



September 15, 2020

A Request for Proposals for an Evaluation of the Colorado Department of Personnel & Administration's Annual Compensation Survey

OSA Responses to Bidder Inquiries

1. What is the budget in hours or dollars for this project?

The OSA has not established a dollar or hour budget for this project. We are relying on the proposals from bidders to define these parameters based on a work plan that will ensure a quality work product and accomplish the project's deliverables in an efficient and cost-effective manner, including having a written report finalized and ready for a Legislative Audit Committee hearing in June 2021.

2. What was the budget for the previous two performance audits?

The contract amount for the 2017 performance audit was \$86,225. The selected firm's proposal had a budget of 510 hours.

The contract amount for the 2013 performance audit was \$107,542. The selected firm's proposal had a budget of 302 hours.

3. We noted that each of the previous reports had a different format. Do you have a preference for report format, or can we develop our own assuming we incorporate the required elements?

The OSA recognizes that the report format will vary based on the Contractor's formatting standards, style, and branding. Nonetheless, the report must contain all of the required elements and be reasonably consistent with the OSA's other published reports. We encourage firms to consult example reports on the OSA's website at www.colorado.gov/auditor. Please also consult the specific language in Exhibits G and H of the contract template that is appended to the RFP.

4. Will your office require us to provide you with workpapers at the conclusion of the project?

No, the Contractor will not be required to provide the OSA with workpapers at the conclusion of the project. However, the OSA retains the right to access and inspect, excerpt, and copy the Contractor's workpapers when needed, such as for ensuring compliance with contract terms, evaluating performance, peer reviews, etc. Please consult the specific language in §§9(B), 10, and 18 of the contract template that is appended to the RFP.



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5. What were the fees charged for the engagement 4 years ago?

See response to Question #2.

6. What changes have been implemented over the last 4 years from the previous compensation study performance audit?

The OSA expects the Contractor to obtain this information from the Department subsequent to contract execution as part of the project's scope of work.

7. Does the performance audit include all of the following components: salary structure, base pay, benefits, and retirement?

Yes. The scope of the performance evaluation/audit should cover all of the components that the Department of Personnel & Administration includes in its annual compensation survey. The Department's [FY2020-2021 Annual Compensation Report](#) includes narrative indicating that the Department's contractor compared the total compensation (base salary, incentive pay, benefits, and retirement contributions) provided by the State to the prevailing market. The report includes sections that provide the detailed comparison/analysis for each of these components. The report also includes a description of the methodology and data sources that were used.

UPDATE: *The Department has just publicly released its [FY2021-2022 Annual Compensation Report](#) and is part of the scope of work for this evaluation/audit engagement. This report has a statutory deadline of September 15 and was not available at the time the RFP was issued.*

Related to the FY2021-2022 Annual Compensation Report, the Department's [website](#) also contains resources from a "Meet and Confer" session on July 15, 2020, to explain the analysis process and methodology used in collecting information for the annual compensation survey:

- [FY2021-2022 Meet and Confer Presentation Slides](#)
- [FY2021-2022 Meet and Confer Process Document](#)
- [IT Deconsolidation Memo from the State Personnel Director](#)

8. Should the performance audit include a review of the market matches made for benchmark positions, or just a review of the approach taken, including labor markets and survey sources?

The scope of the performance evaluation/audit should cover all of the components that the Department of Personnel & Administration includes in its annual compensation survey. It is possible that applying procedures to "test" the underlying data or market matches could be appropriate as a validation technique and to show how possible gaps in the Department's methodology could have affected the resulting data. For example, in the [2017 audit](#), the OSA's contractor performed procedures to ensure that there were sufficient market matches to each classification studied, with the assumption being that using too few surveys may mean the analysis does not encompass a sufficiently diverse set of positions to establish a true snapshot of the market. We recommend that interested parties review the 2013 evaluation report and the 2017 audit report to gain an a detailed

understanding of how the current evaluation/audit might be approached, including the types of tests and analyses performed and where there have been known findings in the past.

9. Do you identify all survey sources used, including any peer groups? What detail do you provide for these sources?

The Department's [FY2020-2021 Annual Compensation Report](#) includes a description of the methodology and data sources, including peer groups, that the Department's contractor used in completing the survey. The Contractor will need to obtain further details about the methodology and data sources from the Department subsequent to contract execution as part of its evaluation/audit work. As the OSA's contracted agent, the Contractor will have full access to the data and information that is the basis for the Department's annual compensation survey and associated compensation reports.

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10. Are there any areas of internal compensation and benefits policies and/or procedures outside and unrelated to the compensation and benefits survey practices that are expected to be reviewed (e.g. pay equity, reclassification procedures)?

The OSA does not expect the scope of the performance evaluation/audit to go beyond the components that the Department of Personnel & Administration includes in its annual compensation survey. The Department's [FY2020-2021 Annual Compensation Report](#) includes sections that provide the detailed comparison/analysis for each of the included components. The report also includes a description of the methodology and data sources that were used.

Pay equity, reclassification procedures, or other "outside" policies and procedures are not discussed as part of the Department's annual compensation report and, therefore, are not directly within the scope of this evaluation/audit. However, the OSA would expect the Contractor to consider the extent to which pay equity questions, reclassification procedures, or other "outside" policies and procedures are significant to or could materially affect the Department's compensation and benefits survey or the resulting recommended adjustments.

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11. Page 5 Preferred Qualifications states the basis of preference points. How many preference points and what percentage of the total points will be the preference points?

There are a total of 35 points possible across all evaluation factors (without preference points), and there is no weighting of scores between the evaluation factors. Firms that can perform this engagement as a performance audit in accordance with Government Auditing Standards (2018

Revision) will receive two (2) additional preference points on their total score. Thus, the two (2) additional preference points would have the effect of increasing the total score by about 5.7%.

12. What was the \$ value of the contracts issued by the OSA for the previous 2 audits by Sjoberg Evashenk and Buck respectively?

See response to Question #2.

13. Where will the responses to questions submitted be posted by OSA?

The document containing all bidder inquires we received and the OSA's related responses has been emailed directly to all parties submitting inquires. The document is also posted to the OSA's website at <http://leg.colorado.gov/agencies/office-state-auditor/requests-proposals> and on the State of Colorado's Vendor Self-Service website at www.colorado.gov/vss.

14. Is there an internal project team that has been created within the Department of Personnel and Administration that will (a) respond to information requests, (b) assist with scheduling stakeholder interviews, (c) provide access to other documents that are needed to perform our analyses and verify information presented to our team, and (d) serve as a liaison to the contractor that performed the compensation survey? If so, please provide the job titles, designated project team role and expected time commitment for this work that has been established for these staff resources.

As the OSA's contractor, the engaged firm will work directly with the Department to obtain the information and documentation needed to fulfill the evaluation/audit objectives. The OSA has communicated to Department management its responsibility to make available to the OSA's contractor all records, agency personnel, and related information required for the evaluation/audit. The OSA has also requested that the Department appoint a liaison to assist with logistics, such as coordinating requests for information and documentation.

The OSA has found that state department and agencies are responsive and understand the importance of the evaluation/audit process and the timelines involved. To date, the OSA has been communicating with the Department's Statewide Chief Human Resource Officer and the Department's Chief Financial Officer, who manage the annual compensation report process. The OSA, Department, and the engaged firm will discuss a specific plan/approach for requesting information and maintaining ongoing communications once the contract has been executed.

15. Please clarify whether actual paid incentive compensation, defined by 4 CCR 801-1 (3-21), is to be included as part of the performance review and if this compensation element was also eliminated (or reduced) in the State's budget and will not be available in 2020-2021.

The scope of the performance evaluation/audit should cover all of the components that the Department of Personnel & Administration includes in its annual compensation survey. The Department's [FY2020-2021 Annual Compensation Report](#) includes sections that provide the detailed comparison/analysis for each of the included components, including a section on Total Cash & Incentive Pay. The report also includes a description of the methodology and data sources that were

used. The report states that the State of Colorado currently provides non-base or non-cash incentives to employees (i.e., they do not add to base pay). The report narrative further states: "Because the State does not have a formal incentive plan with fixed percentages, it is difficult, and potentially misleading, to compare a calculated total cash with the market total cash compensation. However, the State does need to recognize the 3.3% average market incentive present outside the public sector." No budget for actual paid incentive compensation was requested or appropriated for FY 2020-2021 as a result of Department action.

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16. What ongoing reporting metrics and standards are used by the State Personnel Board and State Personnel Director to evaluate the effectiveness of the State of Colorado's employee compensation programs defined in the Colorado Code of Regulations, Chapter 3?

According to the Department, it uses or will be using the following metrics and standards to evaluate the effectiveness of the compensation programs: annual survey results, position in range data, turnover data, agency requests for assistance in recruiting and retention problems, continuous communication with peers on best practices, system maintenance studies, continuous review of classifications and position to market, hiring practices, and use of pay mechanisms.

The OSA expects the Contractor to obtain more detailed information from the Department subsequent to contract execution as part of the project's scope of work.