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State Auditor

A Classification Compliance Audit Report on

# **Property Management and Procurement Positions at Selected Education Agencies**

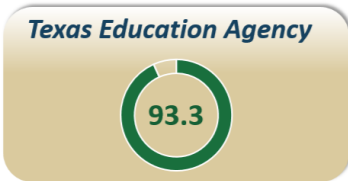
May 2022  
Report No. 22-704



# A Classification Compliance Audit Report on Property Management and Procurement Positions at Selected Education Agencies

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Percentage of Employees  
Correctly Classified



## Overall Conclusion

The majority (93.2 percent) of the 59 employees tested were classified correctly within the State’s Position Classification Plan. Employees tested included those classified within the Property Management and Procurement occupational category, or performing similar work, at two agencies within Article III (Education) of the General Appropriations Act (87th Legislature):

- Teacher Retirement System (TRS), which correctly classified 13 of the 14 employees tested.
- Texas Education Agency (TEA), which correctly classified 42 of the 45 employees tested.

## Key Points

TRS and TEA asserted that they will take appropriate action to address the four misclassifications.

The agencies asserted that they will reclassify four employees into a different job classification series. For example, to correct one misclassification, an agency will reclassify a Contract Specialist to a Contract Administration Manager.

The agencies also asserted that no costs will be associated with the four reclassifications and that no employee will receive a salary decrease because of this audit.

See the text box for key definitions.

**Employees performing property management and procurement work at TRS and TEA are an experienced group of professionals. Most have a bachelor’s degree or higher.**

Employees within the scope of this audit who were or will be classified in a job classification series within the Property Management and Procurement occupational category

### Position Classification Plan Definitions

**Occupational Category** - A broad series of job families characterized by the nature of work performed (for example, Property Management and Procurement).

**Job Classification Series** - A hierarchical structure of jobs arranged into job classification titles involving work of the same nature but requiring different levels of responsibility (for example, Purchaser I through Purchaser VII).

**Reclassification** - The act of changing a position from one job classification to another job classification that better reflects the level or type of work being performed (for example, reclassifying a Contract Specialist to a Contract Administration Manager).

This audit was conducted in accordance with Texas Government Code, Sections 654.036 and 654.038.

For more information regarding this report, please contact Sharon Schneider, Managing Classification Analyst, or Lisa Collier, State Auditor, at (512) 936-9500.

have an average of 11.0 years of occupational experience. The majority (69.6 percent) have a bachelor’s degree or a higher-level degree.

**Employees performing purchasing and contract work at TRS and TEA have at least one related certification or have an exemption.**

Of the 25 employees who were or will be classified either in the Contract Administration Manager, Contract Specialist, or Purchaser job classification series:

- 24 were certified with one or more procurement-related certifications.
- 1 employee who did not have a procurement related certification is a licensed attorney and thus is exempted from procurement-related certification requirements according to Texas Administrative Code, Title 34, Rule 20.133.

Table 1 presents a summary of the findings in this report and the related issue ratings. (See Appendix 2 for more information about the issue rating classifications and descriptions.)

Table 1

Summary of Chapters/Subchapters and Related Issue Ratings		
Chapter/ Subchapter	Title	Issue Rating <sup>a</sup>
1	Property Management and Procurement Employee Headcount Trends and Salary Range Utilization at State Agencies	Not Rated
2-A	Analysis of Misclassified Employees at TRS	Low
2-B	Analysis of Misclassified Employees at TEA	Low
3	Education, Experience, and Certifications for Property Management and Procurement Employees at TRS and TEA	Not Rated

<sup>a</sup> For the purposes of this audit, some of the factors considered to help determine the issue rating included percent of correctly classified employees, required salary increases associated with the reclassifications, and the timeliness of action to address the misclassifications. Another factor is the type and degree of misclassification; for example, an employee who is classified in an incorrect job classification series or an incorrect occupational category.

A chapter/subchapter is rated **Priority** if the issues identified present risks or effects that if not addressed could critically affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated **High** if the issues identified present risks or effects that if not addressed could substantially affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern and reduce risks to the audited entity.

A chapter/subchapter is rated **Medium** if the issues identified present risks or effects that if not addressed could moderately affect the audited entity’s ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern and reduce risks to a more desirable level.

A chapter/subchapter is rated **Low** if the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

## ***Summary of Management's Response***

At the end of Subchapters 2-A and 2-B, the State Auditor's Office made recommendations to address the misclassifications identified during this audit. The Teacher Retirement System and Texas Education Agency agreed with the recommendations.

## ***Audit Objective and Scope***

The objective of this classification compliance audit was to determine whether selected state agencies are properly classifying employees in conformance with the State's Position Classification Plan, and complying with related laws, policies, and procedures.

The scope<sup>1</sup> of this audit included 59 employees from Article III (Education) of the General Appropriations Act (87th Legislature) who were classified within the Property Management and Procurement occupational category or performing procurement-related work as of December 1, 2021. The agencies selected for this audit were the Teacher Retirement System and the Texas Education Agency.

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<sup>1</sup> The scope may exclude employees who were on extended leave, were promoted, or who left the agency during audit fieldwork.

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# Detailed Results

Chapter 1

## Property Management and Procurement Employee Headcount Trends and Salary Range Utilization at State Agencies

In fiscal year 2021, state agencies employed an average of 2,982 full-time and part-time classified employees in a job classification series within the Property Management and Procurement occupational category. Of those, 2.1 percent<sup>2</sup> were employed at the Teacher Retirement System (TRS) and the Texas Education Agency (TEA).

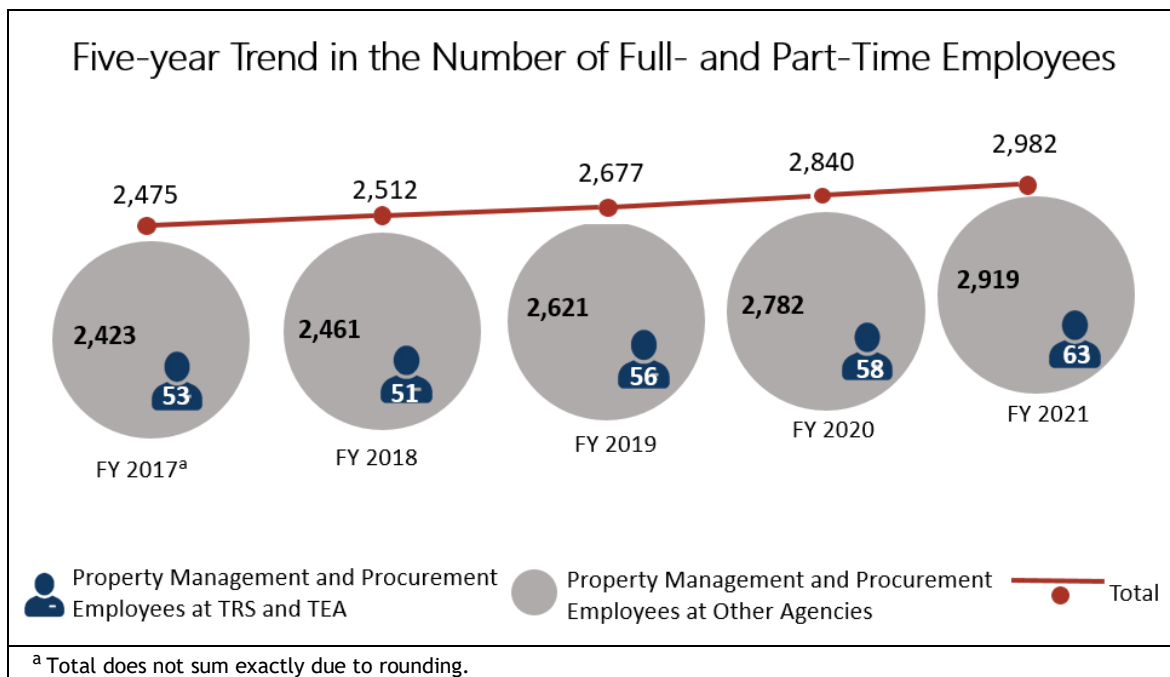
### Types of Duties Performed

State agency employees classified in jobs within the Property Management and Procurement occupational category perform a wide variety of work, such as:

- Administering grant development.
- Evaluating and managing contracts.
- Purchasing goods and services.
- Managing buildings and fleet operations.

As shown in Figure 1, the total number of employees in the Property Management and Procurement occupational category increased by 20.5 percent from fiscal year 2017 to fiscal year 2021.

Figure 1



Sources: Uniform Statewide Payroll/Personnel System, Human Resource Information System, and Standardized Payroll/Personnel Reporting System.

<sup>2</sup> The percentage is based on the number of employees in fiscal year 2021, which is not the same as the number of employees within the audit scope. The difference is attributed to various factors such as employee turnover and employees on extended leave.

### Placement in Salary Ranges

Using the full salary range to accommodate employees' different levels of skills and experience, as well as job performance, may help agencies improve employee recruitment and reduce turnover.

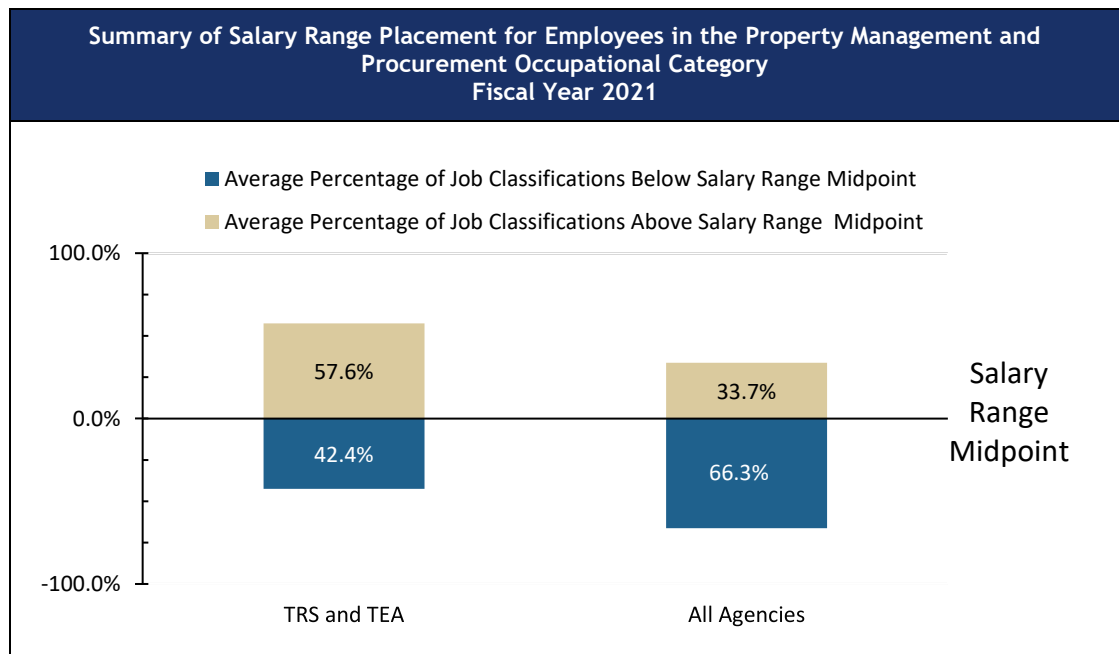
Where employees are placed and movement within salary ranges may depend on factors such as:

- Experience
- Job Performance
- Degree and Certifications
- In-demand Skills

**Salary Range Utilization.** Each job classification in the State's Position Classification Plan corresponds to a salary range that provides the minimum, midpoint, and maximum salary rates. Texas Government Code, Section 654.014, authorizes state agencies to determine an employee's salary rate within the applicable salary group for the employee's job classification title. State agencies can use the entire salary range when setting pay for each position.

As Figure 2 indicates, the majority (57.6 percent) of full-time classified employees within the Property Management and Procurement occupational category at TRS and TEA were paid above the salary range midpoint in fiscal year 2021. By comparison, only 33.7 percent of employees at all state agencies combined were paid above the salary range midpoint.

Figure 2



Sources: Uniform Statewide Payroll/Personnel System, Human Resource Information System, and Standardized Payroll/Personnel Reporting System.

## Analysis of Employee Classification in the Property Management and Procurement Job Classification Series at TRS and TEA

The majority (93.2 percent) of the 59 employees within the scope of this audit at TRS and TEA were correctly classified within the State’s Position Classification Plan.

To address the four misclassifications, TRS and TEA will reclassify<sup>3</sup> those employees into a different job classification series<sup>4</sup>. The agencies asserted that no cost will be associated with the reclassifications and that no employee will receive a reduction in salary because of this audit. Table 2 summarizes the results of this audit by agency.

### Importance of Appropriate Job Classification

Appropriate job classification is important in determining salary rates that are competitive for the work performed. If employees are classified in positions at too low of a level for the work they perform, they could be underpaid. This could result in higher turnover, which could be costly for the agencies in terms of hiring and training new staff or through lost productivity. If employees are classified in positions at too high of a level for the work they perform, state agencies may be paying the employees more than their job duties and responsibilities warrant. This can also create internal pay inequities within an agency.

Table 2

Summary of Employees Tested by Agency				
Agency Name	Number of Employees Tested	Number of Misclassified Employees	Percentage of Misclassified Employees	Percentage of Correctly Classified Employees
Teacher Retirement System	14	1	7.1	92.9
Texas Education Agency	45	3	6.7	93.3
<b>Totals</b>	<b>59</b>	<b>4</b>	<b>6.8</b>	<b>93.2</b>

<sup>3</sup> Reclassification is the act of changing a position from one job classification to another job classification that better reflects the level or type of work being performed.

<sup>4</sup> A job classification series is a hierarchical structure of jobs arranged into job classification titles involving work of the same nature but requiring different levels of responsibility (for example, Purchaser I through Purchaser VII).



## Analysis of Misclassified Employees at TRS

**Chapter 2-A  
Rating:**  
Low <sup>5</sup>



TRS identified 14 employees who were classified in the Property Management and Procurement occupational category<sup>6</sup> or performing similar work; all but 1 employee were correctly classified in accordance with the State’s Position Classification Plan. TRS asserted that it will take appropriate action to address the one misclassification by reclassifying that employee into a different job classification series. The agency asserted that no cost will be associated with reclassifying this employee and that no employee will receive a reduction in salary because of this audit.

Table 3 shows the number of employees tested by job classification series, as well as the number of misclassified employees.

Table 3

Summary of Employees Tested by Job Classification Series at TRS		
Job Classification Series	Number of Employees Tested	Number of <u>Misclassified</u> Employees
Accountant <sup>a</sup>	1	1
Contract Administration Manager	1	0
Contract Specialist	6	0
Property Manager	3	0
Purchaser	3	0
<b>Totals</b>	<b>14</b>	<b>1</b>

<sup>a</sup> Included in the testing was one employee performing procurement-related work in a job classification series within the Accounting, Auditing, and Finance occupational category. TRS will reclassify the employee to a job classification series in the Program Management occupational category.

### Recommendation

To comply with the State’s Position Classification Plan, TRS should complete the reclassification for the misclassified employee.

<sup>5</sup> The risk related to the issues discussed in Chapter 2-A is rated as Low because the audit identified strengths that support the audited entity’s ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity’s ability to effectively administer the program(s)/function(s) audited.

<sup>6</sup> An occupational category is a broad series of job families characterized by the nature of work performed.

## **Management's Response**

*TRS agrees with the recommendation to reclassify the employee identified as misclassified during this audit and has completed the reclassification process with effective date April 1, 2022.*

*Person Responsible: Chief Organizational Excellence Officer*

*Completion Date: April 1, 2022*

**Analysis of Misclassified Employees at TEA**Chapter 2-  
B Rating:Low <sup>7</sup>Correctly  
Classified

93.3%

TEA identified 45 employees who were classified in the Property Management and Procurement occupational category; all but 3 were correctly classified in accordance with the State's Position Classification Plan. TEA asserted that it will take appropriate action to address the three misclassifications by reclassifying those employees into different job classification series. The agency asserted that no cost will be associated with reclassifying the employees and that no employee will receive a reduction in salary because of this audit.

Table 4 shows the number of employees tested by job classification series, as well as the number of misclassified employees.

Table 4

**Summary of Employees Tested by Job Classification Series at TEA**

Job Classification Series	Number of Employees Tested	Number of <u>Misclassified</u> Employees
Contract Administration Manager	2	0
Contract Specialist	12	1
Grant Specialist <sup>a</sup>	28	1
Inventory and Store Specialist	1	0
Purchaser <sup>a</sup>	2	1
<b>Totals</b>	<b>45</b>	<b>3</b>

<sup>a</sup> The misclassified employee was reclassified to a job classification series in the Program Management occupational category.

**Recommendation**

To comply with the State's Position Classification Plan, TEA should complete all reclassifications for the misclassified employees.

**Management's Response**

*Management agrees with the recommendation and has already taken action to address the classification of the three positions identified.*

<sup>7</sup> The risk related to the issues discussed in Chapter 2-B is rated as Low because the audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

## ***Education, Experience, and Certifications for Property Management and Procurement Employees at TRS and TEA***

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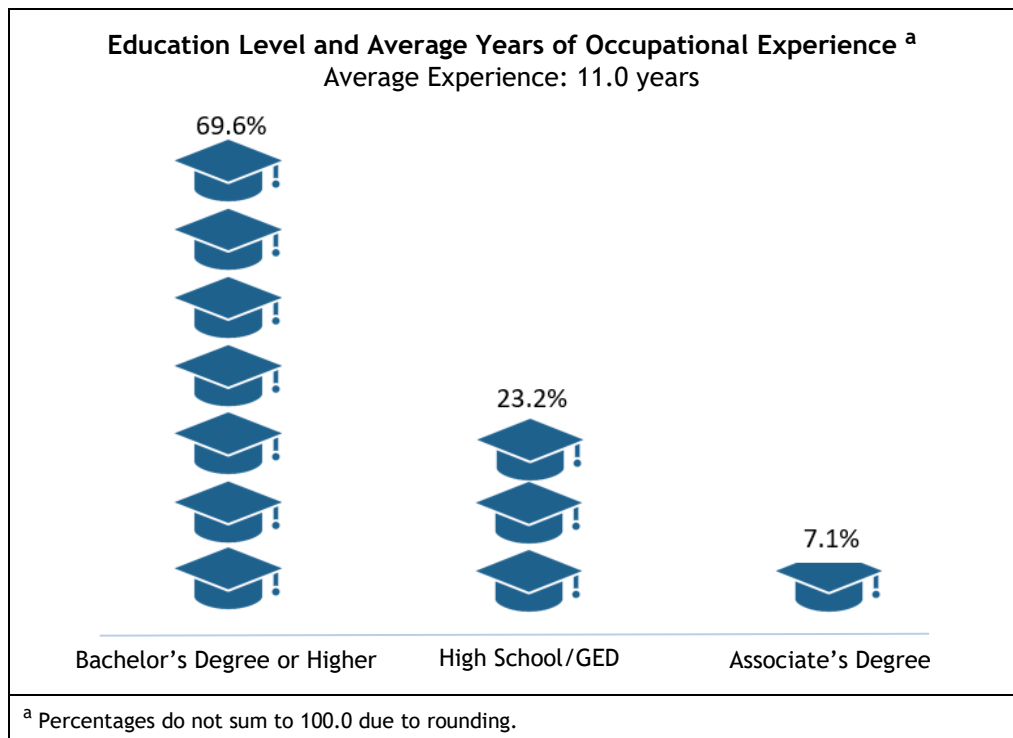
To better understand the education, experience level, and certifications obtained by employees in procurement positions, auditors gathered information directly from employees at TRS and TEA. This chapter summarizes that information.

### Chapter 3-A

## **Education and Experience**

Employees<sup>8</sup> within the scope of this audit had an average of 11.0 years of occupational experience. The majority (69.6 percent) had a bachelor's degree or a higher-level degree. See Figure 3 for additional details on education levels.

Figure 3



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<sup>8</sup> Represents the 56 employees who were or will be correctly classified in a Property Management and Procurement job classification title. The information excludes three employees who were or will be classified into a job classification series that is not within the Property Management and Procurement occupational category.

## Professional Certifications for Procurement Employees

### Procurement Roles

**Purchasing** - The receipt and processing of requisitions, development of specifications, development of statement of work, the issuance of purchase orders against existing statewide, cooperative or agency contracts, and the verification of the inspection of merchandise or receipt of services by the agency.

**Contract Development** - The term applies to actions taken prior to contract execution.

**Contract Management** - The term applies to actions taken following contract execution and ensuring that contract performance and practices are consistent with applicable rules, laws, and the *State of Texas Procurement and Contract Management Guide*.

Source: *State of Texas Procurement and Contract Management Guide - Version 2.1*.

The Office of the Comptroller of Public Accounts administers a certification program for Texas “public procurement professionals,” defined as agency employees who conduct purchasing, contract development, or contract management activities. See the text box for definitions.

Depending on an employee’s job title and/or duties and responsibilities, the following certifications may be required for public procurement professions:

- Certified Texas Contract Developer
- Certified Texas Contract Manager

Of the 25 employees who were or will be classified in either the Contract Administration Manager, Contract Specialist, or Purchaser job classification series:

- 24 employees had at least one of the certifications listed above.
- 1 employee did not have either of the above certifications; however, that employee is a licensed attorney and thus is exempted from certification requirements, according to Texas Administrative Code, Title 34, Rule 20.133.

# Appendices

Appendix 1

## **Objective, Scope, and Methodology**

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### **Objective**

The objective of this classification compliance audit was to determine whether selected state agencies are properly classifying employees in conformance with the State’s Position Classification Plan, and complying with related laws, policies, and procedures.

### **Scope**

The scope<sup>9</sup> of this audit included 59 employees from Article III (Education) of the General Appropriations Act (87th Legislature) who were classified within the Property Management and Procurement occupational category or performing procurement-related work as of December 1, 2021. The state agencies selected for this audit were the Teacher Retirement System and the Texas Education Agency.

### **Methodology**

The audit methodology included collecting information and documentation related to employee classifications and reviewing and analyzing survey responses completed by employees at both agencies. To help ensure the accuracy of the self-reported classification information, auditors asked supervisors to verify the survey responses and conducted interviews with management at both agencies.

The State Auditor’s Office’s State Classification Team evaluates jobs on a “whole job” basis to determine proper job classifications. The determinations are primarily based on a comparison of the duties and responsibilities comprising the majority of work being performed against the state job descriptions.

When determining proper classification, the State Classification Team does not focus on specific differences between levels in a job classification series (for example, Grant Specialist I compared to Grant Specialist II). Instead, the State Classification Team considers whether an employee is appropriately classified within broad responsibility levels, such as Staff Grant Specialist

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<sup>9</sup> The scope may exclude employees who were on extended leave, were promoted, or who left the agency during audit fieldwork.

(Grant Specialist I and Grant Specialist II) compared to Senior Grant Specialist (Grant Specialist III, Grant Specialist IV, and Grant Specialist V).

The State Classification Team used an automated job evaluation process and populated a database with information regarding the employees whose positions were tested. Employees at both agencies verified the information to ensure that all employees within the audit scope were included. Employees were then asked to complete online surveys describing the work they perform and the percentage of time they spend performing each of their duties. Supervisors were asked to review and verify employees' survey responses.

Completed survey results were entered into an automated job evaluation system, which made an initial determination of whether the employees were appropriately classified. The State Classification Team reviewed all surveys to determine and validate the proper classification of employees. The State Classification Team made follow-up calls or sent clarification emails to gather additional information as needed. Each agency then had the opportunity to review and address potential misclassifications.

#### **Data Reliability and Completeness**

Auditors determined that the data in the Classification Compliance Audit System was reliable for the purposes of this audit.

Information collected and reviewed included the following:

- Surveys completed by employees and verified by their supervisors at both agencies audited.
- Correspondence from the human resources offices and supervisors at both agencies.

Procedures and tests conducted included the following:

- Performed follow-up procedures at the agencies to validate proper classification of employees and to gather additional information to resolve discrepancies.

Criteria used included the following:

- Texas Government Code, Chapter 654.
- State job descriptions.

## Project Information

Audit fieldwork was conducted from December 2021 through April 2022. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Kathy-Ann Moe, MBA, SHRM-CP (Project Manager)
- Nick Dufour
- Taylor Sams, MBA, CIA, CGAP
- Juan R. Sanchez, MPA
- Lara Foronda Tai, PHR, SHRM-CP
- Mary Ann Wise, CPA, CFE (Quality Control Reviewer)
- Sharon Schneider, CCP, PHR, SHRM-CP (Managing Classification Analyst)



## Issue Rating Classifications and Descriptions

Auditors used professional judgment and rated the audit findings identified in this report. Those issue ratings are summarized in the report chapters/sub-chapters. The issue ratings were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings.

For the purposes of this audit, some of the specific factors considered included percentage of correctly classified employees, whether the reclassifications necessitated salary increases, and the timeliness of action to address the misclassifications. Another factor is the type and degree of misclassification—for example, classification of an employee in an incorrect job classification series or an incorrect occupational category. Auditors also identified and considered other factors when appropriate.

Table 5 provides a description of the issue ratings presented in this report.

Table 5

Summary of Issue Ratings	
Issue Rating	Description of Rating
Low	The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited <u>or</u> the issues identified do not present significant risks or effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.
Medium	Issues identified present risks or effects that if not addressed could <u>moderately affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.
High	Issues identified present risks or effects that if not addressed could <u>substantially affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.
Priority	Issues identified present risks or effects that if not addressed could <u>critically affect</u> the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

Copies of this report have been distributed to the following:

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The Honorable Dade Phelan, Speaker of the House, Joint Chair  
The Honorable Joan Huffman, Senate Finance Committee  
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The Honorable Morgan Meyer, House Ways and Means Committee

### **Office of the Governor**

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### **Texas Education Agency**

Mr. Mike Morath, Commissioner



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