PROJECT SUMMARY

Standardization of the compensation administration procedures for the Texas A&M University System members located in Brazos County could reduce redundancies, promote efficiencies, and help address potential inequities among similar positions. Each of the ten Brazos County System members is responsible for managing its own compensation administration procedures. These procedures are comprised of the rules and processes used by management to implement the various elements of compensation administration including compensation structures, salary administration, and employee benefit programs. The Brazos County System members employ approximately 51% (9,700 employees) of the A&M System’s non-faculty employees.

System Regulation 31.01.01, Compensation Administration requires each CEO to establish and communicate salary administration rules, procedures and pay plans for all categories of positions. System members have taken various approaches in meeting this directive including relying on System regulations, developing individual rules and standard administrative procedures, and creating guidelines within internal manuals or website links to areas such as the Fair Labor Standards Act. The regulation does not define requirements for the format or content of member compensation plans resulting in inconsistent pay plans among members.

OBSERVATION, RECOMMENDATIONS, AND RESPONSE

Compensation Administration Procedures

Observation

The standardization of compensation administration procedures for System members located in Brazos County could promote efficiencies and help mitigate possible salary inequities among
similar positions. Procedures which could benefit from standardization include the rules and processes used by System members for compensation structures, salary administration, and employee benefit programs.

Additionally, the System regulation on compensation administration was last reviewed in April 2003. This is not in compliance with System Policy 01.01, System Policies, Regulations and Member Rules that requires each regulation be reviewed at least every two years. Out-of-date information increases the risk that members do not receive current guidance regarding compensation administration procedures.

As part of their compensation administration procedures, all Brazos County System members, with the exception of the A&M System Offices, have two pay plans in place, a classified pay plan and a non-classified pay plan. The purpose of the pay plans is to organize jobs and pay and to guide compensation decisions and control costs. Pay plans typically establish pay ranges that determine minimum, midpoint and maximum pay for each range as well as any overlap between pay ranges; however, not all Brazos County System member pay plans include a midpoint or maximum for each pay range.

Seven of the ten System members located in Brazos County follow the Texas A&M University Classified Pay Plan. This plan establishes the assigned salary range and minimum rate for each classified title as well as the title code and exemption status. These classified positions are sufficiently similar so that the same descriptive title can be used for each with a typical set of duties for all positions in that classification.

Four members are using the Texas A&M University Non-Classified Pay Plan. Non-classified positions are generally considered one of a kind, have negotiable salaries, are widely recruited, and carry a college degree and/or special training requirement. As of test work, approximately 3,600 Brazos County System member employees held classified titles while 6,100 held non-classified titles.

The reliance on the Texas A&M Classified and Non-Classified Pay Plans indicates a degree of standardization is already in place. The lack of a formal, standardized pay plan for Brazos County causes potential salary inequities among positions and inconsistent pay practices resulting in unmet employee expectations or overspending for certain salaries.
Repetition of similar job titles within the pay plans in place at System members has also resulted in repetition of career ladders. Career ladders define a series of levels within a job family where the nature of work is similar and levels represent requirements for increased skill, knowledge and responsibility as an employee moves through a career. While repetition of career ladders was identified, it was also noted that several System members rely on career ladders in place at Texas A&M University. For example, information technology career ladders are in place at four of ten individual System members while four other System members use the Texas A&M University information technology career ladder. Two members do not have information technology career ladders. Multiple career ladders cause potential salary inequities among positions and inconsistent pay practices resulting in unmet employee expectations or overspending for certain salaries.

While individual members may have job titles and career ladders truly unique to that member, such as foresters employed by the Texas Forest Service or dentists employed by the Texas A&M Health Science Center, these titles could be incorporated in a standard pay plan so as to effectively reduce the number of pay plans to manage.

A general comparison of common job categories and number of people employed in those categories was performed between System members in Brazos County and the State of Texas Position Classification Plan (State Plan). Results indicate that the State Plan is more compact while serving a larger number of people. For instance, in the category of information technology, 162 common titles exist among the System members while only 57 exist in the State Plan. There are 543 System member employees holding information technology titles within Brazos County while 4,780 employees hold information technology titles under the State Plan.

A contributing cause to the limited standardization of compensation administration procedures in the A&M System is the lack of an established human resources function for the Texas A&M University System as a whole. Compensation administration is a complex subject and a vital component of any organization. It must be managed in a way to allow an organization to achieve its mission, remain competitive with the market, and avoid unjustified financial costs.
Recommendations

The A&M System should:

1. Consider establishing a strategic human resources leadership role for the A&M System to provide guidance, assistance and consistency system-wide for compensation administration.

2. Consider standardizing compensation administration procedures for Brazos County System members including the development of a standardized pay plan. The standardized pay plan would provide the general framework for compensation and should ensure flexibility is retained to allow each member the ability to operationally manage certain aspects of compensation administration (i.e. adjustments for geographical market difference, merit increases, differences in funding stream).

3. Perform regular reviews of the pay plan to ensure job pay is competitive with market standards and in line with the A&M System’s pay philosophy and System members’ strategic priorities.

4. Update System Regulation 31.01.01, Compensation Administration to clearly define and reflect standardization of compensation administration procedures.

5. Consider expanding these recommendations to include compensation administration procedures for System members located outside of Brazos County.

Management’s Response

A strategic human resources leadership role will be established to provide guidance, assistance, and consistency system-wide for compensation administration. This HR leadership role will work collaboratively with all System members to develop and communicate a comprehensive pay plan for the A&M System; develop standardized compensation administration procedures; and update System Regulation 31.01.01, Compensation Administration. The standardized compensation administration procedures will provide the general framework to include the following:

1. A standardized pay plan for the A&M System.

2. A biennial review of the pay plan.
3. **System member flexibility to hire, reward, and retain employees both locally and in various geographical market areas.**

The procedures will be specific enough to support consistency of administration but broad enough to allow each member adequate flexibility to achieve its mission, to remain competitive, and to meet the unique and immediate needs of its workforce and customers.

The draft implementation report will be reviewed by the A&M System chief financial officers and upon the Chancellor’s approval, the final recommendation will be implemented during the fiscal year 2014 budget process to be effective September 1, 2013.
BASIS OF REVIEW

Objective and Scope

The review of compensation and classification processes for A&M System members located in Brazos County focused on ensuring current processes are in compliance with laws, policies, regulations and rules and the processes are operating in an efficient and effective manner. The audit period focused primarily on activities from September 1, 2010 through March 31, 2012. Areas reviewed included compensation administration procedures; pay plans including job titles, salaries and career ladders; and general job and position descriptions. Fieldwork was conducted from January through March 2012.

The following A&M System members were included in this review: the A&M System Offices, Texas A&M University, Texas A&M Health Science Center, Texas Engineering Extension Service, Texas Engineering Experiment Station, Texas AgriLife Research, Texas AgriLife Extension Service, Texas Veterinary Medical Diagnostic Laboratory, Texas Transportation Institute, and the Texas Forest Service.

Criteria

Our audit was based upon standards as set forth in the System Policy and Regulation Manual of the Texas A&M University System, Texas A&M System member rules and procedures, and other sound administrative practices. Texas Government Code, Chapter 654, Position Classification; the State Auditor’s Office Methodology Manual; the Institute of Internal Auditors Research Foundation Auditing Compensation and Benefits Programs; and the State of Texas Compensation and Classification System were used as reference guides throughout the review. This audit was conducted in conformance with the Institute of Internal Auditors’ “International Standards for the Professional Practice of Internal Auditing.”

Additionally, 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.
AUDIT TEAM INFORMATION

Charlie Hrncir, CPA, Director
Kim Pekar, CPA, Audit Manager
Aliza Dirden, CIA
Madelyn Galloway

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