CITY OF ATLANTA
City Auditor's Office
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Performance Audit:

Employee Compensation

Why We Did This Audit

We reviewed compensation practices as requested by the City Council in 14-R-4120, adopted September 15, 2014. The audit focuses on describing current workforce demographics and patterns in compensation changes since fiscal year 2009, reviewing departmental practices compared to city code, and comparing city code provisions regarding compensation to those of other cities and to industry best practices.

What We Recommended

To reduce the potential for internal and external salary inequities, the Commissioner of the Department of Human Resources should :

- Prepare for City Council consideration amentments to the personnel code to require a market study of benchmark positions be conducted every year with results presented to the City Council before the annual budget proposal, and to establish clear guidance on hiring above the minimum salary

- Review the compensation structure within salary grades annually across all departments citywide and report the findings to the City Council prior to the annual budget proposal

- Develop and present a strategy for Mayor and City Council consideration that moves employees to the midpoint of their pay grade

To strengthen salary management controls and reduce the appearance of internal inequities, the commissioner of human resources and the chief information officer should strengthen Oracle system controls to:

- Reflect base pay separately from time-limited incentive pay, differential pay, bonuses, and work out-of-class

- Standardize and define the list of salary transaction reason codes to align with city code requirements

- Comply with salary changes in code

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What We Found

While city code contains several elements consistent with compensation best practices, actual practices could contribute to both real and perceived pay inequities. Differences among departments suggest uneven salary increases across the city and the opportunity for pay compression and internal inequity. We found little correlation between an employee's years of service with the city and the percent of midpoint earned within the pay grade. While pay should reflect performance rather than tenure, the weak correlation illustrates that the city has no mechanism for well-performing employees to progress through their pay grades and suggests compression, as newly hired employees earn similar amounts.

Salary compression occurs when one or more departments have greater ability or willingness to give raises than others within the organization with similar jobs. Salary compression also occurs when the market rate for a job outpaces the increases historically given by the organization. Departments then face pressure to recruit new hires by paying higher salaries than current employees earn. Reorganizations can also cause salary compression because they change peer relationships. Human resources literature offers suggestions to alleviate causes of compression and notes that it is better to prevent compression than to fix it after the fact.Text.

Lack of input controls and the way the city processes transactions make effective monitoring of code compliance difficult. Manual processes and lack of standardization increase likelihood of error. We identified hundreds of anomalies in our analysis of Oracle transactions since fiscal year 2013, and our review of 97 personnel files found six potential errors that affected employee salaries. The city has an opportunity to revise business processes with the planned Oracle upgrade to capture data necessary for effective monitoring and reporting