

# State of Colorado



## DPA

Department of Personnel  
& Administration

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February 10, 2010

Sally Symanski, CPA  
Office of the State Auditor  
200 E. 14<sup>th</sup> Ave.  
Denver, CO 80203

Dear Ms. Symanski,

The Department submits the following status of recommendations for the May 2009 Annual Compensation Survey Performance Evaluation audit report.

**Audit Recommendation No. 1:** The Department of Personnel & Administration should ensure that state salaries are competitive with the market by discontinuing the practice of using changes in market salary ranges and midpoints to set salary levels and instead, basing its annual compensation survey analysis and all subsequent recommendations for salary increases on comparisons of the state system with the prevailing market, which should include a comparison of state actual salaries and midpoints with market actual salaries and midpoints.

**February 2010 Implementation Status:** Implemented.

The Department implemented the recommended data comparisons of the State's actual salaries to the market median salaries and state range midpoints to the market midpoints for the FY10-11 Annual Compensation Survey Report published August 1, 2009 (Web link at <http://www.colorado.gov/cs/Satellite/DPA-DHR/DHR/1185870964539>).

**Audit Recommendation No. 2:** The Department of Personnel & Administration should ensure the reliability of the data used for the annual compensation survey by:

- a. Purchasing additional salary surveys, to the extent possible, from reputable national firms that have a larger number of participating organizations than the surveys currently used by the Department.
- b. Collecting data for only those jobs that are more common in the market and for which data are consistently available on a year-to-year basis.

**February 2010 Implementation Status:** In progress.

- a. The Department began the evaluation process for additional salary surveys from national firms for the FY 10-11 Annual Compensation Survey Report. The Department is continuing to further refine and improve the total compensation process in conjunction with Colorado WINS and the Association of Colorado State Patrol Professionals (ACSPP) in keeping with the spirit of the Governor's Executive Order D O28 07 (the Partnership). The Department, as a part of the Partnership, plans to evaluate the survey section criteria over the next few months which may result in additional changes to the surveys used by the Department.
- b. Effective with the current survey process (FY2010-11), the Department further refined its benchmarking methods by incorporating more validation measures including, but not limited to, clarifying survey benchmark descriptions, conducting more rigid reviews of our third-party survey benchmark matches, and continuing the use of statistical measures (standard deviation) to identify and eliminate poor quality data and matches. The Partnership will also further evaluate the benchmarking process in order to develop a more effective process for benchmarking state jobs.

**Audit Recommendation No. 3:** The Department of Personnel & Administration should ensure that market data are applied consistently during the annual compensation survey process by:

- a. Collecting data for only those 'bellwether' benchmark jobs that are common in the market and have a minimum number of data points readily available on a year-to-year basis.
- b. Using a benchmark weighting methodology to ensure that all benchmark jobs are given an appropriate weighting in any salary analysis completed during the survey process.

**February 2010 Implementation Status:** In progress.

- a. In this year's survey, the Department conducted further improvements by eliminating benchmarks with insufficient data responses (minimum of five data points), which is consistent with industry standards. The Department, as a part of the Partnership, is currently developing a more efficient and effective means to select state job classes to serve as benchmarks for comparison to market.
- b. In the FY 2010-11 Total Compensation Report, the Department conducted individual benchmark comparisons of state to market actual salaries and range midpoints and used the aggregate of all individual benchmark data to calculate an overall percentage difference for the occupational group; thus giving equal weight to each job class within the occupational group. In the December update, the Department has also calculated an overall average percentage difference of the benchmark data comparisons for each occupational group weighted by the number of state employees in each class. This method gives more weight to survey data reported for classes with a greater number of incumbents. The results of both weighting methods are provided in the December

supplement (update) to the August report. The methods for weighting data vary according to the purpose of the data analysis and organization's philosophy for market-pricing data. The Department, as part of the Partnership, plans to evaluate weighting methodologies in order to implement the most appropriate methodology for the State.

**Audit Recommendation No. 4:** The Department of Personnel & Administration should ensure that market data are applied consistently when conducting the annual compensation survey by:

- a. Developing and implementing formal guidelines for the application of primary and secondary market data and the relative weighting of public and private sector data for specific job levels and/or occupational groups.
- b. Using surveys, when possible, that sufficiently break out salary data consistent with the Department's primary and secondary market definitions and by public and private sectors.

**February 2010 Implementation Status:** In progress.

- a. The Department, as part of the Partnership, will be developing formal guidelines within the next few months that will be used in the upcoming survey for applying and weighting data appropriate to the defined labor markets, the results of which will be published in the August 2010 report.
- b. In this year's survey, the Department compiled raw data by labor market cuts. For the upcoming survey cycle (2010 report), the Department will continue to examine data cuts in current surveys, and as noted under Recommendation 2, establish a process for identifying the market scope in surveys which may be added.

**Audit Recommendation No. 5:** The Department of Personnel & Administration should include variable compensation data in its comparison of state actual salaries with market actual salaries as discussed in Recommendation No. 1. The Department should also ensure that, to the extent possible, salary surveys used to conduct the annual compensation survey include sufficient variable compensation data and that the data are broken out by occupational groups and specific types of jobs.

**February 2010 Implementation Status:** In progress.

The Department collected data and provided a summary of the findings on variable compensation in the FY2010-11 Annual Compensation Survey Report (pages 7 and 8) published on August 1, 2009. Although data were not considered sufficient to draw conclusions, the Department will continue collecting more data on and researching trends in variable pay.

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**Audit Recommendation No. 6:** The Department of Personnel & Administration should ensure that the annual compensation survey process complies with federal guidelines and the Sherman Anti-Trust Act by:

- a. Ensuring that the surveys and data used during the process are consistent with federal guidelines and the Act.
- b. Evaluating statutory requirements related to the survey process for state troopers to determine if changes are needed to ensure the State's compliance with federal guidelines and the Act, pursuing statutory changes as necessary.

**February 2010 Implementation Status:** Implemented.

- a. While the Sherman Anti-Trust Act may not apply to government, its principles have been adopted by the compensation profession and applied as industry standard.
- b. The Department has further reviewed the audit's conclusion that the State's statutory process for setting state trooper compensation is inconsistent with the Sherman Anti-Trust Act or federal anticompetitive guidelines promulgated by the Department of Justice and the Federal Trade Commission. Pursuant to our pledge to evaluate the necessity of legislation to address this concern, and after conducting an in-depth analysis of the pertinent federal antitrust guidelines and case law, we have concluded that a statutory revision to the state trooper salary survey process is both unwarranted and unnecessary.

If you have additional questions, please do not hesitate to contact me or Jennifer Okes.

Sincerely,



Rich Gonzales  
Executive Director

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cc: Jennifer Okes, Deputy Executive Director, DPA  
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