



# OFFICE OF MANAGEMENT & BUDGET

## *Office of Internal Audit*

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March 24, 2022

Ms. Kyle Adamonis  
Executive Director of Human Resources  
State of Rhode Island, Division of Human Resources  
One Capitol Hill  
Providence, RI 02908

Dear Ms. Adamonis,

The Office of Internal Audit has completed its audit of the State of Rhode Island Succession Planning. The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in Rhode Island General Laws (RIGL) §35-7.1-2(a) – Establishment of office of internal audit. The recommendations included herein has been discussed with members of management, and their comments were considered in the preparation of this report.

RIGL §35-7.1-10 (d), entitled Annual and interim reports, states that, “Within twenty (20) calendar days following the date of issuance of the management response copy of the draft audit report, the head of the department, agency, public body or private entity audited shall respond in writing to each recommendation made in the audit report.” Accordingly, the Division of Human Resources submitted their response to the audit findings and recommendations on March 23, 2022, and such response is included in this report. Pursuant to this statute, the OIA may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our appreciation to the Division of Human Resources and statewide agency directors for the cooperation extended to the members of our team during this audit.

Respectfully yours,

Michael Sprague CIA

cc: Internal Audit Advisory Group  
Representative Marvin Abney, Chairman, House Committee on Finance  
Senator Ryan Pearson, Chairman, Senate Committee on Finance  
Steve Whitney – Senate Fiscal Advisor  
Sharon Reynolds Ferland, House Fiscal Advisor

## Audit Executive Summary

### Why the Office of Internal Audit Did this Review?

The purpose of this engagement was to review statewide succession planning policies, procedures, and practices and assess management preparation for transition of critical organizational roles. The Office of Internal Audit communicated with the Division of Human Resources and state agency management regarding the development and implementation of succession planning procedures. Specifically, the Office of internal audit measured the adequacy of state procedures against industry best practices.

### Background Information

The Society for Human Resource Management defines succession planning as the process of identifying long-range organizational human capital needs and cultivating a supply of internal talent to meet those future needs. It is a process to ensure the organization continues to operate smoothly when employees leave their position due to retirement, transition to other departments, to the private sector, or due to any other event. A successful Succession Planning program must be created, implemented, monitored, and revised periodically by top management with the assistance of the Human Resources department.

### To Strengthen Controls, the Office of Internal Audit recommends:

- Utilize industry best practices to develop and implement a statewide succession plan and guidance; and communicate it to agency executive management.
- Work cooperatively with agency management to draft documented transition plans.
- Require agencies to submit succession plans to the Division of Human Resources for review and approval upon creation and at regularly scheduled intervals.

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## Objective & Scope

The objective of this audit was to review and assess statewide succession planning policies and procedures against industry best practices. The scope of the audit included 66 state business units<sup>1</sup> for the period of July 1, 2020, through June 30, 2021.

## Methodology

As part of our audit, we gained an understanding of the statewide succession planning process. To address our audit objective, we performed the following:

- Researched succession planning best practices.
- Requested statewide succession planning guidance from the Division of Human Resources (HR).
- Surveyed 66 state business units regarding the implementation of succession planning practices.
- Met with HR and Office of Management and Budget (OMB) regarding statewide oversight of succession planning and the state hiring process.
- Reviewed business units' succession planning documentation as provided.

## Background

### **Succession Planning Concepts**

The Society for Human Resource Management defines succession planning as the process of identifying long-range organizational human capital needs and cultivating a supply of internal talent to meet those future needs. It is a workforce readiness process which outlines transition strategies for critical job positions. Succession planning is a component of overall workforce planning which is the process an organization uses to analyze its workforce and determine the steps it must take to prepare for future staffing needs. Best practices indicate that a successful succession planning program must be created, implemented, monitored, and revised periodically by top management with the assistance of the Human Resources department.

A well-rounded plan covers both anticipated and unanticipated staff departures including retirement, long-term medical leave, and general staff turnover. The goal is for the organization to seamlessly replace critical staff without disruptions or delays to operations. A successful succession planning should:

- Receive active support from top leadership.
- Complement the organization's strategic plan.
- Integrate with the overall Human Resources workforce plan.

Since succession planning is a component of overall workforce planning, HR plays an integral part in developing and communicating the strategy to executive agency staff. The statewide

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<sup>1</sup> For the purpose of this report, Business Units refer to state departments, agencies, offices, or divisions.

succession plan should include:

- Workforce analysis and forecasting.
- Establishment of a talent retention plan.
- Identification of critical organizational roles.
- Risk assessment for turnover of key roles.
- Workforce development and preparation.
- Creation and implementation of transition strategies.

### **State Workforce Risks**

Primarily, the risks addressed by succession planning fall in to two categories:

- Vacancy risk - the risk that a critical organizational role will remain unoccupied and cause a negative impact on day-to-day operations.
- Readiness risk - the risk that an individual filling a critical position lacks the necessary skills and abilities to carry out the responsibilities of the position.

During fiscal year 2021, the State of RI offered a Voluntary Retirement Incentive (VRI) for state employees of the Executive Branch who participate in the Employees' Retirement System of Rhode Island (ERSRI), were eligible to retire on or before December 31, 2020, and were recipients of longevity payments. This heightened the risks of vacancy and readiness in key positions and the need to review the statewide efforts in the establishment and deployment of succession plans. There were 900 (6%)<sup>2</sup> state employees eligible for this incentive and a total of 258 employees elected to take the incentive and retire. As employees begin to retire, it is critical that the state have a strategy in place to ensure continued operations of services.

## **Summary of Audit Results**

### **Develop and Implement Statewide Plan and Guidance for Succession Planning**

As with any organization-wide initiative, it is critical to have a designated process owner to develop a coherent plan, create guidance documents to ensure consistent and uniform execution of the vision, and oversee the implementation of the plan. Documented policies and procedures are a cornerstone of organizational controls in that they are a mechanism for driving management's vision by establishing rules and guidelines and standards for carrying out a process.

The state does not currently have a centralized, statewide succession plan in place and has not promulgated guidance to address statewide succession planning at the agency level. HR indicated that the merit system rules, personnel rules and bargaining agreements make it challenging for the Division to develop and implement succession planning guidelines for state agencies. Currently, agency management is responsible for navigating these obstacles independently making centralized guidance even more critical.

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<sup>2</sup> The State of Rhode Island employed a total of approximately 16,000 during the period under review.

### **Results of Statewide Preparedness Survey**

In the absence of statewide guidance, each agency has been responsible for independently developing and implementing its own succession planning practices.

The OIA performed a statewide survey of executive management to determine the status of succession planning and identify areas of improvement. Survey questions were based upon industry best practices. The survey was sent to 66 business units statewide of which 46 (70%) responded to the survey. Refer to Appendix A for the full list of survey questions and summarized responses.

The survey results presented below include the responsive business units and are organized by industry best-practice:

- Documentation of Succession Plan
- Identification of critical job positions
- Analysis of the workforce
  - Identification and assessment of high potential employees.
  - Conduction of competency gap analysis.
- Formal documentation of training and development (coaching and mentoring) for successors.
  - Establishment of recruitment strategy and assessment/selection tools.

### **Documented Succession Plan**

Overall, executive staff believe that succession planning is a critical aspect of workforce planning as 29 of the survey respondents (63%) rated the process as “Important” or “Very Important”. However, answers to a different survey question revealed that only 15 (33%) of the respondents reported having documented succession plans for their agency. This discrepancy between perceived importance and actual preparedness reflects the need for process ownership and oversight.

Out of the 15 business units who reported to have succession plans in place only five provided corresponding documentation. Three of those five were in draft form and the other two showed the order of succession for certain positions, not a complete documented succession plan.

Management reported the following challenges in documenting a formal succession plan:

Response	Concerns about Navigating Union Rules	Ensuring Diversity and Equity in Hiring	Lack of Centralized Guidance	Transparency in Hiring Process	Budgetary Constraints
Quantity	12	13	24	6	30
Percentage	26%	28%	52%	13%	65%

Most critically, 52% of respondents reported that a lack of centralized guidance impaired their ability to create a documented plan. Appropriate guidance could address each of the other challenges by ensuring that the standard processes addressed each of the concerns about union rules, transparency, and diversity. Template forms and documents would also reduce budgetary needs by decreasing the manpower needed to prepare and document the plan.

### **Identifying Critical Job Positions**

Succession planning should focus most intensively on roles which have a critical impact on operations. The plan should clearly define what makes a role “critical” in nature using standard criteria for all positions entity wide.

The OIA found that, although 85% of respondents reported having identified critical job positions, there was inconsistency related to how each business unit deemed a position to be critical. For example, 85% reported considering the impact on daily business operations in the criteria to define a critical job position, while only 24% reported considering health and safety impact as a component of job criticality.

<b>Response</b>	<b>Quantity</b>	<b>Percentage<sup>3</sup></b>
Impact on Business	39	85%
Single Incumbent	25	54%
Health & Safety	11	24%
Specialized Knowledge	38	83%
Rare in Market	17	37%

It is important for management to use consistent factors in assessing job criticality to ensure that all areas of risks are addressed.

### **Analyzing Workforce and Assessing Turnover Risk**

Once critical positions are identified, management should take steps to assess the risk of departure of employees holding those positions. Respondents identified retirement as the biggest current risk (72%) related to critical employees.

<b>Response</b>	<b>Retirement</b>	<b>Opportunities in State</b>	<b>Opportunities out of State</b>	<b>Long Term/ Unexpected Leave</b>	<b>Did Not Consider risk of Turnover</b>
Quantity	33	12	17	3	13
Percentage	72%	26%	37%	7%	28%

<sup>3</sup> Note that respondents were permitted to select multiple criteria. As such, the total percentages are not intended to add to 100%.

Understanding the risks of staff turnover is critical to implementing effective mitigation strategies. For example, staff retirements are generally expected and announced with significant notice. In these situations, potential successors can be identified and trained prior to the departure of the incumbent.

Alternatively, medical or family leave may arise suddenly and without warning. This type of circumstance necessitates the need for cross training of staff to allow a seamless transition to fulfill the job duties and retain the institutional knowledge. If employees are leaving an organization in significant numbers to pursue other work opportunities, it may indicate issues with culture or compensation which should signal necessary changes to the overall workforce plan.

### **Identifying and Preparing Current Staff**

Over half of respondents (52%) reported having vacancies in critical positions in the 12 months preceding the survey.

While 57% of respondents reported that their agency has a systematic method of identifying potential successors, only 30% of respondents reported having actually identified specific employees. There could be multiple reasons for this disconnect:

- The process implemented by the agency is not effective.
- The staff within the agency do not have the specific skillset required to fill the role.
- The agency does not have complementary processes to prepare new staff to fill critical roles.

Upon identifying employees, respondents reported using the following methods for preparing those staff members to assume critical roles:

<b>Response</b>	<b>Coaching, Mentoring and Training</b>	<b>System for Monitoring Progress</b>	<b>Consistent Feedback to Successors</b>	<b>Cross Training</b>	<b>Written Procedures for Critical Job Tasks</b>	<b>Other</b>
Quantity	38	12	29	28	25	6
Percentage	83%	26%	63%	61%	54%	13%

This response indicates business units over rely upon mentoring and training to prepare staff to fill critical job positions. Implementing processes for monitoring progress and providing feedback to staff provides greater assurance that identified staff are ready to assume critical roles on short notice.



## Recommendations to State Division of Human Resources

1. Utilize industry best practices to develop and implement statewide succession planning guidance and communicate it to agency executive management.
2. Work cooperatively with agency management to draft documented succession plans.
3. Require agencies to submit succession plans to HR for review and approval upon creation and at regularly scheduled intervals thereafter.

### **Management's Responses:**

The Division of Human Resources is very supportive of the development, implementation and ongoing continuous improvement of an Executive Branch succession planning program. In the long-term when successfully supported and utilized, succession planning strengthens the overall capability of the State to meet the needs of all stakeholders and to fill critical roles. The Society for Human Resources, McKinsey and Deloitte have all cited examples of the failure of organizations to do it well as they are often not proactive, disciplined, data-driven and people centric in the approach.

Succession planning is a complex, resource-intensive initiative, which requires a systematic approach from program development and implementation to ongoing review, assessment and continuous improvement. The program must be value driven, integrated, inclusive and evidence based to maximize the value and leadership must be accountable for conducting succession planning, with the support, process design and facilitation of the Division of Human Resources.

To be successful, the State must have a long-term perspective, ensure a structured development, integrate succession planning with the talent management lifecycle (including performance development, learning and development, career ladders and career paths), measure outcomes (example: critical positions filled with internal vs. external hire), manage expectations, and have a culture of leadership – a clear commitment from the from agency directors and senior leadership. The Division of Human Resources will need to establish a succession management model, which would require a multiple of steps, including but not limited to: 1) initial consultation with senior leadership to review organization charts and conduct a needs analysis; 2) identification of critical/key positions needed to support continuity (next 1-5 years); 3) updating job classifications/descriptions to ensure they are current and future ready; 4) performing a competency and critical success factor gap analysis; high potential employee identification; 5) identification of learning and development opportunities needed; 6) preparation of individual development plans; and, 7) ongoing organizational and talent assessments and continuous improvement of the plan. In addition, tools and templates, communication plans, metrics, and a steering committee will need to be established and any inclusion of union positions will require negotiations.

The Division of Human Resources operates with a staff that is significantly less than the median of 1.5 employees for every 100 in the workforce served by Human Resources (for organizations of all types, including Government/Public Administration). At the same time, agency and employee services have increased and major projects in process, including the ERP – HRIS and Payroll Systems, Compensation & Classification Assessment, Strategic Plan, Future Workplace, Employee Engagement, Performance Development Program, and expansion of Learning & Development, are putting additional, yet critical, workloads on the

Division.

Succession planning is also critical, especially given the percentage of state employees reaching retirement age and the present effects of the “great resignation”. Therefore, the Division of Human Resources is conscious of the need to move forward. To be successful we are suggesting that this project be completed in a number of steps, given that the ERP – HRIS and Payroll systems project is upon us and will require the complete focus of many staff. The future opportunity will be that the HR team can assess the HRIS systems workforce planning and succession planning capabilities which will be utilized when the succession management model has been developed and is ready to implement. In the meantime, the initial work on the succession management model and plan will be manual.

**Responsible Party:**

1. Director of Department of Administration – For approval of the development and implementation of the succession management model and plan and communication to the agency leadership.
2. Division of Human Resources leadership and staff (to be identified) – To develop, establish and implement the succession management model and provide the resources necessary to monitor, manage, assess, maintain records, and provide continuing guidance and recommendations for the plan. Outside sources may need to be engaged to assist.
3. Agency Directors and senior level staff to successfully support, utilize and be accountable for conducting succession planning and providing ongoing feedback.

**Anticipated Completion Date:**

1. Workplan – Anticipated: August 2022
2. Research and design of succession management model – Anticipated: November 2022
3. Work (as noted in multiple steps above) to establish the succession management model – Anticipated: March 2023
4. Full implementation: May 2023

## Conclusion

The Office of Internal Audit recognizes that implementation of succession planning across the State will be a lengthy, challenging process with many complexities to consider. Although difficult to institute, a well-designed succession-planning program will allow workforce requirements to align directly to strategic and operational plans. It will also help identify transition strategies which meet future workplace needs and build the capability within the workforce. There are many steps to a successful succession plan implementation, and although the first steps will start with HR, support and advocacy by the executive leadership team is essential.