

<h1 style="margin: 0;">Annual Compensation Survey – Report Highlights</h1> <h2 style="margin: 0;">Performance Evaluation, May 2013 Report Highlights</h2>

Department of Personnel & Administration

<p>PURPOSE Evaluate the Department’s procedures and application of data with respect to its Annual Compensation Survey process</p>	<p>AUDIT CONCERN The Department’s Annual Compensation Survey contains inaccurate and incomplete information about how state salaries and benefits compare to the market.</p>
<p>BACKGROUND</p> <ul style="list-style-type: none"> • Statute defines Colorado’s total compensation philosophy as providing “prevailing” total compensation that ensures the recruitment, motivation, and retention of a qualified and competent work force. Statute defines “total compensation as including salary, group benefit plans, retirement benefits, merit pay, incentives, premium pay practices, and leave.” • Statute requires the Department to annually review the results of appropriate outside surveys to determine if the State’s salaries, employer contributions to benefit plans, and merit pay are comparable with other public and private employers. • The Department’s Fiscal Year 2014 survey found that state salaries would need to be increased by 7.2 percent to achieve prevailing market compensation. • State salaries are estimated to total \$1.77 billion in Fiscal Year 2013 for 32,300 state employees. 	<p>KEY FACTS AND FINDINGS</p> <ul style="list-style-type: none"> • The Department’s methodology for comparing state salaries to the market does not follow industry best practices and, as a result, overstated the gap between the two. Specifically, the Department compared median state salaries to median market salaries, when best practice would have been to compare average state salaries to median market salaries. We reperformed this analysis and found that state salaries would need to be increased by 5.5 percent to achieve prevailing market compensation, as opposed to the 7.2 percent reported in the Department’s Fiscal Year 2014 survey. • The survey does not take into account all potential benefits (e.g., retirement, leave, and disability) when assessing the competitiveness of employees’ total compensation, which does not allow for an accurate comparison with the market. • Incorrect aging of survey market data resulted in an overstatement of the gap between state salaries and the market by 1.68 percentage points. • The Department’s methodology for estimating the budget cost of bringing state salaries in line with prevailing market salaries is imprecise and may lead to an overstatement or understatement of the cost of aligning state salaries with the market. • The Department’s methodology for defining the competitive market for state jobs does not: <ul style="list-style-type: none"> ○ Always use an adequate number of survey market comparisons for each benchmark state job. ○ Consistently weight survey data from public and private market sources when combining those data for analysis. ○ Further define the generic state job classifications of General Professional and IT Professional to allow for more accurate comparisons with jobs in the survey market data. ○ Include variable pay (e.g., bonuses) in its market assessment analysis. • The time frame for the Department’s analysis of survey data is limited by the statutory deadline to complete the survey by August 1 of each year.
<p>OUR RECOMMENDATIONS The Department of Personnel & Administration should improve its annual compensation survey by:</p> <ul style="list-style-type: none"> • Comparing state salaries to the market using average state salaries and median market salaries as the point of comparison. • Considering all non-salary elements of total compensation when recommending increases in state salaries and contributions to employees’ medical and dental plans. • Improving its methodology for estimating the budget cost of increasing state salaries to prevailing market wages. • Better defining the competitive market for state jobs. • Allowing more time for data analysis. <p>The Department generally agreed with all of these recommendations.</p>	