



**REPORT OF
THE
STATE AUDITOR**

Higher Education Personnel System

**Performance Audit
May 2006**

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This report contains the results of a performance audit of the Higher Education Personnel System. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The report presents our findings, conclusions, and recommendations, and responses from the Colorado Commission on Higher Education, the Department of Personnel & Administration, Adams State College, and Colorado State University in Fort Collins.

A handwritten signature in cursive script that reads "Joanne Hill".

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Authority, Purpose, and Scope

This performance audit was conducted under the authority of Section 2-3-103, C.R.S., which authorizes the Office of the State Auditor to conduct performance audits of all departments, institutions, and agencies of state government. The audit work was conducted from August 2005 through March 2006 in accordance with generally accepted government auditing standards. During the audit we evaluated the higher education institutions' management of their classified and nonclassified personnel systems, including the position exemption process. We acknowledge the assistance and cooperation of the Colorado Commission on Higher Education, the Department of Personnel & Administration, and the higher education institutions.

Background

Article 12, Section 13 of the Colorado Constitution exempts certain employees from the state personnel [classified] system. This includes higher education institution faculty, administrators, and student workers. Statute (Section 24-50-135, C.R.S.) defines "administrator" to include positions such as officers; employees in professional positions, including deans, directors, chairpersons, and professionals in academic and academic support positions; heads of administrative or academic departments or divisions; and positions funded by time-limited grants. These administrators, or nonclassified employees, are considered "at will" employees who are subject to personnel rules and policies that have been established by the individual institutions and governing boards. Statute (Section 24-50-135, C.R.S.) authorizes each higher education institution to determine, on the basis of statutory criteria, which positions within the institution meet the definition of "administrator" and are therefore, exempt from the state personnel system. In November 2005 there were approximately 48,500 employees in the higher education system including 7,900 classified employees, 4,000 nonclassified employees, 15,300 faculty members, 16,500 student workers, and 4,800 other employees (e.g., hourly temporary workers). This does not include employees at Colorado State University in Fort Collins due to differences in reporting among the higher education institutions as described in the table on page 9 of the report.

Summary of Audit Findings

Personnel System Administration

The goal of personnel management is to develop a system that effectively meets the needs of the organization. A good personnel system generally includes developing strategic objectives, such as

For more information on this report, contact the Office of the State Auditor at 303.869.2800.

designing a competitive compensation and benefit plan, as well as operational objectives such as establishing policies and procedures. We reviewed the higher education institutions' management of their classified and nonclassified personnel systems and identified the following concerns:

- **Higher education data.** We found there is a lack of comprehensive, comparable, and accurate data on employees in the classified and nonclassified personnel systems. Specifically, we found that key comparative data are neither maintained consistently among the institutions nor collected centrally by one department, such as the Colorado Commission on Higher Education. As a result, the institutions lack data to evaluate the effectiveness of maintaining both employee classes.
- **Exemption decisions.** We found that overall, institutions may not be using the exemption process and making exemption decisions to develop a personnel system that best meets the goals of the institution. Specifically, we found that some institutions may be exempting positions inappropriately and there is a lack of consistency in the types of positions exempted, both within and among institutions. We reviewed 267 positions that had been exempted at the 13 institutions in our sample between August 4, 2004 and mid-July 2005 and identified 8 position exemptions that were not "professional" in nature and therefore did not meet the statutory requirements for exemption. We identified another 28 position exemptions that appeared to meet statutory criteria, but were not of the level of many of the positions listed in statute (e.g., deans, directors, officers, and heads of departments).
- **Exemption criteria.** Statute (Section 24-50-135, C.R.S.) requires the "heads of administrative or academic departments or divisions and their principal professional subordinates," "professionals in academic and academic support positions," and "heads of those functions of an educational institution that are supported primarily by student fees and charges" to be exempted from the state personnel system. We found that in some instances, the same position, both within and among institutions, can be classified or nonclassified depending on reporting structures, the type of department or division in which the position is located, and the funding sources of the department. Additionally, we found that some institutions are interpreting "heads of administrative or academic departments or divisions" to mean nearly every level of leadership in the institution and when making exemption decisions, institutions may not be considering position duties and responsibilities. Exempting positions on the basis of reporting structure alone, rather than on the position duties and responsibilities or the organization's needs, can lead to perceived inequities by employees and make it difficult to administer the two different systems.
- **Documentation.** We reviewed documentation for 267 position exemptions at 13 institutions and found the documentation retained by some institutions was insufficient to support the exemptions. Specifically, we found three institutions were missing or did not have complete position descriptions for six position exemptions. We also found 4 institutions were missing complete organizational charts for 34 position exemptions. Seven of these positions were

exempted on the basis of reporting structure, and an organizational chart is key to determining whether the exemption meets statutory criteria. We also reviewed the position descriptions for an additional 55 nonclassified positions at 3 institutions and found that (1) within institutions, the descriptions did not always follow the same format or contain equivalent information; (2) for 10 positions, the information contained in the descriptions was limited or too vague to effectively describe the positions' duties; and (3) for 15 positions, the descriptions lacked sufficient information related to the type and level of jobs supervised.

- **Total compensation.** We reviewed the components of the total compensation packages offered by higher education institutions and found that overall, the institutions may not be using their total compensation dollars as effectively as they could be to ensure competitive total pay, promote and reward performance, and ensure fiscal efficiency. Specifically, we found that (1) within and among institutions salaries for nonclassified positions may vary significantly and some salaries are substantially above or below market; (2) some institutions have made across-the-board salary increases to all nonclassified employees, regardless of performance, even though they have implemented performance pay systems; and (3) some institutions have not valued the benefits currently offered to nonclassified employees to determine what these employees value the most and to assess how the “value” of the benefits affect their recruitment and retention of qualified employees.
- **Personnel system management.** Our audit identified a number of concerns with the management of personnel systems at higher education institutions. Overall, we found that institutions' personnel management practices have resulted in creating a fragmented and overly complex human resource system that is difficult to administer. The goal of the higher education personnel system should be to attract and retain a quality workforce within the higher education environment. Therefore, the institutions should evaluate their current personnel systems and consider options to ensure that their personnel system(s) are structured to support their business goals and reflect sound personnel management practices, proposing statutory change if necessary. Options include moving toward an entirely nonclassified system, similar to the practice used by higher education institutions in most other states, or continuing with the current dual system.

Our recommendations and the responses of the Colorado Commission on Higher Education, the Department of Personnel & Administration, Adams State College, and Colorado State University in Fort Collins can be found in the Recommendation Locator.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	14	Work with stakeholders to develop a system for collecting, analyzing, and reporting meaningful personnel data across institutions, propose statutory revisions to repeal current salary reporting requirements, and determine whether any new reporting requirements should be added.	Colorado Commission on Higher Education	Agree	July 2007
2	15	Ensure electronic employee data are accurate, reliable, and maintained in a way that maximizes usefulness of the data by verifying that termination dates in all databases are accurate and evaluating the data collected and reported for employees who have additional duties beyond those included in their employment contracts.	Adams State College	Agree	Ongoing
3	19	Work with stakeholders to develop a standard, clear definition of “professional;” review the eight positions that were not professional in nature to determine if the positions are in compliance with statute; develop a range of remedies that can be applied if a position is found to have been exempted inappropriately; and pursue statutory change as necessary.	Colorado Commission on Higher Education Department of Personnel & Administration	Agree Agree	July 2007 December 2006
4	20	Work with each of the institutions to determine whether efficiencies could be gained if the institutions developed a set of consistent position titles for nonclassified employees that could be used by all institutions.	Colorado Commission on Higher Education	Agree	July 2007
5	23	Work with each of the institutions to evaluate and develop consistent practices for exempting positions that give greater weight to factors such as position duties and responsibilities, personnel management goals, and institution need.	Colorado Commission on Higher Education	Agree	December 2006

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
6	25	Work with each of the institutions to develop documentation standards that institutions should use, in general and when exempting positions. Documentation should include position descriptions that are consistent within organizations and that sufficiently describe position duties and organizational charts.	Colorado Commission on Higher Education	Agree	December 2006
7	26	Ensure compliance with State Personnel Board and the Department of Personnel & Administration rules and procedures by timely reporting employees who are on paid administrative leave for more than 20 consecutive working days.	Colorado State University in Fort Collins	Agree	Ongoing
8	27	Ensure that agencies and institutions are applying paid administrative leave in accordance with State Personnel Board and the Department of Personnel & Administration rules, notify all agencies and institutions of the reporting requirements, require agencies and institutions to report the length of time employees are on paid administrative leave, review the appropriateness of agencies' and institutions' use of paid administrative leave, and follow up where appropriate.	Department of Personnel & Administration	Agree	December 2006
9	31	Work through performance contracts, as appropriate, to ensure the institutions implement salary setting policies that consider market data and data for comparable positions within the institutions; award salary increases on the basis of performance; and value the benefits offered to nonclassified employees and use this information to identify opportunities to leverage institutions' buying power.	Colorado Commission on Higher Education	Agree	July 2009
10	33	Work with each of the higher education institutions to ensure the institutions evaluate the operation of their current personnel systems, determine any changes needed to develop system(s) that meet the needs of higher education, as well as the State, proposing statutory change as necessary.	Colorado Commission on Higher Education	Agree	July 2007

Description of Higher Education Personnel

Background

According to Article 12, Section 13 of the Colorado Constitution, “The personnel [classified] system of the state shall comprise all appointive public officers and employees of the state, except the following: . . . faculty members of educational institutions and departments not reformatory or charitable in character, and such administrators thereof as may be exempt by law; students and inmates in state educational or other institutions employed therein” Most higher education institutions employ classified employees and each of the three types of employees that are considered “exempt” from the classified system as set forth in the Constitution. In general, higher education institutions maintain separate personnel systems for each type of employee group. We provide information explaining the four employee groups below:

- **Classified state employees.** These are employees in the state personnel (civil service) system, and the institutions must adhere to the policies and procedures established for this system in the state constitution, statutes, and state personnel rules. For, example, institutions must follow the state personnel rules when hiring, evaluating, compensating, and terminating classified employees. The Department of Personnel & Administration is responsible for administering the personnel system for all classified employees; however, the actual management and day-to-day operations are handled by each institution.
- **Administrators.** (We refer to the employees that fall under “administrator” as nonclassified employees.) Statute (Section 24-50-135, C.R.S.) defines “administrator” to include positions such as officers and their executive assistants, employees in professional positions, including deans, directors, chairpersons, and professionals in academic and academic support positions; heads of administrative or academic departments or divisions; and positions funded by time-limited grants. Nonclassified employees are considered “at will” employees who are subject to personnel rules and policies that have been established by the individual institutions and governing boards. These policies address issues such as selection, evaluation, compensation, and termination. The following are some common examples of nonclassified positions that have qualified for the administrator exemption:

- **Director** (e.g., Director of Communications)
 - **Coordinator** (e.g., Training Support Coordinator)
 - **Assistant** (e.g., Assistant Director for University Center Operations)
 - **Manager** (e.g., Grants Manager, Training Manager)
 - **Professional** (e.g., College Accountant, Research Analyst)
 - **Associate** (e.g., Research Associate, Associate Producer)
 - **Advisor/Counselor** (e.g., Academic Advisor, Financial Aid Counselor)
-
- **Faculty members.** These are professors with a degree appropriate to their field and often with accomplishments in both teaching and research. Faculty members are subject to the specific personnel rules and policies that have been established by the institutions and governing boards. As with administrators (nonclassified employees), these policies address issues such as hiring, evaluation, compensation, and termination.

 - **Student workers.** These are students at the higher education institutions who are either employed through a work-study program or by the institution itself and are subject to policies established by the individual institutions. Examples of the jobs student workers perform include filing, reception, sorting and routing mail, unskilled typing and word processing, unskilled lab help (e.g., cleanup and preparation of solutions), custodial services, food services, and library assistant/aide services.

The following table shows data reported by the State's higher education institutions on the total number of employees in each of these classifications during November 2001 through November 2005.

Higher Education Employees for 2001-2005 ¹					
	2001	2002	2003	2004	2005
Classified Employees	8,700	8,500	7,900	7,900	7,900
Nonclassified Employees ²	3,400	3,500	3,500	3,700	4,000
Faculty Members	14,800	15,000	14,700	15,000	15,300
Student Workers ³	17,600	16,800	16,300	16,400	16,500
Other Employees ⁴	4,500	4,300	4,200	4,600	4,800
Total Employees	49,000	48,100	46,600	47,600	48,500

Source: Self-reported data from the higher education institutions.

¹ This is the number of employees in each classification as of November 1 annually. In 2003 Colorado State University (CSU) in Fort Collins implemented a new personnel data-system; employee counts for CSU prior to 2003 cannot be retrieved. Therefore, the data do not include employees in any category from CSU for any year. Total employees for CSU for 2003, 2004, and 2005 are as follows: 15,400, 14,000, and 14,100 respectively. By including CSU's employees in the count of total employees for all institutions for 2003, 2004, and 2005, the counts are as follows: 62,000, 61,600, and 62,600 respectively.

² According to CSU in Fort Collins, 66 percent of nonclassified employees exempted from August 2004 through December 2005 were research, cooperative extension, and forester positions.

³ Does not include student employees at Arapahoe Community College because its system does not track this information.

⁴ Other employees include hourly temporary workers, medical residents, graduate assistants, and adjunct instructors.

As mentioned previously, each institution has oversight and responsibility for the management of their personnel systems. However, statute (Section 23-1-108, C.R.S.) authorizes the Colorado Commission on Higher Education, after consultation with the governing boards of the institutions, to “establish a policy-based and continuing systemwide planning, programming, and coordination process to effect the best use of available resources,” and to “establish systemwide policies concerning administrative costs.” The Colorado Commission on Higher Education uses performance contracts required by statute (Section 23-5-129, C.R.S.) to help carry out this statutory mandate. The contracts include performance goals, which have been established by the Commission, related to the institutions’ performance in areas such as efficiency of operations, recruitment, training, and workforce development.

Higher Education Personnel Exemption Process

Statute (Section 24-50-135, C.R.S.) authorizes each higher education institution to determine, on the basis of statutory criteria, which positions within the institution meet the definition of “administrator” and are therefore exempt from the state personnel system. These exempt positions are considered to be nonclassified

positions. Prior to 2004, the institutions submitted their requests and supporting documentation for position exemptions to the State Personnel Director at the Department of Personnel & Administration, who gave final approval on the exemptions. However, with the passage of Senate Bill 04-007, the authority for approval was transferred to the individual institutions.

Audit Scope

This audit was conducted in response to a legislative request. Specifically, we were asked to review the various components of the classified and nonclassified systems including compensation (salary and benefits) and administrative costs to determine the impact the nonclassified personnel employment class has on higher education as a whole. Additionally, we were asked to review the position exemption process to determine whether the institutions are exempting positions in accordance with statutory criteria and whether these criteria clearly define the positions that statute intended to be exempt. Therefore, our audit focuses on the classified and nonclassified personnel systems; we did not evaluate the faculty or student worker personnel systems. Our analysis included reviewing personnel data and policies at the following sample of 13 higher education institutions across Colorado:

- Adams State College
- Arapahoe Community College
- Colorado State University in Fort Collins
- Colorado State University in Pueblo
- Front Range Community College
- Metropolitan State College
- Pikes Peak Community College
- Pueblo Community College
- University of Colorado, including all four campuses (Boulder, Denver and Health Sciences Center, Colorado Springs, and the System Administration)
- University of Northern Colorado

Personnel System Administration

Background

The goal of personnel management is to develop a system that effectively meets the needs of the organization. A good personnel system generally includes developing strategic objectives, such as designing a competitive compensation and benefit plan, as well as operational objectives such as establishing policies and procedures. As discussed in the Description Chapter, the institutions of higher education each administer four different personnel systems (classified, nonclassified, faculty, and student workers). Each system has its own rules and regulations. Classified personnel system rules are constitutional- and statutory-based, while nonclassified, faculty, and student personnel rules are developed independently under the constitutional and statutory authority vested in the institutions' governing boards.

Our audit focused on the institutions' administration of their classified and nonclassified personnel systems. Our review found issues with data accuracy and relevancy, the statutory criteria used to identify nonclassified positions, the consistency of exemption decisions, the documentation maintained on nonclassified positions, and the institutions' total compensation policies. Additionally, we identified concerns with the continuing costs, perceptions of inequality, and differential treatment associated with maintaining multiple classes of employees within higher education institutions. We concluded that the institutions need to collectively evaluate the operations of their current personnel systems and consider a range of options, including statutory revision, to reduce duplication and ensure their personnel systems support their business goals effectively.

Higher Education Data

During the audit we reviewed a variety of personnel data on classified and nonclassified employees to assess the various components of the classified and nonclassified systems. Overall, we found a lack of comprehensive, comparable, and accurate data on employees in both systems. Specifically, we found that key comparative data are neither maintained consistently among the institutions nor collected centrally by one department, such as the Colorado Commission on Higher Education. As a result, the institutions individually, and the higher education system as a whole, lack data to evaluate and compare their classified and nonclassified systems. Examples of the data problems we encountered are discussed below.

- **Employee salaries and status.** We reviewed automated employee data provided by the 13 institutions in our sample for Fiscal Years 2003 through 2005 and found instances of inaccurate and incomplete data. First, for one of the institutions, Adams State College, we found inaccurate data related to employment status. Specifically, we found that according to data in one of the database tables within Adams State's human resource system, employees who had terminated their employment were still recorded in the system as employed. We did not identify instances where terminated employees were paid after their termination date. We also found the data system listed some individual employees as occupying two full-time positions, or two FTE. According to the Long Bill definition of an FTE, a single employee cannot hold more than one full-time position. Therefore, we could not determine the actual number of employees working at the institution during our review period. Second, six institutions (Metropolitan State College, Adams State College, and Arapahoe, Front Range, Pikes Peak, and Pueblo Community Colleges) did not provide information on additional employee pay (e.g., bonuses, overtime and shift pay, or relocation expenses). Due to these data problems, we were unable to determine total employee compensation across all institutions.
- **Administrative costs.** We attempted to review the costs associated with administering the classified and nonclassified systems. These costs included costs associated with hiring, terminations/employment separations, handling employee complaints and grievances, negotiating benefit plans, evaluating employee performance, and training employees. However, we found that in general these costs are not tracked at all or not tracked separately between the classified and nonclassified systems.
- **Total full-time employees.** We requested the total number of full-time employees, or FTE in each classification from all 30 institutions of higher education and found that institutions lack a consistent and accurate method for counting and reporting the number of FTE. For example, if an institution reports on the number of FTE as of a certain date, the data will not reflect new-hires or employee terminations throughout the year. However, if data are collected for the entire year, there may be some duplication in the numbers due to a change in employees' classifications during the year (e.g., if a classified employee is exempted or a student worker is hired into the classified system during the year). These data issues make it difficult for institutions to report an accurate count of total FTE.
- **Position comparisons.** We attempted to compare salaries for similar classified and nonclassified positions across institutions. As discussed later in the report, we found that institutions do not use consistent titles for jobs

performing similar work. We also found that although some positions across institutions may have similar job titles, the job duties associated with those positions may vary significantly. To some extent these differences may be due to the size and mission of the institutions; however, the lack of consistent position titles for similar positions makes it difficult to accurately compare employees in the classified and nonclassified systems.

According to many higher education personnel administrators, the nonclassified system has fewer constitutional and statutory constraints and is easier to manage from a best practices perspective. Several administrators reported that the nonclassified system enables them to recruit and hire more qualified candidates, terminate poor-performing employees in an expeditious manner, and have greater control over their personnel budgets. However, there is an overall lack of data to support these assertions. Without these data, the institutions cannot evaluate the operation of the current personnel systems (as discussed in Recommendation No. 10) to determine the needed changes or to make the business case demonstrating how these changes could improve operations. To make a business case, the institutions need to collect, analyze, and report meaningful, accurate, and comparable data.

Currently the only reporting requirements for data related to the nonclassified system are for the institutions to annually provide a list of position exemptions to the Department of Personnel & Administration (Section 24-50-135, C.R.S.) and to report salaries paid to nonclassified employees and pay increase policies to the Joint Budget Committee (Section 24-50-140, C.R.S.). Staff from the Joint Budget Committee reported that they do not routinely receive complete salary and pay policy information from all of the institutions and that even when they do, it is not useful for analysis. The data reported do not provide aggregate information or present trend analysis. In addition, the data collected cannot be used to make effective comparisons among the higher education institutions or between the classified and nonclassified personnel systems.

The data problems we found only add to the complexity and difficulty in comparing and analyzing the classified and nonclassified systems to obtain a solid understanding of the effectiveness of maintaining both employment classes. Although the governing boards are responsible for the operation of their respective institutions' personnel systems, including data collection, the Colorado Commission on Higher Education has the authority to develop policy and coordination processes to effect the best utilization of available resources. To facilitate development of personnel systems that support institutions' goals effectively and make the best use of resources, the Colorado Commission on Higher Education should work with the higher education institutions to develop a system for capturing and documenting the costs and the benefits associated with employment-related matters to effectively evaluate the classified and nonclassified personnel systems. In addition, the

Colorado Commission on Higher Education should seek to have the current reporting provisions in Section 24-50-140, C.R.S., related to public higher education repealed and amend statute to include any new reporting requirements if necessary.

Further, Adams State College should ensure electronic data are reliable and useful by ensuring all termination dates are accurate and evaluating data collected and reported with respect to employees' working in more than one position.

Recommendation No. 1:

The Colorado Commission on Higher Education should work with stakeholders, including the General Assembly and each of the higher education institutions, to develop a system for collecting, analyzing, and reporting meaningful personnel data across institutions to use in understanding and evaluating the costs and effectiveness of maintaining both the classified and nonclassified personnel systems at the higher education institutions. These data should also be used, as appropriate, by the institutions, to make a business case for exempting positions. Additionally, the Commission should propose statutory revisions to repeal current salary reporting requirements and determine whether any new reporting requirements should be added.

Colorado Commission on Higher Education Response:

Agree. Implementation Date: July 2007. The Colorado Commission on Higher Education (the Commission) agrees that it is important to have efficient and effective personnel systems at the institutions of higher education. However, the Commission would emphasize that it has limited authority in the area of personnel systems and, in fact, has not been given statutory authority to promulgate or enforce rules and regulations with respect to the personnel systems at the institutions of higher education. Further, as recognized by the State Auditor in its report, the higher education institutions, and not the Commission, were given the statutory authority to exempt positions from the state personnel system. Nevertheless, the Commission can facilitate the development of best practices with respect to the personnel systems at the institutions of higher education.

Currently the Commission collects annual personnel data from all institutions, including salaries and benefits for exempt and non-exempt personnel and staffing patterns that detail each position and position budget. The Commission will work with stakeholders to explore options for revising

the data collection to provide meaningful data for appropriate stakeholders to use in evaluating the costs and effectiveness of maintaining both the classified and nonclassified personnel systems at the higher education institutions.

The Commission will work with the institutions to propose statutory revisions to repeal current salary reporting requirements and determine if any new or different reporting requirements should be added.

Recommendation No. 2:

Adams State College should ensure its electronic employee data are accurate, reliable, and maintained in a way that maximizes usefulness of the data by:

- a. Verifying that termination dates in all databases are accurate and reflect actual termination dates.
- b. Evaluating the data collected and reported for employees who have additional duties beyond those included in their employment contracts.

Adams State College Response:

- a. Agree. Implementation Date: Ongoing. Prior to the audit, Adams State College discovered that an employee had not been consistently entering termination dates in one of the human resources database tables in our enterprise software system. Adams State College disciplined the employee responsible for the inaccuracies, removing the employee from the human resources department. Unfortunately, staffing levels have not yet permitted a comprehensive overhaul of the database to enter all historic termination dates; however, all dates are now being correctly entered and verified. The absence of the historic data in this table does not affect any other systems or any function of the College. The missing termination dates are available from other data systems within the College and will be inserted as time permits reconciliation of the data. This will be an ongoing process.
- b. Agree. Implementation Date: Ongoing. Adams State College's administration is in the process of revising policies associated with creating, filling, and classifying positions to more clearly define a full-time equivalent employee in the context of academic year versus a state fiscal year. Additional duties, such as grant oversight, course overload, adjunct instruction, or additional administrative duties for faculty/exempt staff, are accounted for using supplemental contracts. As currently

configured, the modules in our enterprise software system do not support FTE reporting based on our business practices. While we are currently using other methods to report FTE, we are consulting with our enterprise software system contractor to reconfigure our system to accurately report FTE. Unfortunately, we are constrained by limited financial resources.

Exemption Decisions and Reporting Requirements

As discussed previously, statute (Section 24-50-135, C.R.S.) allows each higher education institution to determine which positions within the institution meet statutory criteria for exemption from the state personnel system. We reviewed the exemption process and the institutions' decisions related to exempting positions. Although the majority of the exemptions we tested were made in accordance with statute, we found that the exemptions were not necessarily aligned with the best interests of the institution. Additionally, we found a lack of consistency in the types of positions exempted, even within institutions. Finally, we found that some institutions were not sufficiently documenting their exemption decisions and one institution was not reporting employees on paid administrative leave in a timely manner to the Department of Personnel & Administration.

Personnel Exemptions

As discussed previously, statute (Section 24-50-135, C.R.S.) exempts officers and heads of various functions, including heads of administrative or academic departments or divisions and their principal professional subordinates. According to human resource administrators at six institutions, exemptions are needed so that institutions can use exemptions to recruit and retain high-level positions, including positions unique to higher education. We reviewed the exemption process and the types of positions exempted at the 13 institutions in our sample and found that some institutions may be exempting positions inappropriately.

We reviewed 267 of the 786 positions (34 percent) exempted at the 13 institutions in our sample between August 4, 2004, and mid-July 2005 to determine if the exemptions were allowed by statute. We identified eight position exemptions that were not "professional" in nature and therefore did not meet the statutory requirements for exemption. Examples of the eight positions included an administrative aide and several maintenance and custodial supervisors. We identified another 28 position exemptions that appeared to meet statutory criteria, but were not of the level of many of the positions listed in statute (e.g., deans, directors,

officers, and heads of departments). Examples of the 28 positions included a lead cashier, accounts receivable coordinator, marketing assistant, and a reference librarian.

Additionally, we reviewed the position titles for nonclassified positions used by each of the 13 institutions in our sample. We found that consistent titles for jobs performing similar work do not exist across institutions. For example, an employee who oversees matters involving discrimination and unfair employment practices may be called a “Compliance Officer” at one institution and a “Director” at another. As a result, it is difficult for institutions to compare their own positions with job duties and salaries at other institutions, as discussed later in the report. Additionally, institutions cannot determine whether exemption practices are consistent and in accordance with statute across the higher education system. According to the compensation consultant we contracted with to review a sample of nonclassified positions, using common job titles helps ensure the consistent treatment of employees doing similar work, improves an organization’s ability to maintain market-competitive levels of pay, and gains efficiencies by sharing data.

One reason institutions may inappropriately exempt some positions is that there is no standard, clear definition of “professional” that all institutions must use when determining which positions should be exempt according to statute. As a result, it is difficult to determine whether the institutions’ exemption decisions are appropriate and consistent with statutory intent. The Department of Personnel & Administration developed a technical assistance guide which includes four different definitions of “professional” that institutions may use when making exemption decisions. These definitions, however, are very broad, and the institutions can decide whether to use them; they are not required to do so. Additionally, at least one institution has developed and applied its own definition of “professional.” Due to the multiple, broad definitions of “professional” that can be used by institutions when making exemption decisions, it appears that most positions within the higher education system may meet at least one of the definitions and can therefore be exempted. As a result, we found a broad range of positions qualifying for exemption, including everything from a legal assistant to a senior attorney and from an admissions counselor to the Dean of Students. The duties and levels of responsibility associated with these positions vary significantly.

A second reason for inconsistencies in the types of positions exempted is that the institutions may not always be considering the strategic impact of their exemption decisions, such as whether the exemption contributes toward an effective personnel system or accomplishes their overall goals. Although we identified some instances where institutions considered their business needs and goals when making exemption decisions, these practices were neither consistent nor systematic. The institutions are guided by the statute (Section 24-5-135, C.R.S.) in making exemption decisions,

which requires exemption in some cases solely due to reporting structure or funding source. Without a consistent, reasonable basis for making exemption decisions across the institutions, the personnel system is difficult to manage and employees may perceive the system as inequitable or unfair. This issue is discussed in more detail in Recommendation No. 5.

Finally, statute does not provide a remedy if a position is found to have been exempted inappropriately (unless the position is currently filled by a classified employee, in which case the employee may appeal the exemption to the State Personnel Board). According to statute (Section 24-50-135, C.R.S.), the Department of Personnel & Administration is required to conduct postaudit reviews of position exemptions to determine if the exemptions were appropriate and in accordance with statute. However, statute does not give the Department the authority to require an institution to remedy an improper exemption. At the time of the audit, the Department of Personnel & Administration had not yet conducted any postaudit reviews of exemptions.

The Colorado Commission on Higher Education and the Department of Personnel & Administration should work with stakeholders to develop a standard, clear definition of “professional” that all institutions must use when making exemption decisions. Additionally, the Colorado Commission on Higher Education should review the eight exempted positions we identified as not meeting the definition of “professional” to determine if the exemptions were appropriate. If the positions were inappropriately exempted, the Commission should work with the institutions to determine the appropriate course of action. This could include revising the positions’ duties to meet statutory criteria or moving the positions into the classified system. Additionally, the Department of Personnel & Administration and the Colorado Commission on Higher Education should work together to develop a range of remedies if a position is found to have been exempted inappropriately and pursue statutory change as necessary. For isolated incidents, remedies could include reclassifying positions or modifying position duties to meet statutory criteria as discussed above. For repeat violations at specific institutions, remedies could include transferring the authority for position exemption approval from the institution to the Colorado Commission on Higher Education until problems have been addressed, requiring human resource staff at these institutions to attend further training on the exemption process, and requiring the Department of Personnel & Administration to conduct more frequent postaudit reviews. Finally, the Commission should work with the institutions to determine whether efficiencies could be gained if the institutions developed a set of consistent position titles for nonclassified employees that could be used by all institutions.

Recommendation No. 3:

The Colorado Commission on Higher Education and the Department of Personnel & Administration should improve the higher education personnel exemption process by:

- a. Working with stakeholders to develop a standard, clear definition of “professional” that all institutions must apply consistently.
- b. Working with each of the institutions to review the eight positions that were not professional in nature to determine if the positions are in compliance with statute and were exempted appropriately. If the positions are not in compliance with statute or were exempted inappropriately, the Commission should work with each of the institutions to determine the appropriate course of action, as discussed in part c.
- c. Developing a range of remedies that can be applied if a position is found to have been exempted inappropriately, pursuing statutory change as necessary. Remedies could include reclassifying positions or modifying position duties to meet statutory criteria and, for repeat violations at specific institutions, transferring the authority for position exemption approval from the institution to the Colorado Commission on Higher Education until problems have been addressed, requiring human resource staff at these institutions to attend further training on the exemption process, and requiring the Department of Personnel & Administration to conduct more frequent postaudit reviews.

Colorado Commission on Higher Education Response:

- a. Agree. Implementation Date: July 2007. The Commission will work with DPA and the institutions to develop a standard, clear definition of “professional” that all institutions may utilize in the administration of their personnel systems.
- b. Agree. Implementation Date: July 2007. The Commission will coordinate with DPA and the institutions to review the eight positions questioned to determine compliance with statute. The Commission will work with each institution to determine the appropriate remedial actions an institution should take if a position is found not to have been exempted in accordance with statute.

- c. Agree. Implementation Date: July 2007. Within its statutory authority, the Commission will work with the institutions to explore potential remedies if a position is exempted in violation of statute. The Commission will also work with governing boards and their institutions to ensure that they have adequate personnel exemption policies in place and appropriate training for human resource staff.

Department of Personnel & Administration Response:

- a. Agree. Implementation Date: December 2006. The Department of Personnel & Administration will work with the Colorado Commission on Higher Education and stakeholders to develop a clearer definition of "professional" that all users can apply consistently.
- b. Agree. Implementation Date: December 2006. The Department of Personnel & Administration will assist the Colorado Commission on Higher Education with the review of all questionably exempted positions and assist in the resolution of any positions found to be inappropriately exempted.
- c. Agree. Implementation Date: December 2006. The Department of Personnel & Administration will work with the Colorado Commission on Higher Education to develop a range of remedies that will be available for positions found to be inappropriately exempted. Further, the Department of Personnel & Administration will accelerate its audit schedule of institutions' exemption activities.

Recommendation No. 4:

The Colorado Commission on Higher Education should work with each of the institutions to determine whether efficiencies could be gained if the institutions developed a set of consistent position titles for nonclassified employees that could be used by all institutions.

Colorado Commission on Higher Education Response:

Agree. Implementation Date: July 2007. The Commission will work with each of the institutions to determine whether efficiencies could be gained if the institutions developed a set of consistent titles for nonclassified employees across all institutions. The Commission would maintain,

however, that due to the unique characteristics of the institutions, including their geographical locations, sizes, financial resources, and student populations, it would take significant time and resources that do not currently exist in the Department to essentially create a new, nonclassified personnel system for higher education. Nevertheless, the Commission will work with the institutions to try and determine the initial question of whether efficiencies could be gained if the institutions developed a set of consistent position titles for nonclassified employees that could be used by all institutions.

Exemption Criteria

Statute (Section 24-50-135, C.R.S.) requires the “heads of administrative or academic departments or divisions and their principal professional subordinates,” “professionals in academic and academic support positions,” and “heads of those functions of an educational institution that are supported primarily by student fees and charges, including heads of residence halls and their professional staff” to be exempted from the state personnel system. Institutions determine whether positions meet the statutory criteria for exemption (e.g., which positions are heads of administrative or academic departments or divisions and their principal professional subordinates) and whether it is in the best interest of the institution and the State for the position to be exempted.

We evaluated the types of positions that have been exempted at the 13 institutions in our sample and found that the same position, both within and among institutions, could be classified or nonclassified, depending on reporting structures, the type of department or division in which the position is located, and the funding sources of each department. For example, at one institution an IT Professional may report to the head of the IT Division and therefore the position could be exempted. At another institution or a different division within the same institution, an IT Professional may report to someone who is not considered the head of the division and the position will not qualify for exemption. Further, an IT Professional in an institution’s English department could be exempted regardless of who the position reports to because it is a professional position in an academic area. However, an IT Professional with similar duties in an institution’s Division of Finance and Administration may not be exempted unless the position reports to the head of the Division. Finally, an IT Professional in a division that is funded primarily by student fees such as Housing and Dining Services could be exempted, while an IT Professional in a division that is funded by state funds cannot be exempted unless the position reports to the division head.

We also found that some institutions are interpreting “heads of administrative or academic departments or divisions” to mean nearly every level of leadership in the institution. “Heads of departments or divisions” is not defined in statute. Consequently, institutions have interpreted this terminology to mean anything from the Director of the Division of Student Affairs, who oversees at least 50 employees, to the head of the marketing office, who oversees only one employee. Thus, a “principal professional subordinate” who reports to the head of a division could include the Director of Business Services because he or she reports to the Vice President, or the Accounts Receivable Coordinator because he or she reports to the Accounting Coordinator, who is the “head” of a unit within the accounting department.

Finally, we found that when making exemption decisions, institutions may not consider position duties and responsibilities. For example, we reviewed job descriptions for a sample of 37 nonclassified positions that had been filled with a classified employee at the time of exemption. We reviewed the job descriptions for the positions when they were classified and compared them with the job descriptions once the positions became nonclassified. We found that job duties for 30 (81 percent) of the 37 positions changed slightly or not at all upon exemption. This may indicate that the positions were not exempted on the basis of job duties. At least four of the positions qualified for the exemption under the new statutory criteria in Senate Bill 04-007 requiring exemptions for “principal professional subordinates.” This exemption category did not exist under prior statutes.

We identified concerns with using reporting structure as the basis for exempting positions in our 2002 Higher Education Personnel Exemption Process audit. Although changes have been made to the statutory criteria since the prior audit, reporting structure can still dictate whether a position will qualify for exemption. Additionally, the department or division in which a position is located can dictate whether a position qualifies for exemption, regardless of the duties associated with the position. Exempting positions on the basis of reporting structure alone, rather than on the position duties and responsibilities or the organization’s needs, can lead to perceived inequities by employees and make it difficult to administer the two different systems. The Colorado Commission on Higher Education should work with the institutions to evaluate and develop consistent practices for exempting positions that give greater weight to factors such as position duties and responsibilities and institution goals and needs, in addition to organizational structure or position location, as a basis for exemption decisions. Additionally, the Colorado Commission on Higher Education and the institutions should consider the effectiveness of statutory exemption criteria in assisting institutions with meeting their business needs and personnel management goals. This is discussed in more detail in Recommendation No. 10 at the end of this chapter.

Recommendation No. 5:

The Colorado Commission on Higher Education should work with each of the institutions to evaluate and develop consistent practices for exempting positions that give greater weight to factors such as position duties and responsibilities, personnel management goals, and institution need, in addition to organizational structure or position location, as a basis for exemption decisions.

Colorado Commission on Higher Education Response:

Agree. Implementation Date: December 2006. The Commission will work with each institution to ensure it utilizes and, if necessary, develops consistent practices for exempting positions and that it employs best practices related to the weight of factors that serve as a basis for exemption decisions.

Documentation

Maintaining complete, up-to-date, and accurate information about position duties within an organization is important for managing personnel systems. The Department of Personnel & Administration's technical assistance guide recommends that institutions maintain position descriptions and organizational charts to support position exemptions. The purpose of maintaining this documentation is to demonstrate the "professional" nature of the position's duties and where the position falls with respect to reporting structure. We reviewed documentation for 267 position exemptions at 13 institutions and found the documentation retained by some institutions was insufficient to support the exemptions:

- Three institutions (Colorado State University in Pueblo, Adams State College, and Arapahoe Community College) were missing or did not have complete position descriptions for six position exemptions. Specifically, Arapahoe Community College could not provide a position description for a position and we were unable to determine whether the position met exemption criteria. Colorado State University in Pueblo and Adams State College had a total of five position descriptions that lacked detailed information about the specific duties and responsibilities that qualified the position as professional.
- Four institutions (Colorado State University in Fort Collins and Arapahoe, Front Range, and Pikes Peak Community Colleges) were missing complete

organizational charts for 34 position exemptions. Seven of these 34 positions were exempted as “principal professional subordinates;” i.e., these positions qualified for an exemption on the basis of their reporting relationship. For these positions, an organizational chart is key to determining whether the exemption meets statutory criteria. These seven positions were at Arapahoe and Front Range Community College. Front Range Community College did not require organizational charts to be submitted with exemption requests, and Arapahoe Community College could not locate the organizational charts. Although the remaining 27 position exemptions were not exempted on the basis of reporting structure, organizational charts are important for documenting the position’s supervisory responsibilities and how the position fits into the organizational structure as a whole.

Second, we reviewed the position descriptions for an additional 55 nonclassified employees within three institutions (University of Colorado at Boulder, University of Colorado at Denver and Health Sciences Center, and Colorado State University in Fort Collins) and found that within institutions the descriptions did not always follow the same format or contain equivalent information. In addition, for 10 positions within the University of Colorado at Denver and Health Sciences Center, the information contained in the descriptions was limited or too vague to effectively describe the positions’ duties (e.g., the positions were lacking information such as minimum qualifications and education and experience requirements) and for 15 positions within the University of Colorado at Boulder and Denver and Health Sciences Center, the descriptions lacked sufficient information related to the type and level of jobs supervised by the positions.

Further, we reviewed a specific application of paid administrative leave practices at one institution (Colorado State University in Fort Collins). According to the State Personnel Board and the Department of Personnel & Administration rules and procedures, any paid administrative leave granted to an employee that exceeds 20 consecutive working days must be reported to the department head and the State Personnel Director. We identified three instances where employees were placed on paid administrative leave for more than 20 days and found that this information was not reported to the Department of Personnel & Administration in a timely manner. Although the Department of Personnel & Administration rules do not specify when the information should be reported, we found that Colorado State University did not report information for 93 work days from the date an employee was placed on paid administrative leave in one instance and 45 work days from the date an employee was placed on paid administrative leave in another. In the third instance, at the time of the audit, Colorado State University had not reported the case to the Department of Personnel & Administration at all.

We also found that the Department of Personnel & Administration does not monitor and enforce compliance with leave reporting requirements or follow up with agencies and institutions to ensure the administrative leave was appropriate. We reviewed the paid administrative leave notifications that have been submitted by agencies and higher education institutions to the Department of Personnel & Administration since the rule's inception in May 2001 and found two problems. First, 46 of the 78 notifications (about 60 percent) did not include the length of time employees were on leave. Without this information, the Department of Personnel & Administration cannot determine whether the agencies and institutions are resolving issues related to the administrative leave promptly and cost-effectively. Second, we found several state agencies and institutions did not report having any employees on paid administrative leave. This could indicate that these agencies and institutions are not complying with the rule. According to the Department of Personnel & Administration, no audits of paid administrative leave have been conducted.

The lack of complete, accurate, and up-to-date documentation related to positions and position exemptions makes it difficult for institutions to effectively manage their personnel systems and to determine whether an exemption is appropriate and in accordance with statutory requirements. Therefore, the Colorado Commission on Higher Education should work with the institutions to develop documentation standards and require all institutions to comply with the standards, in general and specifically when exempting positions. Documentation should include position descriptions that are consistent within organizations and that sufficiently describe positions and their duties. In addition, institutions should maintain detailed organizational charts for positions that are exempted on the basis of reporting structure. Finally, Colorado State University in Fort Collins should timely report employees on paid administrative leave to the Department of Personnel & Administration in accordance with rules. The Department of Personnel & Administration should also notify all agencies and institutions of its reporting requirements for employees on paid administrative leave, obtain and review the duration of leave time, and follow up with agencies and institutions as indicated.

Recommendation No. 6:

The Colorado Commission on Higher Education should work with each of the institutions to develop documentation standards that institutions should use, in general and when exempting positions. Documentation should include position descriptions that are consistent within organizations and that sufficiently describe position duties and organizational charts.

Colorado Commission on Higher Education Response:

Agree. Implementation Date: December 2006. The Commission will work with each institution to ensure that they have clearly developed documentation standards that are consistent within organizations and sufficiently describe the organization and position duties.

Recommendation No. 7:

Colorado State University in Fort Collins should ensure compliance with State Personnel Board and the Department of Personnel & Administration rules and procedures by timely reporting employees who are on paid administrative leave for more than 20 consecutive working days.

Colorado State University in Fort Collins Response:

Agree. Implementation Date: Ongoing. Colorado State University agrees that the reporting of Administrative Leave in excess of 20 consecutive days to the Department of Personnel & Administration is required. Colorado State University already complies with the current rule, and all such leaves have been reported in accordance with Rule 5-20. As stated in the audit report, there is no requirement in the current Rule 5-20 that administrative leave be reported within any specific timeframe (i.e., after the 20th day, after the last day, during the fiscal or calendar year). However, Colorado State University will continue to comply with the reporting requirement including any future modification of the existing rule by the Department of Personnel and Administration which includes specific reporting timelines.

It should be noted that the longest duration of administrative leave was 85 work days, which was reported to the Department of Personnel & Administration 8 work days after the employee was taken off of administrative leave and that felony charges were filed against this former employee who is now awaiting trial. The evidence supporting the criminal charges was developed, in part, during the extensive investigation conducted by the Human Resources Department while this employee was out on administrative leave. In another instance cited in the audit report, the employee was still out on administrative leave at the time that it was reported to the Department of Personnel & Administration.

Auditor Addendum:

This audit identified three instances where Colorado State University in Fort Collins clearly did not comply in a timely manner with the Department of Personnel & Administration's rule to report employees placed on paid administrative leave for more than 20 days to the Department of Personnel & Administration. Timely reporting is necessary to help the Department of Personnel & Administration identify problems and instances of abuse.

Recommendation No. 8:

The Department of Personnel & Administration should ensure that agencies and institutions are applying paid administrative leave in accordance with State Personnel Board and the Department of Personnel & Administration rules and procedures by:

- a. Notifying all agencies and institutions of paid administrative leave reporting requirements.
- b. Requiring that all agencies and institutions report the length of time employees are on paid administrative leave.
- c. Reviewing the appropriateness of agencies' and institutions' use of paid administrative leave and following up where appropriate.

Department of Personnel & Administration Response:

- a. Agree. Implementation Date: June 2006. The State Personnel Director's current rule 5-20(A) provides that "Any administrative leave granted to an employee that exceeds 20 consecutive working days must be reported to the department head and the Director." When the Department becomes aware of failure to report paid administrative leave longer than 20 consecutive working days in accordance with the current rule, we contact the agency or institution and remind them of the reporting requirement. The Department will remind all agencies and institutions in writing of the Director's rule that requires all instances of the use of administrative leave in excess of 20 consecutive working days be reported to the head of the agency or institution and to the State Personnel Director.
- b. Agree. Implementation Date: July 2006. The Department agrees to specify in technical assistance forms that the required reports contain the

actual length of the administrative leave approved as well as a brief summary of the justification used for approval for any paid administrative leave exceeding 20 consecutive working days.

- c. Partially Agree. Implementation Date: December 2006. The Department's review of the prior 12-month's reports did not reveal any suspected abuse of the appointing authorities' discretion in approving paid administrative leave longer than 20 consecutive business days. The Department will review the additional required information on length of leave and supporting business reasons and follow up with agencies and institutions as appropriate in cases of suspected abuse without inappropriately substituting its business judgment for that of appointing authorities. The policy is intended to give appointing authorities latitude in granting administrative leave for reasons determined to be in the best interest of the State. The appointing authority is in the best position to determine these business necessities for their agency. The Department will evaluate the appropriateness of establishing additional guiding criteria in this area and including this issue in its risk-based audit approach.

Total Compensation

An organization's ability to recruit and retain qualified employees is driven in part by the organization's total compensation package. Components of a total compensation package include salaries, performance pay, and benefits such as health and dental insurance, leave, and retirement plans. We reviewed the components of the total compensation packages offered by higher education institutions and found that, overall, the institutions may not be using their total compensation dollars as effectively as they could be to ensure competitive total pay, promote and reward performance, and ensure fiscal efficiency. Specifically, we found improvements can be made in the following areas:

Salary setting. We reviewed the institutions' methodologies for setting salaries for classified and nonclassified employees. We found that within and among institutions salaries for nonclassified positions are determined inconsistently. Many institutions delegate the responsibility for setting salaries and determining salary increases to the individual departments within the institution. In most instances, there is no central oversight of these decisions and no assurance that the departments look at salaries of comparable positions in other departments within the institution. Although in some cases the departments may consider internal equity within the institution when setting salaries and determining increases, we found this practice is not applied

consistently. Further, institutions provide limited guidance for setting salaries. As a result, salaries for comparable nonclassified positions within the same institution can vary substantially.

We contracted with Milliman, a compensation consultant, to compare salaries at the University of Colorado at Boulder, University of Colorado at Denver and Health Sciences Center, and Colorado State University in Fort Collins for similar positions within these institutions with salaries paid for similar positions in the market (private and public). The consultant found several instances at the University of Colorado at Boulder and the University of Colorado at Denver and Health Sciences Center where salaries for comparable positions varied significantly. For example, salaries for seven comparable high-level information technology positions ranged from \$86,000 to about \$146,700. These salaries ranged from 19 percent below the market median for comparable positions to 38 percent above the median. (Note: The market median is considered to be a competitive level and should reflect pay for a fully competent employee.) Overall, the consultants identified 15 of the 55 positions reviewed at these institutions that varied from the market median by 20 percent or more. Eight of these positions were 20 percent or more higher than the market median and seven were 20 percent or more lower. According to the consultant, it is unusual for an organization to have this many positions fall at or outside of the 20 percent range. This may indicate that the institutions are not reviewing market data when setting salaries.

We also reviewed the performance evaluations for 8 of the 15 employees evaluated with salaries 20 percent or more above or below the market median to determine if the evaluations supported the salary differentials. We found that one of the employees with salary above the market median received only a “satisfactory” rating. In addition, most of the employees making below market received “above standard” or “outstanding” ratings. Paying salaries significantly above the competitive market rate, particularly for standard performance, may indicate that these institutions are not using their available salary dollars as effectively as they could. Conversely, by setting some salaries significantly below the competitive market rate, particularly for employees with above average performance, institutions run the risk of losing qualified employees.

Salary increases. All of the institutions we reviewed have implemented performance pay systems. The purpose of a performance pay system is to link pay and performance so that higher-performing employees are rewarded for their contributions with the goal of improving employee motivation and results. Best practice in a performance pay system is to award all salary increases on the basis of performance. At least three of the institutions we reviewed reported they made across-the-board increases ranging from about 1 percent to 2.6 percent over the past several years to all nonclassified employees within the institution. This increase was

awarded regardless of employee performance, even though the institution was authorized to award increases based solely on performance.

Benefits. Competitive total compensation fundamentally means assessing the “value” delivered to employees and requires organizations to look at the level of services provided (e.g., types of services, deductibles, co-pays, out-of-pocket maximums) as well as the types of benefits employees value and use the most. This assessment should include all types of benefits offered that can affect an employee’s decision to accept or retain employment with an organization, not just the medical or dental benefits. For example, we found the institutions provide newly hired nonclassified employees with significantly more annual leave (13 to 16 hours per month) than newly hired classified employees receive (8 hours per month). Similarly, nonclassified employees are provided with at least 10 hours per month of sick leave compared with about 6.66 hours per month for classified employees. The amount of leave provided to employees can have a significant impact on employment decisions and, therefore, should be considered when valuing an organization’s total compensation package.

We found that some of the institutions we reviewed have not valued the benefits currently offered to nonclassified employees to determine what these employees value the most in benefit plans and to assess how the “value” of the benefits currently offered affect their recruitment and retention of qualified employees. Assessing the value of benefits delivered to employees would allow institutions to structure their benefit plans to ensure that the more highly valued and frequently used services are provided at the lowest possible cost.

Additionally, we found the institutions may not be fully leveraging their buying power to purchase medical and benefit plan packages to reduce duplication and costs. Currently all higher education institutions have different benefit plans for their nonclassified employees than are available to classified employees. In total, we identified 17 separate medical plans and 9 separate dental plans, in addition to the 7 medical plans and 3 dental plans offered to classified employees through the Department of Personnel & Administration, at the 13 institutions in our sample. Institution staff must be knowledgeable about the plans offered for both classified and nonclassified employees in order to answer any questions and provide advice to employees. The institutions also spend resources negotiating prices and benefit options, overseeing contracts with vendors, and communicating options to employees. Although some institutions have joined together to provide a single set of benefit plans across their institutions, there may be room for further consolidation of efforts and efficiencies.

The higher education institutions in the State need to make improvements to their total compensation systems to ensure packages are competitive with the market and

make the most of limited dollars. The Colorado Commission on Higher Education should work with the institutions to improve their total compensation policies and strategies, which should include ensuring the institutions implement salary setting policies that consider market data as well as data for comparable positions within the institutions. Additionally, the institutions with performance pay systems should ensure that all salary increases are awarded on the basis of performance. Further, the institutions should assess the true “value” of benefits offered to nonclassified employees to determine what changes are needed to best meet employee needs and to remain competitive with the market. Finally, the Commission should work with the institutions to determine if they can more fully leverage their buying power with respect to benefit plans to help reduce costs and gain efficiencies.

Recommendation No. 9:

The Colorado Commission on Higher Education should work with each of the higher education institutions to improve their total compensation practices and strategies. Working through performance contracts, as appropriate, the Commission should ensure the institutions:

- a. Implement salary setting policies that consider market data and data for comparable positions within the institutions.
- b. Award salary increases on the basis of performance.
- c. Value the benefits offered to nonclassified employees and use this information to identify opportunities to leverage institutions’ buying power and to ensure benefits are competitive and meet employee needs.

Colorado Commission on Higher Education Response:

- a. Agree. Implementation Date: July 2009 (date current performance contracts are subject to renewal/renegotiation). The Commission will work with each institution in future performance contract negotiations to determine whether it is necessary and/or appropriate to include goals with respect to salary setting policies.
- b. Agree. Implementation Date: July 2009 (date current performance contracts are subject to renewal/renegotiation). The Commission has negotiated performance contracts with the institutions that address goals

with respect to performance based salary systems. The Commission will continue to monitor compliance with these goals.

- c. Agree. Implementation Date: July 2009 (date current performance contracts are subject to renewal/renegotiation). The Commission will work with each institution in future performance contract negotiations to determine whether it is appropriate and/or necessary to include goals with respect to benefits offered to nonclassified employees.

Personnel System Management

As discussed throughout this report, our audit identified a number of concerns with the management of personnel systems at higher education institutions. Overall, we found that the personnel management structure within higher education is fragmented, overly complex, and difficult to administer. We identified similar concerns in our 2002 audit of the higher education personnel system, including problems with (1) classified and nonclassified employees' holding positions with similar duties; (2) increased costs and duplication of effort associated with operating multiple personnel systems; and (3) indiscriminate application of exemption criteria, morale issues, perceptions of inequity, and differential treatment among classified and nonclassified employees. These problems have continued. Additionally, in our current audit we found problems with data accuracy, the lack of useful personnel data, position documentation, and ineffective total compensation packages, including inconsistent application of salary management practices. Further, we identified concerns with duplication and potential increased costs, since staff at institutions must have extensive knowledge of the constitutional, statutory, and regulatory requirements governing both the classified and nonclassified systems to administer them effectively.

The state constitution allows higher education institutions to operate both classified and nonclassified personnel systems. Institutions reported that the nonclassified system offers distinct advantages over the classified system, but as discussed in Recommendation No. 1, the institutions lack data to measure or report these advantages. We interviewed classified and nonclassified employees regarding the advantages and disadvantages of both personnel systems. Classified employees reported that a primary advantage to the classified personnel system is the grievance process; nonclassified employees reported salary and leave benefits as the primary advantages of the nonclassified system. Classified employees reported a lack of promotional opportunities as a disadvantage of the classified personnel system, particularly as more and more classified positions are exempted.

Colorado's use of classified and nonclassified personnel systems in higher education institutions is in the minority nationally. Of 24 states contacted, only 9 have systems similar to Colorado's. The remaining 15 states have nonclassified personnel systems for their higher education institutions. We contacted the nine states (Idaho, Louisiana, New Mexico, New York, South Carolina, South Dakota, Virginia, Washington, and Wisconsin) that operate similar higher education personnel systems to Colorado. We found that these states identified many of the same problems we identified in Colorado. These include employee morale issues, perceptions of inequity, inconsistencies across institutions, and concerns about job protection and due process.

The goal of the higher education personnel system should be to attract and retain a quality workforce within the higher education environment. The Colorado Commission on Higher Education should work with the institutions to evaluate the operation of the current personnel systems. The evaluation should consider whether the institutions' personnel management structure and activities support their business goals and reflect sound personnel management practices. One option would be for institutions to move toward an entirely nonclassified system, similar to the practice used by higher education institutions in most other states we contacted. This option would need to be supported by data showing the cost efficiencies gained by this approach and the benefits to the institutions and the State, as discussed in Recommendation No. 1. This option would require statutory change. Another option would be to continue with the current dual system. As discussed in Recommendation No. 5, with this option the institutions need to evaluate and develop consistent practices for exempting positions that consider factors such as position duties and responsibilities, personnel management goals, and institution need.

Recommendation No. 10:

The Colorado Commission on Higher Education should work with each of the higher education to insure the institutions evaluate the operation of their current personnel systems and determine any changes needed to develop system(s) that meet the needs of higher education, as well as the State, proposing statutory change as necessary. Options include institutions moving toward an entirely nonclassified system or continuing with the current dual system.

Colorado Commission on Higher Education Response:

Agree. Implementation Date: July 2007. Although the Commission agrees with this recommendation, it must emphasize that it is the governing boards, their respective institutions and/or the Department of Personnel & Administration that are statutorily charged with ensuring that personnel management decisions, including exemption decisions, not only comply with the law, but also support the institutions' business goals and reflect sound personnel management practices. In granting the authority for management of personnel systems and exemptions to the institutions, the General Assembly made it clear that it did not intend for the Commission to have significant responsibility or oversight in this area. However, the Commission can work with the institutions, as appropriate, to ensure they are utilizing best practices in the operation of their current personnel systems. The Commission also will coordinate with the institutions to determine any changes needed to develop system(s) that better serve the needs of higher education, as well as the State, proposing statutory change as necessary.

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