



Memorandum

To: Kate Sheehan
Director

Thru: Keith Murry 
Class Studies Supervisor

From: Carolina Russell 
Class Studies Analyst

Date: May 16, 2014

Subject: Internal Auditor Study

Preamble:

In the later part of 2012 discussions with an agency on the allocation of positions led to concerns on the application of the Internal Auditor class specifications. The Division of Personnel carried out a review including desk audits on the agency positions and determined that a more in-depth examination was appropriate to examine the practical application of the Internal Auditor class specifications and allocation of positions across all State agencies.

Erin Kelly, Class Studies Analyst, conducted the initial stages of the study, but was promoted to Recruitment Services Manager with the Division of Personnel and Labor Relations in late September 2013. I assumed lead responsibility for remaining phases including the position allocation phase, salary analysis and final study implementation.

Study Scope:

This study included the 35 positions allocated to the Internal Auditor I-V class series. The positions are in nine departments. In addition, one Accountant III position was included in the study.

Study Contacts:

Each of the nine agencies designated a study contact of either their Administrative Services Director, a Division Operations Manager, the Human Resources Lead for the agency, or an Internal Auditor to coordinate agency activities during the study process. In addition, a few agencies chose to provide subject matter expertise through a senior Internal Auditor or senior Accountant. We also consulted with Kris Curtis, Legislative Auditor, as a subject matter expert.

History of the Job Classes:

The Internal Auditors I through IV job classes were established on May 1, 1970. A re-write of the job class specifications was made effective on November 16, 1978 and resulted in the establishment of a fifth and new highest level of the series, titled Deputy State Internal Auditor. A re-write of the series followed with implementation on July 1, 1980 which incorporated the work of the Fiscal Compliance Field Auditor series and the Audit and Review Specialist series. In addition, the Deputy State Internal Auditor job class was retitled to Internal Auditor V.

On September 16, 2006, a pay range adjustment providing a two range increase was exclusively applied to the PC05 Revenue and Audit job family based on a market based pay policy.

Class Analysis:

The predominant and distinctive body of work of the study positions is the performance of professional auditing and performance review duties and responsibilities. The nature and objective of the work is broad and present in various agencies, without restricting the definition of the work to a specific field, division, or department. Those responsible for this kind of auditing work are involved with the examination of agency operations through formal financial and compliance audits and program or performance audits that are conducted as a service to management. The objective of professional auditing work is to provide a third party independent validation of the accuracy, reliability, and propriety of accounting, financial, and other agency records. As a result, the ability of incumbents to be impartial and objective is of foremost importance to accomplish the goal of validating records and practices. The responsibilities entail scrutinizing agency policies, procedures, practices, internal controls, and compliance with pertinent regulations. Audits can also include the analysis of company operations to assess the degree to which the audited entity is achieving economy, efficiency, and effectiveness in the use of resources. Exact goals to be accomplished during an audit, and therefore the total scope of such, are dependent upon pre-established audit objectives. Formal audit reports ultimately document the findings according to professional accounting and auditing standards, along with recommendations and corrective action plans as needed.

Only the two largest departments have an organizational structure and auditing staff size that allows for less than full scope audit assignments to be assigned in a developmental capacity to those with limited auditing experience and familiarity with inherent work cycles. These positions perform under the guidance and initial close supervision of more senior auditors. Incumbents conduct increasingly difficult assignments to increase their depth of knowledge and broaden skills while supervision is gradually relaxed as incumbents gain experience, nearing independent performance of full scope audits. These positions can sometimes be established as flexibly staffed positions to follow pre-established flex training programs that prepare incumbents to navigate most of a wide range of auditing situations.

The work seen in smaller and medium size departments is often organized differently, requiring a particularly high level of autonomy with incumbents serving as single auditors for an entire

department or accompanied by only one other auditor position often performing with a similar level of independence. The work demands interaction with many counterparts both inside and outside the State at various levels and incumbents often report directly to high level executives on the results of the audits, such as division directors. In the larger departments, equivalent auditing responsibilities and level of independence also frequently incorporates lead responsibilities, helping to train less experienced auditors and taking a lead role during larger projects. This work, where incumbents apply significant independence and judgment, is carried out by a substantial portion of the positions reviewed during this study. These positions require the ability to plan their individual workload, audit scope, audit objectives, and document findings adequately according to professional standards.

A few positions were observed to carry greater organizational responsibility, performing the most sensitive and complex audits on a regular and recurring basis and assisting higher level auditors in program development, policy setting, and in administrative functions. Responsibilities are assigned to these positions based on their unusual level of difficulty and require incumbents to modify approaches, methods or techniques and manage situations that appear to involve concealment, malfeasance, deliberate misuse of funds or other similar situations. This level of recurring complexity in responsibilities were at this point identified in the largest agencies, where the audit operations involve larger auditing staffs and the workload is divided, requiring daily oversight and coordination at a higher level. All of these positions were also observed to incorporate supervisory authority (as defined by 8 AAC 97.990(a)(5)) to act on behalf of the employer with independent judgment in employment decisions involving either hiring, discipline, discharge, or adjudication of grievances.

One position was found to perform work that involves combining auditing skills with forensic accounting and investigative techniques to assist in the investigation and prosecution of financial and/or Medicaid crimes. This position performs with a high level of independence, developing and using dedicated tools and procedures to collect, preserve, and examine financial related evidence. While not required to exercise supervisory authority or lead authority on a permanent basis, the position is required to establish an appropriate strategy when assisting and leading investigators in field investigations. These responsibilities occur recurrently but on a project-basis. The nature of these duties requires an advanced level of knowledge of principles and practices of accounting and auditing standards and of alternate procedural approaches to audit verification and legal requirements. It further requires incumbents to possess skills in business law, skills to prepare comprehensive, complex accounting and statistical reports, and the ability to serve as an expert witness during prosecution of alleged fraud cases.

Only two positions were observed to carry managerial responsibilities associated with larger auditing operations where an additional high-level auditing professional is needed to provide direction and oversee the preparation of financial reports and reporting mechanisms. The work calls for substantial supervisory and administrative authority with department-wide responsibilities (such as serving as Alaska's Medicaid Program Integrity Director) and control over resources, but also managerial skills to carry forth the operations of a larger office, developing new audit programs and

standards, and handling policy matters. Interaction and working relationships with departmental upper management recurrently includes making presentations to management and advising the agency's senior executives on highly technical financial and accounting issues to ensure compliance. Incumbents report directly to their agency's deputy commissioner or commissioner.

The State's classification plan provides for the grouping of positions into job classes when they are sufficiently similar with respect to duties and responsibilities, degree of supervision exercised and received, and entrance requirements so that:

- 1) the same title can be used to clearly identify each position;
- 2) the same minimum qualifications for initial appointment can be established for all positions;
- 3) the same rate of basic pay can be fairly applied to all positions; and
- 4) employees in a particular class are considered an appropriate group for purposes of layoff and recall.

Job classes are constructed as broadly as is feasible as long as these tests of similarity are met.

Application of the State's tests of similarity to the positions reviewed during this study confirms that this type of auditing work has not significantly changed from the characteristics defined in the Internal Auditor class specifications. The tests of similarity help identify five clearly distinguishable groups that perform audit work that are now grouped and characterized as follows:

- entry/developmental audit and review level
- journey (or full scope) audit and review level
- advanced audit and review level
- managerial audit and review level
- a newly identified specialized class

Four of these levels are substantially the same as what has existed before as the developmental, journey, advanced, and managerial levels of the Internal Auditor specifications. Comparing these levels with other classes in the State's classification plan shows that each level contains elements not present in other job classes and are still appropriately treated as a separate series. As a result, the class specifications have been updated to refine the definitions and strengthen the delineations between levels.

The structure of the series has been streamlined from five levels to a four level class series. The Internal Auditor I (entry level) and the Internal Auditor II (developmental level) work displayed insufficient tangible differences to break the tests of similarity. No justification in accordance with the merit principle could be identified to support retaining two training levels with such limited differences and a three range difference between the two job classes (previously ranges 16 and 19).

Examination of the Internal Auditor recruitment history also provides evidence that the State as an employer can successfully recruit in the current labor market for candidates that are closer to the journey level of performance (where majority of the work exists), instead of committing resources to train incumbents at the very lowest level in a broad type of auditing not inherently unique to the State. Consequently, a determination was made to eliminate the lowest level job class and update the new entry/developmental job class accordingly.

The new third level (Internal Auditor IV) has also been redefined as the “advanced level” instead of the “first supervisory level” and has been adjusted to remove supervisory authority as a class-controlling feature. This minor change provides additional flexibility to the agencies and prevents positions performing advanced level work without full supervisory authority in employment decisions (but possibly performing with lead authority) from being precluded from allocation to this job class. Supervisory authority was in fact prevalent in all advanced level work observed and can continue to be assigned under the newly defined advanced level. However, this modification shifts the focus to the complexity of the work, as opposed to almost exclusive attention to the degree of oversight provided to subordinate positions.

The newly identified body of work that combines auditing with the forensic accounting specialty is unique enough to break all of the tests of similarity with the revised groupings described above. While the duties incorporate an advanced level of auditing, the knowledge, skills, and abilities required represent a separate specialization and warrants not being part of the same class series. The work is instead being placed in a separate single job class.

Four positions allocated as Internal Auditors and one requested to be reclassified into that series were found to adequately satisfy the distinguishing characteristics of the Accountant class series instead. Confusion between accounting and auditing work is not incomprehensible. Accountants can appear to perform the same duties as auditors in that accountants on a regular basis are expected to review accuracy, monitor compliance, and establish internal controls for example. However, as previously indicated, auditing work requires a fundamental level of objectivity and separation of duties. Auditors are a separate, independent body that after the fact checks accounting processes for validity. Accountants may perform similar tasks and in fact are expected to have some fundamental awareness of auditing standards to be prepared to show transparency, but they perform their monitoring on an ongoing basis for the purpose of maintaining and recording financial transactions accurately and assessing the quality of their own work or that of the unit they supervise. On the other hand, auditors use Generally Accepted Accounting Principles (GAAP) and must be aware of Generally Accepted Auditing Standards (GAAS) to use accounting skills, processes and methods to perform their audits, but serve as an independent body and have pre-established audit objectives and final reports requirements to summarize findings.

Class Title:

A class title should be the best descriptive title for the work. It is intended to concisely and accurately convey the kind and level of work performed and should be brief, easily recognized, gender neutral, and understood by potential applicants. The title Internal Auditor conveys that the work has an internal focus which does not accurately reflect the work performed in all of the agencies. The State of Alaska has several types of auditing class series that prevents the term "Auditor" from being sufficiently descriptive and helping to differentiate this work from other auditing fields. The term Fiscal Auditor was contemplated but did not capture the full range of responsibility areas. The title **Audit and Review Analyst** was ultimately selected to acknowledge the presence of professional auditing without excluding other organizational reviews and evaluations often performed.

The new and specialized body of work identified requires a separate title. The term Forensic Auditor was considered but **Forensic Accountant** was adopted instead as it was found to be the nationally recognized title for the occupation and recognizable in recruitment efforts.

Minimum Qualifications:

The minimum qualifications established for a job class must relate to the knowledge, skills, and abilities needed to perform the work and must not create an artificial barrier to employment of individuals in protected classes. Required training should be limited to the basic formal training that customarily prepares individuals for work in the field. Experience requirements are intended to ensure new employees can successfully perform the work after a period of orientation or familiarization. Required experience should be directly related to the actual duties of positions in the class and should not be equivalent to the work to be performed.

The minimum qualifications for the Audit and Review Analyst series have been updated to reflect the loss of the lowest entry level in the previous series and have been set to provide a broad pool of candidates with the necessary knowledge of theories and practices and with the required minimal experience as needed for incumbents to be successful. More specifically, the Audit and Review Analyst I job class continues to include a field-specific educational requirement but now also requires a one year of broader accounting or related experience. This adjustment compensates for the elimination of the lowest entry level of auditing in the superseded series and ensures candidates have had minimal hands-on exposure to the work cycles and application of practices previous to entering the auditing field which is viewed as further specialization in relation to accounting. The journey level in the updated series (Audit and Review Analyst II) continues to require two years of auditing experience as did the journey level in the prior series. A determination was made to increase the experience component for the advanced level (Audit and Review Analyst III) from one to two years of journey level experience in response to the level of complexity of the work seen during the study. The managerial level (Audit and Review Analyst IV) did not require any modifications in educational or experience requirements.

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The application of Certified Public Accountant (CPA) certification substitutions has been updated. In addition, an alternative Master's degree substitution for one year of professional experience has been added to the Audit and Review Analyst I and II levels to broaden candidate pools even further.

The Forensic Accountant minimum qualifications have been established to provide a broad candidate pool and include a specific bachelor's degree and three years of professional full performance auditing experience which echo a higher level of auditing and typical requirements of the profession. Qualification substitutions have been provided and include alternatives for the specialized education, as well as partial experience substitutions through certifications as a Certified Public Accountant or Certified Fraud Examiner.

Class Code:

A Class Code is assigned based on the placement of the job class in the classification schematic of Occupational Groups and Job Families. Occupational Groups are made up of related Job Families and encompass relatively broad occupations, professions, or activities. Job Families are groups of job classes and class series that are related as to the nature of the work performed and typically have similar initial preparation for employment and career progression.

The Internal Auditor series have been in the larger PC Business Development and Regulation occupational group and more specifically in the PC05 Revenue and Audit job family. This includes classes of positions that advise on, administer, supervise or perform professional, technical, or related clerical work related to tax and revenue assessment, auditing, and collection. Initial preparation for employment is typically through advanced education in accounting or auditing with subsequent career profession based on progressively specialized experience. The work described in the Audit and Review Analyst series is not a significant change from the predecessor series and continues to be appropriately placed in the same occupational group and in the PC05 job family. The class and AKPAY codes of the precursor levels (Internal Auditor II through V) remain in effect.

The Forensic Accountant performs work and functions in accordance with the Revenue and Audit job family definition. Accordingly, the new job class is established with class code PC0567 and AKPAY code K0140.

Fair Labor Standards Act:

The positions in this study are covered by the minimum wage and maximum hour provisions of the Fair Labor Standards Act of 1938, as Amended (FLSA). While exemption from the provisions of the Act are determined based on the specific circumstances of an individual employee on a work-week basis, there are general aspects of the classes and their influence on the exemptions for employees in bona fide executive, professional, or administrative positions and highly compensated employees that can be addressed in general.

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The Forensic Accountant duties require specialized knowledge of an advanced type in the auditing field, which is customarily acquired through advanced education in the field, and meets the salary and duties criteria for exemption from the overtime requirements of the FLSA as a professional employee. An employee in the Forensic Accountant job class does not meet the executive or administrative exemption criteria.

As the entry/developmental level, employees in the Audit and Review Analyst I job class are in the process of developing skills that will allow them to work with the independence and discretion necessary for exemption, but do not exercise the level of independent judgment and discretion necessary to be exempt from overtime as professional, executive, or administrative employees.

The primary duty of Audit and Review Analysts II, III, and IV requires specialized knowledge of a sufficiently advanced type in the auditing field and is customarily acquired through advanced education in the field and meets the salary and duties criteria for exemption as professional employees and will not be eligible for overtime.

Supervisory employees in the Audit and Review Analysts III may, and Audit and Review Analysts IV do, also meet the executive employee criteria for exemption when they manage a recognized sub-unit and have at least two direct subordinate full-time equivalent employees.

The administrative exemption criteria will not apply to Audit and Review Analysts IV as their primary duty is management of auditing operations that also include a regulatory enforcement function to private business entities outside the State, as opposed to management in a distinct administrative role on behalf of the employer or on behalf of the employer's customers.

The administrative exemption criteria will apply to some employees in the Audit and Review Analyst II and III job classes when the primary duty is audits limited to State agencies in a primarily administrative and advisory role. However, some Audit and Review Analysts II and III have a primary duty of audit work with a regulatory intent, in which case the administrative exemption will not apply. Therefore, application of the administrative exemption criteria will require further individualized attention to determine if employees truly meet the primary duty criteria in providing an administrative service. In addition, the work of Audit and Review Analysts II must be examined to determine if the primary duty affords them the exercise of true discretion and independent judgment with respect to matters of significance as defined by the FLSA.

Salary Analysis:

The salary range of a job class is determined based on internal consistency within the State's pay plans, in accordance with merit principles, with the goal of providing fair and reasonable compensation for services rendered and maintaining the principle of like pay for like work. In evaluating internal consistency, the difficulty, responsibility, knowledge, skills, and other

characteristics of a job are compared with job classes of a similar nature, kind, and level in the same occupational group and job family or related job families.

In analyzing and determining the salary range for the classes under review, comparisons were focused on various job classes within the PC05 Revenue and Audit job family. The classes in the job family deemed comparable were those performing Professional/Managerial type of work and excluded those categorized as Clerical/Technical/ Paraprofessional. The following are the classes for comparison:

Range	Job Class	Description	Range Characteristics
16	Tax Auditor I (PC0511)	Learns and develops the knowledge, skills, and abilities to perform the full range of auditing duties for specific tax areas such as the excise, gaming, or fisheries taxes.	The first professional training level in a formal training plan, where incumbents develop knowledge of auditing practices and become familiar with governing guidelines related to areas of tax auditing of less sophistication.
18	Tax Auditor II (PC0512)	Acquires the knowledge applicable to higher level auditing functions, and is assigned a variety of more difficult tasks selected for training purposes. Tasks are directed towards fact finding rather than analysis and interpretation.	Primarily auditing work of limited scope in a training level; either the developmental/second level of a specific tax auditing area, or the entry/first training level in a further specialized auditing field area such as oil and gas or corporate income tax. Additionally, a single position program management job class with supervisory authority is aligned at this range.
	Oil and Gas Revenue Auditor I (PC0541)	Acquires knowledge and skills specific to the oil and gas industry and oil and gas production to develop the expertise needed to perform more difficult audit tasks. Assigned tasks of limited difficulty with the purpose of advancing to the developmental level as part of an audit team.	
	Corporate Income Tax Auditor I (PC0551)	Receives on-the-job training to learn federal and state tax law and authorities, and perform assignments specifically selected to familiarize with the policies, procedures, statutes, and regulations specific to corporate income tax auditing.	
	Unclaimed Property Manager (PC0570)	A supervisory and single position job class which plans, organizes, directs, coordinates, and controls activities and resources in the State's Unclaimed Property Program, in which the holders of intangible property that is presumed abandoned report and consign the property to the State's custody and the State assumes responsibility for re-uniting owners with their property. The incumbent establishes policies, procedures, strategic goals, and objectives to comply with and enforce statutes covering apparently abandoned intangible property.	

20	Tax Auditor III (PC0513)	Applies auditing skills to plan and conduct complete audits and to perform the full range of auditing duties.	The classes work with independence when conducting full scope tax and revenue audits for specialized audit program areas (such as excise, gaming, and fisheries tax); or alternatively incumbents at the developmental/second training level of a further specialized auditing field area unique to the State that it demands specialized gradual training, which is the case in the oil and gas industry, and in corporate income tax.
	Oil and Gas Revenue Auditor II (PC0542)	Combines acquired knowledge and skills specific to the oil and gas industry and oil and gas production to develop the expertise needed to perform more difficult audit tasks. May perform parts of or the full range of audit duties for the small and less complex oil and gas production tax or royalty audits. Determines methods for accomplishing assignments which includes determining the scope of the audit, sequence of examinations, audit methodologies used, tax or royalty liability, and the content of the audit report.	
	Corporate Income Tax Auditor II (PC0552)	Assigned portions of audits that are well defined, limited in scope, and less complex than a full audit. Assignments are straight-forward, with focus on fact finding tasks rather than interpretive analysis.	
22	Tax Auditor IV (PC0514)	Serve as lead auditor, and have complete responsibility for performing the most complex tax audits, developing compliance projects, and keeping the supervisor apprised of the day-to-day operations of one or more tax types.	The advanced level work of those in the gaming program, or one or more excise tax programs where incumbents perform the most complex tax audits and compliance projects in that area. This range is also characterized by the journey level work of further specialized job classes. These incumbents have sufficient knowledge and experience in those fields to perform specialized auditing duties with independence, judgment, and discretion to determine methods of accomplishing assignments including determining the scope of the audit, sequence of examinations, audit methodologies used, and the content of the reports.
	Oil and Gas Revenue Auditor III (PC0543)	Applies technical knowledge and experience to accurately perform the full range of auditing duties for medium size oil and gas audits. Assigned significant portions of the largest oil and gas company audits as a member of an audit team. Work is performed independently with methods of accomplishing assignments including determining the scope of the audit, sequence of examinations, audit methodologies used, and the content of the report left to the judgment of the incumbent.	
	Corporate Income Tax Auditor III (PC0553)	Assigned the responsibility for performing moderately complex audits consisting of multi-state and multinational corporations including oil and gas companies. Serve as members of an audit team to assist lead auditors with assignments consisting of significant portions of audits for the largest oil and gas taxpayers.	
23	Revenue Appeals Officer I (PC0531)	Assigned routine, less complex tax or penalty cases involving appeals with taxpayers at the informal conference level and formal appeal proceedings presented before the Office of Administrative Hearings.	Includes work of those handling tax payer appeals, at the journey level, for all tax programs administered by the Department of Revenue. Also, advanced supervisory level work overseeing accounting, auditing, and collection of unemployment insurance tax contributions and federal fund activities are aligned at this range.
	Supervisor, Unemployment Insurance Tax (PC0571)	A supervisory job class which plans and supervises headquarters and field activities concerning collection, auditing, experience rating and accounting of employer unemployment insurance tax contributions and federal funds.	

24	Oil and Gas Revenue Auditor IV (PC0544)	Full responsibility for conducting the largest and most complex audits, typically involving examination of oil and gas volumes produced by multi-state and multinational oil and gas corporations, and function as lead auditor-in-charge coordinating, directing, and assigning work to audit team members. Has a thorough understanding of all phases of oil and gas production operations and activities, regulatory guides such as state and federal statutes and regulations, and professional accounting and/or auditing principles, royalty settlement agreements, contracts and leases.	Characterized by advanced level auditing responsibility in combination with an additional complexity factor, such as serving as auditor-in-charge of the most complex and/or largest audits in specialized fields (oil & gas or corporate income), or management authority over the daily operations of a tax, gaming, or royalty audit unit.
	Corporate Income Tax Auditor IV (PC0554)	Full responsibility for conducting income audits on the largest and most complex multi-state and multinational corporations including Alaska's largest oil and gas corporations. As lead auditor-in-charge incumbents coordinate, direct, and assign work to audit team members. In addition to performing large audits, some senior positions may also serve in a training capacity to assist with the professional development of new auditors.	
	Revenue Audit Supervisor I (PC0521)	A supervisory job class which performs advanced professional audit work while supervising and overseeing the daily operations and work of professional and technical level staff in a tax, gaming, or royalty audit unit.	
25	Oil and Gas Revenue Specialist (PC0545)	The expert level in the areas of 1) oil and gas production taxes or 2) oil and gas royalties and Net Profit Share Leases. Has full responsibility for developing new issues, following through with the process of developing an audit position, defending the state's position in audit disputes or appeals, and developing regulations.	Characterized by the work of an advanced or expert level, or managerial/supervisory level which are part of a specialized and complex field. It includes the expert/consultant levels in specialized areas with responsibility over assignments of major significance for the division, defending the State's position in audit disputes or appeals and/or developing regulations. It also includes the advanced level work of those dealing with the most complex tax cases on appeal and having to exercise judgment on appeal cases having the greatest financial impact. Also includes the full managerial/supervisory level over the administration over one major, or several significant, or highly complex tax or royalty programs.
	Income and Excise Tax Specialist (PC0556)	Serves as a consultant and subject matter expert by performing and overseeing special and ongoing assignments of major significance related to and affecting the management of the division's Income and Excise Tax Programs.	
	Revenue Appeals Officer II (PC0532)	Assigned the most complex tax cases on appeal for informal conferences with taxpayers and/or taxpayer representatives, and formal proceedings presented before the Office of Administrative Hearings.	
	Revenue Audit Supervisor II (PC0522)	A supervisory job class with full responsibility for directing and administering 1) a major tax or royalty program 2) multiple significant tax or royalty programs, or 3) a major tax function in a highly complex tax program.	

Audit and Review Analyst I:

Incumbents of the new Audit and Review Analysts I job class assist higher level auditors and develop audit skills and knowledge to independently determine whether financial operations are properly conducted, whether the financial reports of an audited entity are accurate and presented fairly, and whether an entity is in compliance with pertinent laws, regulations, contracts and agreements. Range 16 is the current lowest training level in the job family and involves work with a focus on single transactions. For example, incumbents learn or assist in the auditing of excise tax returns where tax counterparts are less sophisticated than those located in large firms or corporations. With proper support, training, and educational background, individuals working with these tax types may fairly quickly develop a skill set and learn the critical aspects of the program. The broader scope of auditing responsibilities and skills of Audit and Review Analysts I develop gradually, over a longer period of time instead as the objective is learning to navigate overall organization and program/performance reviews and evaluation for regulatory compliance, hence corroborating the lack of similarities with range 16 work. The new entry/developmental level of the Audit and Review Analyst series must be aligned higher than range 16.

With no job classes aligned at range 17 the next comparable work for analysis is at range 18, which hosts three job classes with flexibly staffed training. The most comparable level of work performed at range 18 involves introductory training to an auditing field so unique to the State of Alaska that specialized training is an absolute necessity (supporting the need for two training levels in those series). This allows new employees to learn for example components of the oil and gas production and industry, or how to modify and make adjustments to the Internal Revenue Code to be able to apply Alaska-specific exceptions and modifications. This introductory training type of work is specific only to two divisions with the departments of DNR and DOR. Contrasting that type of work to the entry/developmental level of audits of Audit and Review Analysts I in a more extensive field of auditing, present in many different State departments, indicates significant differences in spite of some initial apparent similarities, such as the closer supervision received. The nature, complexity, and variety of work performed by Audit and Review Analysts I suggests alignment at a range higher than 18 should be examined.

The minimum qualifications are useful in clarifying other differences between the subject class and the work aligned at range 18. Both the Oil and Gas Revenue Auditors I and Corporate Income Tax Auditors I are minimally qualified for entry to their respective class series with possession of a field-specific bachelor's degree, including specific coursework, and no prior experience. These requirements equate only to the educational component required of Audit and Review Analyst I. An additional year of experience in the broader field of accounting is now required of Audit and Review Analysts I for the purpose of preparing incumbents for the variety of the field in any of the departments as the previous lower level was removed. The more stringent minimum qualifications of the Audit and Review Analyst I is a good indication that alignment of the job class above range 18 is appropriate.

No job classes are available for comparison at range 19, but examination of the work aligned at range 20 reveals few similarities (at the time of appointment) with the entry/developmental nature of the Audit and Review Analysts I. The latter have yet to gain minimal auditing experience, and are limited to bringing theoretical knowledge and exposure to accounting practices. Therefore, the work of Audit and Review Analysts I is not consistent for alignment at range 20, and as previously established above should be aligned higher than range 18. Consequently, range 19 is appropriate for alignment of the Audit and Review Analyst I job class.

Audit and Review Analysts II:

The Audit and Review Analysts II continues to represent the same journey level work as in the predecessor job class (Internal Auditor III), where incumbents perform under general supervision auditing both the records and financial statements of governmental agencies, utilities, and private businesses subject to State regulation or performing internal program audits for management. "Journey" work, per definition, indicates the level with the preponderance of positions; where most of the work in a specific class series is found and needs to be performed. After initial familiarization during the probationary period, these positions encounter a wide range of auditing responsibilities and situations and are expected to navigate most of these with full independence and with supervisors available only for consultation on the most difficult and uncommon tasks.

Comparing with work aligned at range 20 shows some similarities (with the Tax Auditors III) in terms of the minimal supervision, performance with complete independence, and authority level in their respective fields. However, comparisons of the overall responsibilities and levels of complexity are not equal as the typical variety of audits of Audit and Review Analysts II is predictably more extensive and represents a higher level of complexity. Audit and Review Analysts II may also regularly serve as project leaders in specific projects and help to train lower level auditors and personnel; these responsibilities point to a noteworthy difference in the structures of the series. The developmental training and work performed at range 20 signify that incumbents have acquired sufficient experience only to independently perform portions of audits that are well defined or of limited scope. As a result, several classification factors such as the nature and variety of work, complexity level, nature and low degree of supervision received, nature and scope of recommendations required, along with the minimal qualifications for entry justify alignment of the work of Audit and Review Analysts II at a range higher than 20.

Examining the characteristics of pay range 22 shows some comparable features such as the autonomy with which incumbents perform and a broader scope of work. This range also includes the assignment of lead responsibilities, which are duties frequently assigned to Audit and Review Analysts II but typically as project leads on specific projects. In contrast, the lead duties found at range 22 involve accountability for the largest and most complex tax audits as auditor-in-charge. Range 22 work also involves responsibility over the daily operations of one or more tax programs and for communicating this information to superiors, demonstrating a more thorough

understanding of one or several of the programs administered. This level of responsibilities, decision making and consequences of error are not matched by Audit and Review Analysts II. Hence, alignment of the study class at range 22 is not supported. Given that Audit and Review Analysts II should be higher than range 20, but lower than range 22, the logical alignment for the journey level is range 21, a range with no other job classes for comparison in the job family. The determination to align the Audit and Review Analyst II at range 21 also proves consistent in providing a two range differential for professional level work between two classes that are part of the same class series in a sequential manner.

Audit and Review Analyst III:

The Audit and Review Analyst III is the advanced professional level where the primary responsibilities involve planning, organization, direction, and performance of audit appraisal duties. These responsibilities are a service provided to either businesses subject to State regulation and/or program audits that aim to assess whether an entity is achieving economy, efficiency, and effectiveness in the employment of resources. Therefore, it should be noted that the planning, organization, and direction of audits refers to a more demanding level of coordination of auditing work that is distributed amongst a unit, as opposed to the recurring planning and organization of an individual's work load of auditing projects. This latter responsibility is expected on a regular basis as a key component of journey level auditing performance and full scope audits. Advanced level auditors perform the most complex and sensitive audits which as such, may demand supervising subordinate staff as well as providing assistance to higher level auditing supervisors in program development, policy setting, and in administrative functions.

Comparisons with pay range 22 shows that Audit and Review Analysts III have a stronger focus on program/performance assessment type of audits instead of the main financial accuracy focus of the lower levels of the series. The Audit and Review Analyst III regularly handles more unique problems of higher sensitivity, for example representing the agency in appeal hearings and the planning and coordination of audits of a broader scope than those of other work aligned at pay range 22. Audit and Review Analysts III frequently incorporate supervisory authority over journey and entry/developmental level auditors. Although not viewed as class controlling duties, the ability of this job class to often include these responsibilities reveals the extent of latitude in decision making. These responsibilities demand a considerable level of auditing knowledge and skills to modify approaches for the resolution of unusually difficult matters. The higher degree of variety of recurring responsibilities and more extensive scope of audits is coupled with decisions and recommendations that demand more initiative and originality and result in a higher level of consequences than the characteristic work at pay range 22. As a result, a pay range higher than 22 is deemed appropriate for the Audit and Review Analyst III.

Work aligned at range 23 shows close similarities in the level of authority, nature of recommendations and decisions, and degree of complexity. For example, the work of a Revenue

Appeals Officer I requires the application of extensive knowledge of state and federal tax law and accounting methods. Incumbents work independently, exercising judgment on appealed tax cases for all tax programs administered by the department of Revenue, including oil and gas production, corporate income, excise, and charitable gaming. A comparison between the Audit and Review Analyst III and the Revenue Appeals Officer I minimal qualifications reveals significant parallels as well; both job classes require a specific bachelor's degree accompanied by a comparable number of specific coursework hours (in accounting and auditing), along with two years of journey level professional experience in auditing.

The Supervisor of Unemployment Insurance Tax, also aligned at range 23, is a job class involved in a less similar field of work. However, this job class has a comparable degree of involvement in administrative functions and may for example develop standard operating procedures. This job class is supervisory per definition, and is assigned a comparable level of oversight in directing staff for example performing accounting and auditing of employer contribution reports, coordinating personnel assignments, workload, and staff performing field work. These features, along with the classification factor similarities with the Revenue Appeals Officer I are sufficient to conclude alignment of Audit and Review Analyst III at range 23 is appropriate. This determination is in addition, internally consistent in providing a two range differential above the Audit and Review Analyst II job class.

Audit and Review Analyst IV:

The Audit and Review Analyst IV is the highest level of the series with primary managerial responsibilities. This level is only observed in the largest of departments with a corresponding size and scope of auditing operations where supervisory authority is a substantial necessity and therefore class controlling as operations will demand at least one subordinate auditing supervisory level.

Analysis of the nature and level of the auditing work of the Audit and Review Analyst IV shows auditing responsibilities and complexity consistent with that of job classes aligned at range 24, where incumbents serve as lead auditor-in-charge of the most complex and/or extensive audits and perform advanced-level auditing along with review and approval of the final audit products. The Audit and Review Analyst IV may possess a comparably high knowledge level, but it is not the primary focus of the job class to serve as a high level consultant or expert in a complex field comparable to the primary objective of the other specialists classes in the job family aligned at range 25. It is also not the objective of the job class to serve in areas recognized for their significant financial impact on State revenues, as is the case with all of the job classes aligned at range 25. Having said that, the organizational structure and responsibility for management in the State's largest departments is accompanied by extensive responsibility and authority to commit the auditing operations of those agencies and significant levels of resources to a course of action. As a result, while the auditing complexity aligns the work with range 24, the consequence of error is significant enough to align the managerial authority with the characteristics found at range 25. In addition, the

direct supervision over Audit and Review Analysts III at range 23 further supports and leads to a determination that range 25 is the appropriate range for internal pay consistency for the Audit and Review Analyst IV.

Forensic Accountant:

Forensic Accountants are responsible for performing financial analysis and forensic audits of seized evidence and produce reports of findings for use in the prosecution of criminal offenses. A higher level of complexity of the Forensic Accounting work stems from the degree of difficulty in identifying what and how work is to be accomplished. The Forensic Accountant job class is not required to exercise permanent supervisory authority or lead authority on a permanent basis; however, the job class is required to establish an appropriate strategy when leading a team of investigators which occurs recurrently, but on a project-basis. As a result, the originality, resourcefulness, and ingenuity required with each case such as the capability to reconstruct books and records that have been destroyed or falsified is a significant factor. The nature and scope of conclusions formed from evidence gathered, the analysis leading to recommendations on actions affecting prosecution of each case, opinions on audit procedures, and financial matters along with the need of sufficient proficiency to serve as an expert witness for example during the prosecution of alleged Medicaid fraud cases are all indicative of a higher level of specialization. These responsibilities demand combining an advanced level of professional auditing skills with forensic accounting and investigative technique skills.

Building on the review of range characteristics and determinations above, this level of work displays some similarities with the advanced audit work of Audit and Review Analyst III aligned at range 23. However, the use of investigative techniques, the ability to produce reports and evidence with a distinct objective of case prosecution, and the level of expertise required suggests a higher range may be appropriate. The minimal entry requirements to the Forensic Accountant job class demand a specific bachelor's degree in accounting or finance and three years of professional experience performing the full range audit functions. This shows one additional year of required experience in comparison to both the Audit and Review Analyst III and Revenue Appeals Officers I aligned at range 23. Substitution of two out of three years of experience may be obtained through certification as a Certified Public Accountant or Certified Fraud Examiner. Conversely, the work aligned at range 24 shows advanced-level auditing responsibility in combination with one additional factor that adds complexity, such as being the auditor-in-charge of the most complex or largest audits in specialized fields such as Oil and Gas Revenue. As a result, consideration to the advanced level auditing, in combination with more stringent entry qualifications, and another layer of complexity and specialization in forensic accounting display sufficient similarities to determine that alignment of the Forensic Accountant job class is appropriate at range 24.

Conclusions:

This study examined the application of the Internal Auditor I through V class specifications and the allocation of positions into the class series across nine State departments. The primary objective was to conduct an in-depth review of the existing auditing work and update the class specifications as needed to promote consistent application and clear boundaries for this body of work.

In summary, this study identified a new specialized body of work titled Forensic Accountant, but otherwise did not significantly alter the defining characteristics of, or the boundaries between the three higher levels of the updated series, that is between the journey, advanced, and managerial levels of the Audit and Review Analysts. The study resulted primarily in a retitling and further clarification of the levels with a streamlined four-level structure that follows a two pay range pattern common for professional job classes in the job family. As the findings did not provide evidence of significant changes in majority of the work of Audit and Review Analysts, it is consistent to find that the comparative salary analysis did not alter the salary relationships within the job family from the precursor Internal Auditor classes – in spite of a fresh review – which further corroborates the results and determinations reached.

The following job class was established effective April 16, 2014:

- The **Forensic Accountant** job class was established with class code PC0567 and AKPAY code K0140. Salary was established at range 24. Exempt from the overtime requirement of the FLSA.

The following classification actions and class specifications are effective May 16, 2014:

- The Internal Auditor I, with class code PC0561 and AKPAY code P1290, is abolished.
- Internal Auditor II is retitled **Audit and Review Analyst I** and retains class code PC0562 and AKPAY code P1291. Salary remains at range 19. Not exempt from overtime under the FLSA.
- Internal Auditor III is retitled **Audit and Review Analyst II** and retains class code PC0563 and AKPAY code P1292. Salary remains at range 21. Exempt from overtime under the FLSA.
- Internal Auditor IV is retitled **Audit and Review Analyst III** and retains class code PC0564 and AKPAY code P1293. Salary remains at range 23. Exempt from overtime under the FLSA.
- Internal Auditor V is retitled **Audit and Review Analyst IV** and retains class code PC0565 and AKPAY code P1291. Salary remains at range 25. Exempt from overtime under the FLSA.

Correspondence on the allocation of study positions is being distributed through the OPD system.

Kate Sheehan, Director
May 16, 2014
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Attachments:

Final class specifications
Allocation Spreadsheet

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Department of Health and Social Services

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Department of Administration

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Division of Administrative Services
Department of Law

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