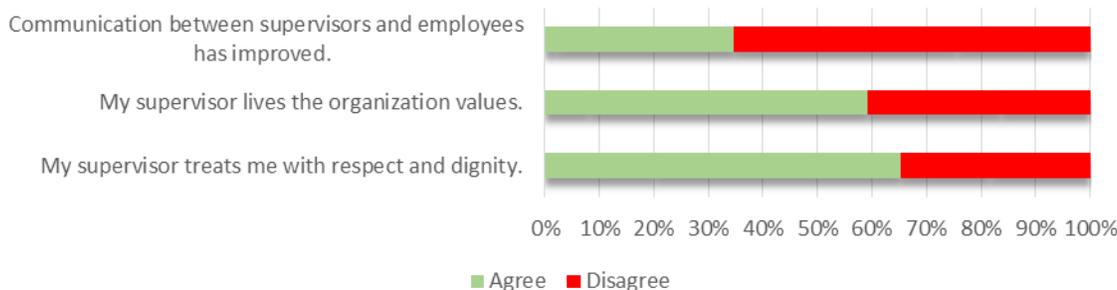
The supervisors offered some general comments about the work climate and culture improving, but only marginally. There was also support for the idea that the Vendor's training was effective, but ultimately it is the responsibility of everyone in the organization to live and breathe a culture change if change is to materialize.

## Hiring



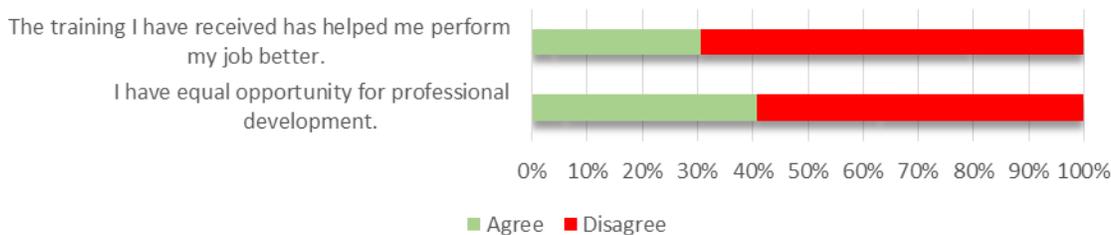
Supervisors, as with other employees, continue to be concerned with inequality in hiring practices. A very small margin, less than 10%, of supervisors are satisfied with the way promotion and hiring are handled. The supervisors expressed similar negative sentiments regarding pay equity and broadband. Additional comments were made related to inequity in seasoned versus new hire pay rates. According to the DPU Director, he does not receive complaints related to hiring and promotions.

### Supervision



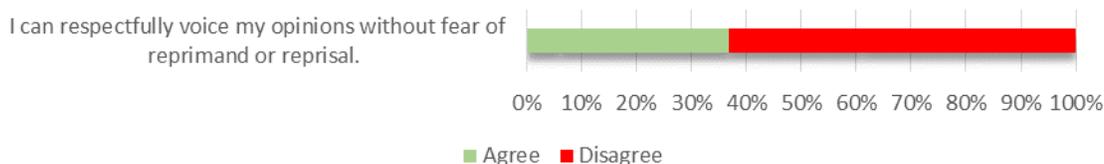
The survey demonstrates solid improvement in supervisor behavior – a lack of which was one of the root causes of the original lawsuit. Close to 60% of supervisors have a favorable view of their supervisor, but only about 34% of them believe that supervisor and employee communication has improved. The majority of them feel that their supervisors treat them with respect and dignity.

### Training



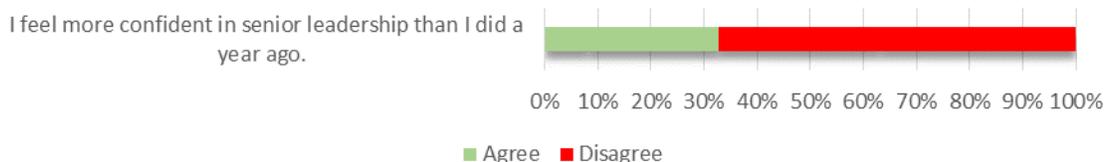
Only 31% of supervisors agree that the training they have received has helped with their job performance while only 41% believe that they have an equal opportunity for professional development.

### Retaliation



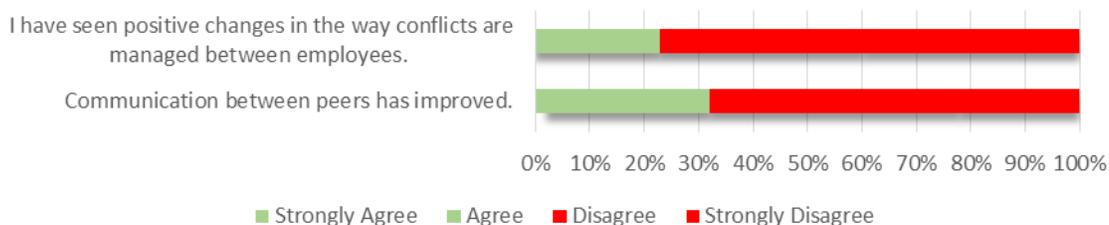
Almost 65% employees surveyed continue to fear retaliation for expressing their opinions.

## Leadership



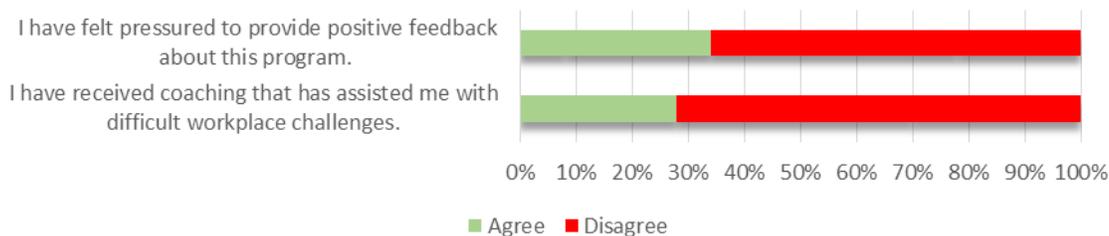
The survey identified very little progress in confidence in senior leadership.

## Peers



At least, 70% of the supervisors surveyed have not seen positive changes with regard to peer communication and conflict management.

## Feedback and Coaching



Approximately 65% of Supervisors stated that they were not pressured to provide positive feedback about the Vendor program. More than 70% of supervisors disagreed that they have received coaching during this program that has assisted them with difficult workplace challenges.

## City Administration Oversight

The direction the DPU Director received from his superior was to develop and implement a program to address culture change and enhance employee engagement in DPU. The DPU Director was directed to:

- Develop measures to describe a baseline condition of the opinions of all of DPU personnel,
- Develop a project scope to include training and education of all DPU employees,
- Advertise and properly procure a contract, and
- Serve as project champion and leader of the culture change and employee engagement within his duties as the Department Director.

The scope was to include a methodology to collect data to evaluate changes from the baseline condition at regular intervals beginning in the first year and continue into the future.

During the Vendor project, according to the DPU Director, he has provided progress reports to former and current CAOs and interim CAO. He also has been providing regular updates to former and current DCOs, and former Human Resources Directors. The most recent report was in January 2017.

The Human Resources Director and the DCAO over operations were supposed to weigh-in on a centralized repository called the Base Camp. According to the DPU Director, Base Camp tracked the progress of the project and discussion on complaints received. The Inspector General's review of the Base Camp revealed very little information was posted. The CAOs and DCAOs did not post any direction or comment related to the progress of the project.

### Conclusion

Work conditions in DPU have not substantially improved since the 700 Strong program began and after expending substantial amount of resources. The Investigator's survey and four Vendor surveys indicate little improvement, with several functions rating considerably well below expectations. The DPU Director removed a few 'bad actor' supervisors shortly after the initial investigation, which improved conditions in the short term for some groups. However, employees continue to be frustrated with a lack of equal opportunity for development and advancement. In addition, the organization struggles to hire and retain talent, leaving crews short-staffed for long periods, leading to service and safety issues.

Several interviewees, including the DPU Director, explained that a possible reason for Vendor survey results not showing much improvement was because employees were upset about issues not covered by the program, and in fact, some employees who initially believed the program would help later became upset because their expectations were not met. The DPU Director indicated that employees may not be trusting leadership. If this is understood to be the case, then why continue to invest in the program? Why not divert those funds towards the issues that concern employees?

The Vendor appears to have generally performed in accordance to their contract, which, in our opinion is consistent with accepted training and development practices. However, the emphasis upon leader coaching at the top levels began well enough with the enneagram method, but appeared to have diminishing returns across multiple years. Insufficient effort was given to supervisor development and accountability, which could have included 360 feedback in year one to reinforce expectations for behavior change.

The lack of results appears to be more a function of not addressing the right issues, which could have included a much more direct effort to improving hiring, promotion and development practices beyond improved conversational skills. The Vendor did not agree for an interview for this report when requested, therefore, the investigators do not have their explanation of results obtained or how well they believed DPU performed as a client.

The HR function was notably absent in addressing employee concerns. Interviewees indicated that HR was not supportive and it does not appear that employees made use of HR resources to address their concerns. The DPU Director indicated that he was not aware of the issues that were raised HR investigation preceded the lawsuit, which suggests a further breakdown in the risk management system that includes HR as a central figure. Further work should be done to strengthen the trust in HR services as a means for early identification of both superb and inadequate/harmful behaviors.

In similar fashion, the office of the CAO appeared insufficiently engaged in both active support and active accountability for results on the investment. At a minimum, there should be an ongoing evaluation and debrief on what is working and what is not and what will be modified. Several groups stayed negative throughout all four years of programming and little seems to have been done to address those specific organizations.

In short, this investigation substantiates the original complaint by Water and Gas technicians and suggests substantive change to the 700 Strong focus and investment.

Since the Senior Management personnel's inaction may have caused this situation to continue, this report is submitted to the Mayor. The following actions needs to be taken:

1. Discontinue using the Vendor's services and direct additional resources to address DPU employees' concerns.
2. Capture data regarding the original issues of diversity development, promotion, and opportunity; and specifically track improvement (real numbers versus employee opinion) in these areas.
3. Establish realistic expectations and timelines for the DPU 700 Strong program to make the DPU environment more employee friendly.
4. Appropriately staff and monitor progress of the DPU 700 Strong program.
5. Communicate results and progress of the program to the Mayor, CAO, and DPU employees.
6. Address other issues, such as pay and broad banding to improve employee satisfaction.
7. Conduct additional study to understand and take action on resource shortages, as this affects not only customer service but employee and community safety.

If you have any questions, please contact me at extension 5640.

Sincerely,

*Umesh Dalal*

Umesh Dalal, CPA, CIA, CIG  
City Auditor/Inspector General

Paul Lawmaster  
The Irritable Oyster, LLC  
Change Management Consulting

cc: City Council Members  
City Audit Committee

# Organizational Culture Change Program Investigation

## Appendix A

Question	% Disagree	% Agree	Topic Group
Changes I have seen in the work env have helped me perform my job better.	86%	14%	Climate
Program has helped create a better work climate.	80%	20%	Climate
I feel valued as an employee.	72%	28%	Climate
DPU as great place to work.	60%	40%	Climate
I have seen positive changes in the way promotions are handled.	90%	10%	Hiring
I have seen positive changes in our hiring practices.	86%	14%	Hiring
Communication between SVs and employees has improved.	77%	23%	Supervisor
I have seen positive changes in the way my SV manages employee issues.	68%	32%	Supervisor
Interactions with my SV have improved.	66%	34%	Supervisor
I am pleased with the professional development conversations I have with my SV.	61%	39%	Supervisor
I am pleased with the work performance conversations I have with my SV.	60%	40%	Supervisor
My SV lives the organization values.	56%	44%	Supervisor
My SV treats me with respect and dignity.	45%	55%	Supervisor
I can respectfully voice my opinions without fear of reprimand or reprisal.	76%	24%	Retaliation
The training I have received has helped me perform my job better.	81%	19%	Training
I believe that I have equal opportunity for professional development.	73%	27%	Training
I feel more confident in senior leadership than I did a year ago.	84%	16%	Leadership
My trust in the leadership team has improved since the beginning of this program.	83%	17%	Leadership
Positive changes in the way conflicts are managed between employees.	81%	19%	Peers
Communication between peers has improved.	69%	31%	Peers
Pressured to provide positive feedback about this program.	73%	27%	Feedback

## Organizational Culture Change Program Investigation

### Appendix B

Question	% Disagree	% Agree	Topic Group
My supervisor treats me with respect and dignity.	35%	65%	Supervisor
My supervisor lives the organization values.	41%	59%	Supervisor
I would recommend DPU as a great place to work.	45%	55%	Climate
I have equal opportunity for professional development.	59%	41%	Training
I can respectfully voice my opinions without fear of reprimand or reprisal.	63%	37%	Retaliation
I feel valued as an employee.	64%	36%	Climate
Communication between supervisors and employees has improved.	65%	35%	Supervisor
I have felt pressured to provide positive feedback about this program.	66%	34%	Feedback
I feel more confident in senior leadership than I did a year ago.	67%	33%	Leadership
Communication between peers has improved.	68%	32%	Peers
The training I have received has helped me perform my job better.	69%	31%	Training
I have received coaching that has assisted me with difficult workplace challenges.	72%	28%	Coaching
I believe the program has helped create a better work climate.	74%	26%	Climate
I have seen positive changes in the way conflicts are managed between employees.	77%	23%	Peers
I have seen positive changes in our hiring practices.	84%	16%	Hiring
Changes I have seen in the work env have helped me perform my job better.	88%	12%	Climate
I have seen positive changes in the way promotions are handled.	90%	10%	Hiring