

**DEPARTMENT OF ADMINISTRATIVE SERVICES
HR AUDIT PROGRAM
CLASSIFICATION AUDIT REPORT**



**HR Audit Program
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SUMMARY

The HR Audit Program of the Human Resource Services Division (HRSD) issues its audit report on State agencies' allocations of positions to new classifications under phase one of the Administrative Classification Study (ACS). The new classifications implemented during phase one of the ACS included: Safety Specialists 1-3; Research Analysts 1-4; Training and Development Specialists 1-2; Fiscal Analysts 1-3; Compliance Specialists 1-3; Human Resource Assistant; Human Resource Analysts 1-3; Policy and Budget Analyst; and State Labor Relations Manager. Eight hundred seventy-four allocations made under phase one became effective January 1, 2002, and were reported to the Legislative Emergency Board during its April and June 2002 meetings.

The HRSD Classification Section assisted agencies in making 122 of the allocations to the new classifications. The audit included a review of 147 of the remaining 752 allocations in 49 agencies. The review was to determine if the position was allocated to the most appropriate class; if the position was designated appropriately under the Fair Labor Standards Act (FLSA); and if the position was designated to the appropriate type of state service. Of the 147 reviewed positions, 130 were allocated to the most appropriate classification; 109 were designated appropriately under the FLSA; and 129 were designated in the most appropriate type of state service. The position allocation findings were incorporated prior to the allocations being implemented by the Department of Administrative Services Budget and Management Division (DAS/BAM).

Agencies were also advised of the most appropriate FLSA and service type designations for each position and asked to change the employee and/or position data on the Position and Personnel Data Base (PPDB) to reflect the appropriate designation, if applicable. The audit group will perform a follow-up review in March 2003 to ensure that the required actions were taken by state agency human resource managers to bring these positions into compliance with FLSA provisions and statutory definitions for state service type designations.

Under HRSD State Policy 30.000.01 Position Management, state agency appointing authorities are responsible for ensuring that each position is allocated to the most appropriate classification within the State classification plan. The Policy also states that appointing authorities are responsible for determining the accurate statutory assignment or representation for each position. HRSD State Policy 20.005.20 Fair Labor Standards Act, requires state agency appointing authorities to determine the status (exempt and ineligible for overtime compensation or non-exempt and eligible for overtime) of each employee under the federal minimum wage and overtime law provisions.

BACKGROUND

In early 2000, the Human Resource Services Division, Classification Section (HRSD/Class), surveyed state employees in positions whose classifications were identified as ones that may no longer represent the current workforce needs. The survey was designed to identify job duties being performed and responsibilities assigned to the various positions currently in the following statewide classifications: Program Representatives and Technicians; Personnel Technician; Personnel Officer; Fiscal Coordinator; Budget Analyst; Principal Contributor; Executive Assistant; Executive Analyst; Research Analyst; Training Specialist; and Agency Program Trainer. Agencies using the following agency-specific classifications: Worker's Compensation Auditor; Measurement Standards Specialist; Liquor Regulatory Coordinator; and Unemployment Insurance Examiner, elected to allocate subject positions to the new statewide Compliance Specialist classification series.

Draft classification concepts were developed and reviewed by agency human resource management staff. From these concepts, HRSD/Class grouped duties and responsibilities with similar levels of

complexity and requisite knowledge, skills, and abilities into classification specifications or series of classes. The draft classification specifications were available for review by agency human resource management staff, agency managers, employees, and collective bargaining unit representatives. Comments and recommendations received during this review were used to finalize the classification specifications. Once the classification specifications were final, agencies began allocating positions to the new class specifications.

AUDIT SCOPE

This audit reviewed state agencies' allocations to the new classifications implemented during phase one of the Administrative Class Study (ACS). It also included a review of the Fair Labor Standards Act (FLSA) status and service type designations for each position selected for review. In July 2001, a random sample of 39 positions was selected from those allocated by state agencies under phase one of the ACS prior to the original allocation deadline of May 2001. An additional random sample of 75 positions was selected from positions allocated after the May deadline, but prior to the final deadline for all allocations (November 16,

Audit Scope (continued)

2001). The audit samples ensured that the team reviewed at least ten percent of each agency's allocations overall and at least one allocation in each level of each class series for each agency.

AUDIT METHODOLOGY

The HR Audit Team scheduled the audit of agencies' allocations to classifications implemented under phase one of the Administrative Class Study (ACS) at the request of DAS management. The risk analysis identifies agency position allocations as a "Priority 1," indicating that this practice carries medium to high monetary, legal and/or public perception impact potential.

Data used in this audit was obtained from the database maintained by the Department of Administrative Services, Human Resource Services Division, Classification Section (HRSD/Class). Data used in this review was also obtained from the statewide Position and Personnel DataBase (PPDB) administered and maintained by the Personnel Systems Section of HRSD. The PPDB was used to identify the service type and FLSA status for each selected position.

A random sample of 114 of the 752 subject position allocations was selected for review. Initial letters were sent to the 49 agencies included in the review requesting a position description and allocation analysis for each position included in the review. Position descriptions were reviewed to determine if: 1) the position was allocated to the most appropriate classification; 2) the position was appropriately designated under the Fair Labor Standards Act (FLSA); and 3) the position was designated to the most appropriate type of state service. The following preliminary findings were sent to agencies:

- Fifteen agencies were informed that based on the position description(s) provided, all of the positions for their specific agency were allocated appropriately and were designated appropriately under the FLSA and to the correct service type.
- Thirty-two agencies were informed that based on the position description(s) provided, the allocation, FLSA status, or service type were not appropriate for at least one position reviewed for their agency.
- Two agencies were informed that based on the number of possible misallocations identified in the initial audit sample, additional positions from the specific agency would be included in the audit. Position descriptions and allocation analyses were requested for each of the positions added.

After evaluation of additional information provided by agencies in response to the preliminary findings, final determinations were made on the allocations for the 114 positions that were included in the audit sample in addition to the 33 positions added to the audit due to the number of allocation errors found in two of the agencies.

Individual reports of the findings and the necessary

corrective actions were sent to the affected agencies.

Final position allocation decisions were forwarded to the HRSD/Class section for 119 of the reviewed positions for inclusion in the allocations reported to the April 2002 meeting of the Emergency Board. The remaining 28 allocation decisions were forwarded to the HRSD/Class section and reported to the May 2002 meeting of the Emergency Board.

SUMMARY OF FINDINGS

The following findings were made from the 147 positions reviewed in 49 agencies:

Allocations

- 130 of the audited positions (88.4%) were allocated to the most appropriate classification.
- 12 of the audited positions (8.2%) were allocated to a higher level within a series than was appropriate.
- 1 of the audited positions (< 1%) was allocated to a lower level within a series than was appropriate.
- 3 of the audited positions (2.0%) were allocated to the wrong classification series.
- 1 of the positions in the audit sample (< 1%) was removed from phase one of the ACS by the agency and was not included in this review.

Fair Labor Standards Act (FLSA) Designations

- 109 of the audited positions (74.1%) were designated appropriately under the FLSA for overtime eligibility.
- 4 of the audited positions (2.7%) were designated as "non-exempt" and eligible for overtime, but met the criteria for an exempt position under the FLSA.
- 33 of the audited positions (22.4%) were designated as "exempt" and not eligible for overtime under the FLSA, but did not meet the criteria for exemption and should be eligible for overtime pay.
- 1 of the positions in the audit sample (< 1%) was removed from phase one of the ACS by the agency and was not included in this review.

State Service Type Designations

- 129 of the audited positions (87.8%) were designated to the appropriate type of state service.
- 8 of the audited positions (5.4%) were designated as "classified," but met the definition for management service under ORS 243.650.
- 7 of the audited positions (4.8%) were designated as "management service," but did not meet the definition for management service under ORS 243-650.
- 2 of the audited positions (1.4%) were designated as "executive service," but did not meet the definition for unclassified service under ORS 240.205.
- 1 of the positions in the audit sample (< 1%) was removed from phase one of the ACS by the agency and was not included in this review.

Summary of Findings (continued)

Individual reports of the final findings were sent to the appropriate agencies between March and May 2002. Reports included a notice to the agency that any positions allocated to an inappropriate level within a classification included in phase one of the ACS had been changed to the most appropriate level and the new level had been communicated to the HRSD Classification Section and the Budget and Management Division. The reports also included the actions necessary to: 1) correct allocations that required the agency to process a reclassification; 2) designate positions to the correct status under the FLSA; and/or 3) designate positions to the correct type of state service.

ESTIMATE OF COSTS AVOIDED

The estimated biennialized Personal Services costs avoided as a result of these findings is \$206,000. This figure does not include inflationary increases or the future costs resulting from the impact on the statewide classification system over time.

Actual savings or costs avoided by audit findings related to positions' designation for overtime eligibility and/or type of state service are not easily identifiable. The findings during this audit lessened the State's risk of potential penalties, fines, wage claims, and monetary judgments that could result from noncompliance with federal and state wage laws and placement of positions in the wrong type of state service.

This audit was conducted by staff of the HR Audit Program of the Human Resource Services Division (HRSD) in the Department of Administrative Services (DAS) in accordance with the requirements of ORS 240.311 (1) and HRSD State Policy 10.025.01.

