

Atlanta Public Schools

Audit Report

Pay Parity

Performance Audit

Report Date: July 29, 2019



130 Trinity Avenue, SW | Atlanta, GA 30303

Confidential

Audit Report of
Pay Parity

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Prepared by:
Atlanta Public Schools
Office of Internal Compliance
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Distribution

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Executive Summary

Atlanta Public Schools' pay parity refers to ensuring the same salary is paid to employees working in the same job with the same pay grade/years of experience, and ensuring these employees are placed on the correct step per the APS Salary Schedule.

The objective of the audit is to determine if the same salary is paid to employees working in the same job with the same pay grade/years of experience, and ensuring these employees are placed on the correct step per the APS Salary Schedule. In an effort to achieve the objective, OIC tested a sample of 30 employees to determine if the Compensation Team was properly calculating salaries and wages, properly verifying prior work experience, accurately verifying job re-classifications, and accurately applying the right step (via the APS Salary Schedule) based on the employee's job years of experience and pay grade. The scope of the audit includes the review of employee files and Global Human Resources (GHR) Salary/Wages reports of active full time employees from July 1, 2017 through April 23, 2019.

There were no Findings noted for the Pay Parity audit; however, the 4 observations listed below were noted as a byproduct of the Pay Parity audit:

- Retroactive pay spreadsheets (i.e. amounts due, data formulas, etc) are not reviewed by the Compensation Director or Executive Director of HR Services before they are sent to Payroll. Data formulas on the spreadsheets are not locked to prevent accidental changes.
- For payment plan of overpayments (for former employees), the Executive Director of HR Services is responsible for creating and approving the payment plan, monitoring the status of payment receipt, receiving the check and recording the receipt of the check. There is no segregation of duties.
- The Superintendent has final approval authority for all recommendations coming out of the job reclassification review process. The Compensation Team does not receive anything signed by the Superintendent as documentation of her approval.
- The Compensation Director and/or the Executive Director of HR Services and the Chief Human Resources Officer review calculations to ensure accuracy before percentage increase numbers are added to the salary schedules. There is no formal documentation of the review. Also, there is no formal reconciliation of the salary schedules to the board approved salary increases to ensure accuracy.

Pay Parity is performing effectively ensuring the same salary is paid to employees working in the same job with the same pay grade/years of experience, and ensuring these employees are placed on the correct step per the applicable APS Salary Schedule. Also, compensation guidelines are in place, salary recommendations are reviewed and approved, experience verification procedures are in place for teaching and non-teaching employees, APS Salary Schedules are in place for teachers and non-teaching employees, and salary schedules are properly maintained by the Compensation Department. The Compensation Department has a number of controls in place to effectively mitigate risks involving salary equity for the district.

Background

Atlanta Public Schools' pay parity refers to ensuring the same salary is paid to employees working in the same job with the same pay grade/years of experience, and ensuring these employees are placed on the correct step per the APS Salary Schedule.

In fiscal year 2015, APS partnered with an outside consulting group to analyze its compensation model, practices, and relationship to competitive markets. The study yielded results that indicated that APS salary schedules were not only competitive, but were on average 10% higher than competitive districts. However, it also identified pay parity issues that exist amongst employees. The following outlines a strategic plan for accomplishing the district's initiatives as well as creating internal salary equity:

- Adopting a salary step pay plan that places non-teaching employees on the appropriate salary schedule based on verified years of experience.
- Placing teachers on the salary schedule based on years of teaching experience and their level of degree.
- Adopting compensation and classification policies that maintain the integrity of the system.
- Timeline for completion of strategic plan for salary equity is: Phase I- FY16, Phase II-FY17 and Phase III- FY18. Due to budget/revenue constraints, Phase III – FY 18 was not implemented until FY 19 (i.e. 7/1/18 to 6/30/19).

Objective & Scope

We completed our assessment of pay parity performance. The objectives of our review were to:

- Gain an understanding of the processes and procedures surrounding the Compensation Department and pay parity
- Determine if the Compensation Team has documented policies and procedures for calculating salaries and wages
- Determine if the Compensation Team is accurately calculating employee experience
- Determine if the Compensation Team is accurately verifying job re-classifications
- Determine if the Compensation Team is accurately applying the right step (via the Salary Step Schedule) based on employee job, years of experience and pay grade

In an effort to achieve our objective, the Office of Internal Compliance performed the following tasks that included, but were not limited to:

- Interviewing key Compensation Department personnel
- Reviewing 2015 Compensation Study
- Reviewing Compensation Guidelines
- Reviewing GA State Guidelines (160-5-2-.05 Experience) for Salary Purposes
- Reviewing Experience Verification procedures
- Reviewing Job Re-Classification procedures
- Reviewing Salary Schedule procedures
- Testing performance of pay parity

The scope of the audit included the review of employee HR files and Global Human Resources (GHR) Salary and Wages report of all active full time employees from July 1, 2017 through April 23, 2019.

Sampling Methodology: 25 sample items were selected haphazardly to obtain a good mixture of different types of employees for review. 5 additional sample items were judgmentally selected of employees with the same years of experience, pay grade and pay rate for review. This population was used for testing a total sample size of 30 employees for pay parity performance.

Tableau was used as a data analytics tool to analyze salary data for nuances (i.e. null fields, off step pay rates, above step pay rates, etc). Tableau was also used to display results of all employees in the GHR file who have the same years of experience and pay grade to ensure everyone is being paid equally.

Observations

There were no Findings noted for the Pay Parity audit; however, the following Observations were noted as a byproduct of the Pay Parity audit.

Observation 1: Retroactive pay spreadsheets (i.e. amounts due, data formulas, etc) are not reviewed by the Compensation Director or Executive Director of HR Services before they are sent to Payroll. Data formulas on the spreadsheets are not locked to prevent accidental changes.

Excel spreadsheets are used by the Compensation Analysts to calculate retroactive pay. The amount of the retroactive payment is calculated through data formulas set on the spreadsheet. Retroactive pay spreadsheets are kept by the Compensation Analysts on their computers. Retroactive pay spreadsheets are submitted electronically (via email) by the Compensation Analysts to Payroll every pay period. Retroactive pay spreadsheets (i.e. amounts due, data formulas, etc) are not reviewed by the Compensation Director or Executive Director of HR Services before they are sent to Payroll. Also, data formulas on the spreadsheets are not locked to prevent accidental changes.

Risk: Failure to review data formulas and amounts due calculated on the retroactive pay spreadsheets allows the opportunity for incorrect payments to be made to employees. Also, failure to lock data formulas on the spreadsheets allows the opportunity for accidental changes to be made.

Recommendation:

- The retroactive pay spreadsheets should be reviewed periodically (i.e. quarterly) by the Compensation Director to ensure retroactive pay is calculated correctly.
- Data formulas should be locked on the spreadsheets to prevent accidental changes.

Management's Response:

- The retroactive pay spreadsheet will be reviewed by the Director of Compensation once per quarter moving forward.
- The compensation department will partner with the payroll department to determine any formatting changes needed to the formulas on the spreadsheet. HR is not able to make changes to the spreadsheet without ensuring that it will not affect the payroll process.

Implementation Date:

- Quarterly reviews will start on or before September 30, 2019 for the first quarter of the fiscal year (July, August, September)

- HR will meet with payroll and begin using an updated retroactive pay spreadsheet by August 1, 2019

Responsible Party for Implementation:

- Director of Compensation will be responsible for implementing the quarterly review.
- Director of Compensation will be responsible for scheduling a meeting with payroll to share the recommendations and discuss the formatting of the retroactive pay spreadsheet.

Observation 2: For payment plan of overpayments (for former employees), the Executive Director of HR Services is responsible for creating and approving the payment plan, monitoring the status of payment receipt, receiving the check and recording the receipt of the check. There is no segregation of duties.

Risk: Inadequate segregation of duties increases the risk of fraud as it could allow theft of checks and unrecorded receipts.

Recommendation:

- The Compensation Department should ensure monitoring the status of payment receipts, receiving checks and recording the receipt of the checks is performed by someone other than the Executive Director of HR Services who approves the payment plans to mitigate the segregation of duties issue.
- The Compensation Department should notify Accounting of any payment plans so that they can record both the accounts receivable (when the payment plan is approved) and the check receipt (when the payment comes in).

Management's Response:

The following changes will be made to the communication that is sent to former employees when the district becomes aware that they were overpaid or otherwise owes repayments to the district:

- Update the address for sending payments to: Atlanta Public Schools, Finance Division (4th floor), 130 Trinity Avenue SW, Atlanta, GA. (Previously, communication provided the following address for payment delivery: Atlanta Public Schools, Human Resources (3rd floor), 130 Trinity Avenue SW, Atlanta, GA.)
- Add the Accounting department as a copy. (The Payroll department has always been included as a copy.)

Implementation Date:

Immediately, on or before July 9, 2019

Responsible Party for Implementation:

- Executive Director of HR Services will be responsible for implementing this recommendation.
- Chief Human Resource Officer will communicate this recommendation and implementation timeline to the Chief Financial Officer.

Observation 3: The Superintendent has final approval authority for all recommendations coming out of the job reclassification review process. The Compensation Team does not receive anything signed by the Superintendent as documentation of her approval.

The reclassification review/interview process occurs during the spring of every school year. Interviews are held by the Compensation Team with the employee and the Supervisor. The review process is just a face to face interview with the employee and his/her Supervisor to go over information from the questionnaire. As such, there is nothing required to be signed by the Compensation Team. Upon completion of the interviews, the Compensation Team will meet with and provide recommendations to the Chief HR Officer (CHRO) for her review. The CHRO will review the recommendations and then provide them to the Superintendent for final review. The Superintendent has final approval authority for all recommendations coming out of this review process. The Compensation Team does not receive anything signed by the Superintendent as documentation of her approval. The CHRO verbally shares with the Compensation Team what the Superintendent's final recommendations are (i.e. whether approved or denied).

Risk: Failure to receive written approval from the Superintendent allows the opportunity for unauthorized and inaccurate pay rate changes.

Recommendation:

- The Compensation Team should receive written documentation of approval from the Superintendent before job reclassifications are granted to ensure proper final authorization.

Management's Response:

While an official listing of reclassification recommendations is provided to the Superintendent in a meeting, in the future, the meeting documents will include a signature line for the Superintendent.

Implementation Date:

On or before May 1, 2020 (the next reclassification approval meeting)

Responsible Party for Implementation:

Chief Human Resources Officer

Observation 4: The Compensation Director and/or the Executive Director of HR Services and the Chief Human Resources Officer review calculations to ensure accuracy before percentage increase numbers are added to the salary schedules. There is no formal documentation of the review. Also, there is no formal reconciliation of the salary schedules to the board approved salary increases to ensure accuracy.

The salary schedules are created, maintained and updated by the Compensation Director and Executive Director of HR Services. The numbers are calculated based on the APS Board approved salary increases and added to the salary schedules once a year (usually in June) for the upcoming school year. The Compensation Director and Executive Director of HR Services reviews/checks each other's calculations to ensure accuracy before adding the numbers to the salary schedules. Calculations can also be done by the Compensation Analysts as needed and reviewed by the Compensation Director or Executive Director of HR Services before they are added to the salary schedules. Final numbers are reviewed by the Chief HR Officer before salary schedules are posted. There is no formal reconciliation of the salary schedules to the board approved increases.

Risk: Failure to perform reconciliations of inputs to outputs increases the risk for inaccurate and unauthorized pay changes. Failure to formally document review and approvals gives the appearance that there is a lack of oversight in the process.

Recommendation:

- Salary Schedules should be signed by the Compensation Director and/or Executive Director of HR Services and Chief Human Resources Officer as evidence of the calculations review.
- Salary schedules should be formally reconciled to the board approved salary increases to ensure calculation accuracy and correct compensation is reflected in payroll. Reconciliations should be signed/dated and kept on file.

Management's Response:

- Based on the recommendation, in the future a final printed document with signatures will be maintained as further evidence of the salary schedules review process.
- The reconciliation of revised salary schedules to the board-approved salary increases is conducted electronically. The final budget documents in the official Board Docs system is used as the basis for the Board-approved salary increases. A spreadsheet is used to ensure that formula calculations of salary schedule revisions matches the percentage or dollar amount approved by the Board. For example, if the T4 teacher pay scale was approved to increase by 2%, formulas are used to increase the pay scale by 2%, and then additional formulas are used to check the new pay scale against the old pay scale to ensure that the difference is 2%. All salary schedules and documents showing the Board approval process for salary increases are posted publically on the APS compensation website, Budget Commission website and Board Docs system for anyone to review and check. Based on the recommendation, in the future a final printed document with signatures will be maintained as further evidence of the reconciliation process.
- Records will be maintained according to the district's records retention schedule for salary information.

Implementation Date:

Immediately, on or before July 9, 2019

Responsible Party for Implementation:

Chief Human Resource Officer

Conclusion

Pay Parity is performing effectively ensuring the same salary is paid to employees working in the same job with the same pay grade/years of experience, and ensuring these employees are placed on the correct step per the applicable APS Salary Schedule. The Compensation Department has a number of controls in place to effectively mitigate risks involving salary equity for the district. Some of those controls include:

- Review and approval of salary recommendations before information is entered into the Hire Enterprise Applicant Tracking System.
- Review and approval of experience verification packets before external experience credit is granted.
- Review and approval of job re-classification packets before job re-class is granted.

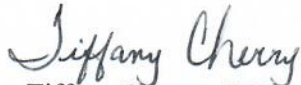
During the pay parity performance review, the Office of Internal Compliance noted:


- Compensation Guidelines have been documented and are being properly followed by the Compensation Department


- Salary recommendations are properly reviewed/approved by the Compensation Director before information is entered into the Hire Enterprise Applicant Tracking System
- Salary schedules have been adopted for teachers and non-teaching employees and are properly maintained by the Compensation Department
- Experience verification procedures for teachers and non-teaching employees are in place and appear proper
- Teachers and non-teaching employees are properly being placed on the appropriate salary schedule based on verified years of prior external work experience (if submitted by employee) and APS internal experience
- Employees with the same title are properly paid the same salary based on the same years of experience, certification (if applicable) and pay grade

We want to extend our appreciation to the management and staff at the Compensation Department for their cooperation and courtesies extended to us during the audit.

Respectfully submitted,


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