



OFFICE OF THE STATE AUDITOR



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Contact: Stelios Pavlou (303) 869-2833
stelios.pavlou@state.co.us

June 6, 2017

QUESTIONS ARISE OVER ACCURACY AND RELIABILITY OF DATA USED TO DETERMINE STATE EMPLOYEE COMPENSATION ADJUSTMENTS

DENVER—The Office of the State Auditor (OSA) has released a performance audit of the Department of Personnel & Administration's (DPA) annual compensation studies. The audit, which was performed by Sjoberg Evashenk Consulting, Inc., found that DPA was unable to demonstrate the accuracy and reliability of their 2017 and 2018 Annual Compensation Reports, which are used by the State to determine salaries, benefits, and merit pay adjustments.

Statute requires DPA to analyze a fair sample of public and private sector jobs and submit an annual report of its findings to the Governor and the Joint Budget Committee each year to assist in budget deliberations. The 2017 report concluded that state salaries fell below the market by 3 percent, and total compensation fell below the labor market by 0.2 percent. The 2018 report saw state salaries fall below market by 5.7 percent, and total compensation fall below market by 2.4 percent.

DIANNE E. RAY, CPA
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STATE AUDITOR

OFFICE OF THE STATE AUDITOR
1525 SHERMAN STREET
7TH FLOOR
DENVER, 80203
COLORADO

303.869.2800

However, the audit found that the contractor DPA used for the 2017 report could not demonstrate a consistent and technically sound methodology for analyzing market data and did not include private sector employers in its benefits comparison, as is required by statute.

Additionally, the audit found that when DPA compiled its 2018 report in-house, it did not conduct a new study to determine market compensation, but instead relied on the flawed market data previously supplied by its contractor for over one-third of its analysis and for the rest of the analysis used no valid market data at all. Therefore, DPA's conclusion that state salaries fell 5.7 percent below market is not supported.

The audit also found that DPA paid its contractor the full \$300,000 value of the contract without receiving all of the deliverables specified in the contract including supporting documentation to demonstrate the reliability of its analysis.

The audit makes 4 recommendations.

The full report is available @ www.colorado.gov/auditor.

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.