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An Audit Report on

A Classification Compliance Review Report on the State's Employment Positions

May 2006

Report No. 06-705



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Overall Conclusion

The State Auditor's Office's State Classification Office reviewed 866 employment positions and found that 815 (94 percent) of these positions were classified correctly. Agencies took appropriate action in resolving misclassified positions. Agencies have reported that they will spend \$1,728 to properly classify these positions.

Background Information

Texas Government Code, Sections 654.036 (2) and (3), specifies that the State Auditor's Office's State Classification Office "shall advise and assist state agencies in equitably and uniformly applying the [classification] plan and conduct classification compliance audits to ensure conformity with the plan."

Key Points

Ninety-four percent of employment positions were identified as correctly classified.

Of the 866 employment positions reviewed, 815 (94 percent) were identified as correctly classified. Of the 51 employees in positions that were identified as misclassified, 44 (86 percent) had their job duties changed so they could remain in their current titles and be properly classified.

Agencies will spend \$1,728 to properly classify positions.

Collectively, agencies will spend \$1,728 to properly classify positions that were misclassified. In all but one case, agencies were able to reclassify positions without changing the salaries. One position required an annual salary increase of \$1,728.

Proper classification of positions ensures efficient and effective use of resources.

Misclassified positions can pose a business risk to agencies through their effect on services and budgets. If employees are classified in positions at too high of a level for the work they perform, agencies may be paying the employees more than their job duties warrant. If employees are classified in positions at too low of a level for the work they perform, employees could be underpaid. This could affect the employees' morale and lower their motivation, thus affecting services to the citizens of Texas. In addition, it could result in higher turnover, which could be costly for the agencies.

Summary of Objective, Scope, and Methodology

The objective of this classification compliance review was to determine whether agencies conform to the Position Classification Plan by ensuring proper classification of positions.

The scope of this review included employees classified within the Employment Specialist, Unemployment Insurance Claims Examiner, and Unemployment Insurance Specialist class series.

The State Auditor's Office's State Classification Office uses the classification method of job evaluation when reviewing positions and determining proper classifications. These determinations are primarily based on the comparison of duties and responsibilities being performed with the state job description for each position.

Detailed Results

Chapter 1

Employment Positions

Table 1

Positions Reviewed	
Class Series	Number of Employees
Employment Specialist	537
Unemployment Insurance Claims Examiner	258
Unemployment Insurance Specialist	71
Total	866

Of the 866 employment positions reviewed, 815 positions (94 percent) were classified correctly. The positions reviewed included Employment Specialists, Unemployment Insurance Claims Examiners, and Unemployment Insurance Specialists (see Table 1). See Appendix 2 for a list of the agencies at which these positions were reviewed.

Chapter 1-A

Classification

Most agencies appropriately classified their employment positions. Of the 866 employment positions reviewed, 815 (94 percent) were identified as correctly classified.

As Table 2 on the following page shows, of the 51 employees in positions that were identified as misclassified, 44 (86 percent) had their job duties changed so they could remain in their current titles and be properly classified.

Table 2

Analysis of Misclassified Positions				
Class Series ^a	Number of Employees Who Moved Up to a Higher Class Title within the Same Class Series ^b	Number of Employees Who Moved Down to a Lower Class Title within the Same Class Series ^c	Number of Employees Who Moved to/from a Different Class Series ^d	Number of Employees Who Had Their Duties Changed to Remain in Their Current Class Titles
Employment Specialist	5	0	0	18
Unemployment Insurance Claims Examiner	0	0	0	4
Unemployment Insurance Specialist	1	1	0	22
Total Misclassifications	6	1	0	44

^a A class series is a category of job or "class" titles.

^b For example, an employee classified as an Employment Specialist IV has been reclassified to an Employment Specialist V.

^c For example, an employee classified as an Employment Specialist V has been reclassified to an Employment Specialist IV.

^d For example, an employee classified as an Unemployment Insurance Specialist I has been reclassified to an Unemployment Insurance Claims Examiner II, or an employee classified as a Program Specialist II has been reclassified to an Employment Specialist VII.

Collectively, agencies will spend \$1,728 to properly classify positions that were misclassified. In all but one case, agencies were able to reclassify positions without changing the salaries. One position required an annual salary increase of \$1,728.

Chapter 1-B

Importance of Proper Employee Classification

The proper classification of positions ensures efficient and effective use of resources. Misclassified positions can pose a business risk to agencies through their effect on services and budgets. If employees are classified in positions at too high of a level for the work they perform, agencies may be paying the employees more than their job duties warrant. If employees are classified in positions at too low of a level for the work they perform, employees could be underpaid. This could affect the employees' morale and lower their motivation, thus affecting services to the citizens of Texas. In addition, it could result in higher turnover, which could be costly for the agencies.

Appendices

Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this classification compliance review was to determine whether agencies conform to the Position Classification Plan in ensuring proper classification of positions.

Scope

The scope of this review included employees classified within the Employment Specialist, Unemployment Insurance Claims Examiner, and Unemployment Insurance Specialist class series at agencies.

Methodology

In determining whether positions were appropriately classified, we reviewed the following:

- State job descriptions
- Surveys completed by employees and verified by their supervisors
- Internal salary relationships

The State Auditor's Office's State Classification Office uses the classification method of job evaluation when reviewing positions and determining proper classifications. These determinations are primarily based on the comparison of duties and responsibilities being performed with the state job description for each position.

When determining proper classification, the State Classification Office does not focus on specific differences between one level and the next in a class series (for example, Employment Specialist I versus Employment Specialist II). We consider whether an employee is appropriately classified within broad responsibility levels, such as Staff Employment Specialist versus Senior Employment Specialist.

Additionally, an agency's internal job evaluation process and career ladders should not drive determinations of proper classification. The State's classification and compensation system is intended to provide an overall framework of appropriate pay for specific duties performed. An agency's job evaluation process and career ladders should support the overall concept of the State's system.

The State Classification Office has an automated job evaluation process. We populated a database with information about the employees whose positions were reviewed. Staff in agency human resources departments verified the information in the database to ensure that all positions were included. Employees were then asked to complete online surveys. Employees were allowed to add duties they perform that were not listed in the survey, and they also identified the percentage of time they spend performing their duties. Supervisors were asked to complete their reviews of the employees' surveys.

Completed survey results were entered into the automated job evaluation system, which made an initial determination of whether the positions were appropriately classified, and agencies were given an opportunity to review and address potential misclassifications. To address each potential misclassification, agencies could reclassify an employee to a class title consistent with the work performed, change an employee's duties to conform to the assigned class title, or provide justification to explain why an employee was appropriately classified.

We made follow-up calls to determine and validate proper classification of positions and to gather additional information to resolve discrepancies.

We would like to commend the Texas Workforce Commission, which had the vast majority of employees within the scope of the review yet submitted completed surveys and responses to potential misclassifications prior to or on the due dates.

Demographic and salary comparison graphs for the agencies' employment positions can be found at the following Web site:
<http://sao.hr.state.tx.us/Compensation/classaudit.html>.

Project Information

This review was conducted under the requirements of Texas Government Code, Section 654.036 (3).

The following employees of the State Auditor's staff prepared this report:

- Juliette Torres, CCP, PHR (Project Manager)
- Sharon Schneider, PHR
- J. Scott Killingsworth, CIA (Quality Control Reviewer)
- Susan A. Riley, CPA (Assistant State Auditor)

Final Classifications

Table 3 below provides the number of positions classified within each class series after agencies made the necessary adjustments.

Table 3

Agency No.	Agency	Employment Specialist	Unemployment Insurance Claims Examiner	Unemployment Insurance Specialist	Total Positions
320	Texas Workforce Commission	534	258	71	863
538	Department of Assistive and Rehabilitative Services	2	0	0	2
694	Texas Youth Commission	1	0	0	1
	Totals	537	258	71	866

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