

FOLLOW-UP REPORT

Office of Human Resources
**Compensation Setting
Analysis**

AUGUST 2022



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DENVER AUDITOR

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City and County of Denver



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AUDITOR'S LETTER

August 4, 2022

In keeping with generally accepted government auditing standards and Auditor's Office policy, as authorized by city ordinance, we have a responsibility to monitor and follow up on audit recommendations to ensure city agencies address audit findings through appropriate corrective action and to aid us in planning future audits.

After following up on the "Compensation Setting Analysis" audit report issued in February 2021, we determined the Office of Human Resources fully implemented one of the two recommendations it agreed to.

During the original audit, we found the Office of Human Resources did not collect all relevant employee data in its system of record and it did not adequately review how city agencies award merit increases.

Based on our follow-up work, we determined that while significant progress was made, the Office of Human Resources did not fully address all the risks associated with one of our initial findings. Consequently, we may revisit these risk areas in future audits to ensure the city takes appropriate corrective action.

We appreciate the leaders and team members in the Office of Human Resources who shared their time and knowledge with us throughout the audit and the follow-up process. Please contact me at 720-913-5000 with any questions.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA
Auditor

Compensation Setting Analysis

Original Report Issued:
FEBRUARY 2021

Follow-up Report Issued:
AUGUST 2022

Objective

To identify indications of bias, based on career-service employees' gender or race and ethnicity, which may exist in the City and County of Denver's processes for setting employee salaries and allocating merit increases.

Background

The Office of Human Resources is responsible for ensuring the city complies with Career Service Rules. Career Service Rule 9 outlines the pay factors the city uses to determine employee salary such as prior work experience, education, professional certifications, and level of responsibility. Career Service Rule 13 outlines the city's merit increasing process. Each year the city determines whether to award merit increases to eligible employees based on their performance and other factors. For example, due to the COVID-19 pandemic's effect on the city's budget, the city declined to award merit increases for 2020.

The Office of Human Resources Did Not Require Agencies to Fill Out or Update Their Employees' Career Profiles in the City's System of Record

The limited data in the city's system of record prevented an analysis of the city's entire population of employees using all relevant pay factor information without having to collect the data manually from individual employee personnel files.

The Office of Human Resources Should Strengthen Its Review of How Agencies Allocate Merit Increases to Ensure They Comply with City Rules

Without adequate review, some employees may have received an incorrect merit increase.

WHY THIS MATTERS

Ensuring relevant employee information is entered into Workday can help the Office of Human Resources incorporate the use of technology to compile and analyze employee data. Furthermore, by requiring each agency to provide merit allocation methodologies, the office can ensure merit increases are given fairly, consistently, and accurately across an agency and in compliance with the city's merit allocation rules.



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FULLY IMPLEMENTED



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PARTIALLY IMPLEMENTED



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NOT IMPLEMENTED

Aug. 4, 2022



Action Since Audit Report

Compensation Setting Analysis

2 recommendations proposed in February 2021

The Office of Human Resources fully implemented one recommendation made in the original audit report and partially implemented one other.

The office continues to develop and implement initiatives to help increase the number of employees who have completed their career profiles. As of April 30, 2022, over 7,300 employees have done so – an increase of almost 5,000 from January 2021.



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IMPLEMENTED

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IMPLEMENTED

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REMAINING RISKS

Human Resources management implemented a new process to ensure agencies' merit allocations were collected by the office and reviewed for accuracy. But the reviewers still approved merit tables that did not comply with city rules. As a result, employees might receive a merit increase lower than city rules allow for. We found this did happen in at least one instance.

FINDING 1 | The Office of Human Resources Does Not Require Agencies to Fill Out or Update Their Employees' Career Profiles in the City's System of Record



FULLY IMPLEMENTED

Recommendation 1.1

COLLECT COMPLETE EMPLOYEE DATA – The Office of Human Resources' Director of Technology, Innovation, and Employee Records should work with city agencies to ensure employees input all data related to the employee Workday career profile.

AGENCY ACTION

Agency's original target date for completion: Dec. 31, 2021

The Office of Human Resources has made significant progress in encouraging employees to complete career profiles. We reviewed action taken by the office from Jan. 1, 2021, through April 30, 2022, and found the number of employees who had complete career profiles during that period had doubled. As of April 30, 2022, over 7,300 employees had completed career profiles – an increase of almost 5,000 from January 2021.

The Office of Human Resources considers a career profile “complete” when data is present in three profile fields: education, job history, and skills.

The office used a variety of campaigns to encourage employees to complete their career profiles, including working with specific agencies to provide resources and guidance. Based on the office's reports, the number of completed employee profiles for one agency the office worked with rose from 237 to 819 between Jan. 1, 2021, and April 30, 2022. In addition, employees citywide have been able to receive points toward wellness rewards as an incentive for completing their career profiles.

Human Resources officials said they plan to continue this approach. For instance, according to a project schedule we reviewed, the office plans to develop a new training program in 2022 that will guide employees on how to complete their career profile in Workday. Another project, also planned for this year, aims to enhance Workday so it will automatically update an employee's career profile when they change jobs within the city.

Because the Office of Human Resources' actions resulted in a significant increase in the number of completed career profiles, and because it plans to continue to offer incentives and other resources designed to further increase this number, we consider this recommendation fully implemented.

FINDING 2 | The Office of Human Resources Should Strengthen Its Review of How Agencies Allocate Merit Increases to Ensure They Comply with City Rules



PARTIALLY IMPLEMENTED

Recommendation 2.1

REQUIRE THAT AGENCY MERIT ALLOCATION METHODOLOGIES ARE SUBMITTED AND REVIEWED – The Office of Human Resources’ Director of Classification and Compensation should require city agencies to submit their allocation methodologies during the merit increase review process to ensure that agencies are complying with Human Resources’ merit allocation review guidelines and Career Service Rule 13. At a minimum this review should include:

- Verifying that the city agency allocation methodology was applied consistently across all eligible agency employees.
- Verifying that the proration calculations were performed correctly using the Office of Human Resources’ formula.
- Verifying that lump-sum payments were assigned appropriately and that they equal the correct amount according to the city agency’s allocation methodology.

AGENCY ACTION

Agency’s original target date for completion: Jan. 31, 2022, contingent upon the city having a merit program in 2022 or any subsequent year

In 2022, the city approved a merit increase to recognize employees’ 2021 work performance.

As part of the city’s 2022 merit program, the Office of Human Resources created a standardized merit template for city agencies to use to improve accuracy and increase standardization around the merit increase process. Agencies used this template to document their agency’s merit allocation methodology and each employee’s corresponding merit increase percentage.

The template also contained other useful information for the agency personnel who assign merit increases, including examples of different allocation methodologies agencies could choose from and the city’s merit increase guidelines — referred to as the city’s merit table — that each agency’s merit allocation methodology had to adhere to. For example, the city’s merit increase guidelines specified that employees who received a

2021 performance rating of “successful” and above should receive at least a 2.4% merit increase in 2022.

Along with the standardized template, the Office of Human Resources developed a procedure to ensure its compensation analysts received and reviewed a completed merit template from each city agency. The purpose of this review was to identify errors and any noncompliance with the city’s Career Service Rules.

The template included pre-populated formulas designed to help reduce human error and to aid the office’s compensation analysts in ensuring allocation methodologies were consistently applied and that they complied with city guidelines. The template also included the data needed to automatically calculate employees’ prorated increases and lump-sum payments, where applicable.

However, despite these improvements, we found the review process lacks a requirement for compensation analysts to document that they completed a review. We spoke with several analysts who said they worked with staff responsible for allocating merit increases at various agencies, and they said they worked with them to resolve issues during their review before merit increases were input and finalized in Workday, the city’s system of record.

However, the analysts could not provide documentation showing their reviews had resolved the issues.

Because of this limitation, our conclusions are based on the results of our independent review and re-calculation of agencies’ submitted merit allocation templates.

We verified that Human Resources collected and retained merit templates from all city agencies and that those templates included the agencies’ allocation methodology. We then used our professional judgment to choose a sample of agencies and review their approved merit worksheets. We verified that consistent and functioning formulas were used in each template, and we ensured that calculations for prorated increases and lump-sum payments were accurate and assigned appropriately.

Although the office’s review process for merit worksheet reviews did appear to reduce the risks associated with inconsistently applying merit increases for all employees, we found that compensation analysts approved some agency worksheets that were inconsistent with city rules. In one instance, we found an employee received a lower merit increase for a “successful” rating than was allowed by the city’s merit table. Human Resources officials said this was due to human error and they were working with the agency to resolve the issue.

Compensation analysts said their review includes ensuring the agency’s merit table is within the guidelines of the city’s approved merit table as part of checking for compliance with Career Service Rule 13. However, the office needs to further strengthen its review process to ensure analysts keep

documentation and evidence of their reviews and that they verify agency merit tables actually comply with city rules.

Therefore, we consider this recommendation only partially implemented.

Office of the Auditor

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