

# **PAY PRACTICES/NEW HIRE AND PROMOTIONS**

## **REPORT OF FINDINGS**

**JULY 1998**

### **EXECUTIVE SUMMARY**

State agency appointing authorities are responsible for administering pay equitably and consistently in compliance with Human Resource Services Division (HRSD) state policy or collective bargaining agreements. The applicable policy and agreement language must be clear and comprehensive. This audit was conducted to ensure that the state Executive Branch is meeting these obligations.

State Policy 20.005.10, Pay Practices, describes the normal hiring range as the bottom half of the salary range and a salary increase to the next higher rate (step) of the established salary range for promotions. In either case, an appointing authority may authorize higher payments when there are recruitment and/or retention difficulties, applicants or employees with exceptional qualifications, or other appropriate circumstances.

This audit reviewed state agency pay related transactions that were processed from July 1, 1996, through June 30, 1997, excluding work-out-of-class (WOC) pay, general adjustments and red circling practices. To obtain a broad range of agency pay practices, audit standards were defined as any pay related transaction in which an employee was initially hired into the state system at step three or greater or an employee was given more than a one-step salary increase upon promotion.

Of a total 5,024 pay actions, 1,027 (20%) were identified as exceeding audit standards. An analysis of the 1,027 transactions provided the following information:

- Out of 232 classes, 25 accounted for 534 pay actions (52%).
- Out of 31 salary ranges, 606 pay actions (59%) were in 8 salary ranges.
- Of 62 agencies reviewed, 2 accounted for 318 pay actions (31%); 5 agencies - 462 (45%) pay actions, and 10 agencies - 626 (61%) pay actions.

Of the 1,027 audit exceptions, 928 (90%) were concentrated in four types of pay actions. These included: 141 - New Hire; 143 - Initial Appointment to Unclassified Service; 171 - Transfer-In: Promotion; and 321 - Promotion (within an agency). The audit reviewed 232 of these pay actions in 58 agencies to identify reasons for these audit exceptions.

Certain agency pay practices were identified, while not against rule or policy, that are considered to be inappropriate. To correct these practices, it is recommended that agencies:

- Maintain documentation of reasons for above-minimum pay actions,
- Establish criteria for paying above-minimum compensation to guide internal administrative decisions,
- Ensure that agency pay policies are valid and current,
- Continue WOC payment as base salary and establish salary eligibility dates in accordance with policy or contract, and
- Pay new employees that were previously employed as temporaries the same as other new hires.

It is recommended that agencies work closely with a HRSD Personnel Services Generalist or Compensation Specialist to resolve pay issues.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusion:**

Overall, state agencies are administering pay practices in an equitable and consistent manner. This finding is based on pay standards set specifically for this audit.

The audit pay standards were intentionally set at a minimal pay increase level rather than at the acceptable mid-level of a pay range to provide a broader range of agency pay practices to review. Of the total transactions, 20% exceeded the audit standards.

The audit did identify certain instances where agency practices, while not against rule or policy, were considered inappropriate and could lead to inconsistent and inequitable pay administration. These include:

- Documentation not available: Agencies need some type of documentation of reasons for pay actions above the minimum. This could be a note to the file or an input into the agency-use field when processing the personnel action.
- Administrative decision: Agency personnel offices need to set up criteria for paying above-minimum compensation. Each administrative decision should tie into one of the established criteria.

- Agency policy/practice: These transactions included pay administration based on outdated state policy and state policy concepts never implemented. Some increases were given based on employees' personal needs, not business needs. Agencies must ensure that their pay policies are current and valid and that pay administration decisions are based on business needs.
- End of WOC payment: Policy does not provide for pay increases when employees are promoted into positions for which they were previously receiving WOC pay. Standard procedure upon promotion of an employee is to continue WOC payment as base salary and set the salary eligibility date as required by policy or contract.
- Initial appointment to a state position directly from a temporary appointment: Agencies must consistently administer pay practices and pay previous temporary employees the same way they would pay other new hires.

We recommended that agencies work closely with a HRSD Personnel Services Generalist or Compensation Specialist to resolve pay issues.