

GAO

Report to Designated Congressional
Committees and the Director, Office of
Personnel Management

September 1990

**THE PUBLIC
SERVICE**

Issues Affecting Its
Quality, Effectiveness,
Integrity, and
Stewardship





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The Honorable John Glenn
Chairman, Committee on
Governmental Affairs
United States Senate

The Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives

The Honorable Constance Newman
Director, Office of Personnel
Management

This report is submitted in response to Title I of the Civil Service Reform Act of 1978, which requires us to report annually on the significant activities of the Office of Personnel Management (OPM). With the intent of enhancing its usefulness, we have expanded the report to include a discussion of key issues affecting the federal public service as identified from our reports and testimonies issued in fiscal year 1989. Many of these issues involve concerns raised by the National Commission on the Public Service.

The need for federal pay reform is the most critical current issue that we reported on during fiscal year 1989. Federal pay currently lags far behind private sector pay in many important occupational areas. With uncompetitive pay rates, the government is unlikely to be able to attract and retain the good people it needs.

We are particularly pleased that the current OPM director is taking actions to address most of the recommendations we made to OPM in fiscal year 1989 aimed at improving OPM's stewardship of the federal public service, including actions on the results of our recent management review of OPM. Sustained effort will be required to achieve lasting improvements, however. In addition, OPM will need the support of Congress, the President, and other executive branch agencies if serious governmentwide human resource management problems are to be adequately resolved. We plan to continue to monitor OPM's efforts to make lasting improvements.

We are sending copies of this report to the President of the United States; the Director, Office of Management and Budget; the President of the Senate; the Speaker of the House of Representatives; and other parties interested in the federal public service. Copies will be made available to others upon request.

Principal Findings

Assuring the Quality of the Public Service

Achieving a high-quality workforce requires a concerted and continuing effort by the federal government. GAO's reports showed that agencies generally continued to experience (1) staffing shortages that impeded the efficient and effective accomplishment of their missions; (2) recruitment and retention problems, including ineffective affirmative action programs; and (3) negative effects from compensation programs that do not adequately meet agency and employee needs.

GAO's June 1989 public service report discussed how staffing shortages were affecting mission effectiveness in the air traffic control system of the Federal Aviation Administration (FAA), the automated data processing (ADP) operations of the Social Security Administration (SSA), and the Superfund program of the Environmental Protection Agency (EPA). In fiscal year 1989, GAO again reported on similar problems in the same three agencies, plus four others: the Food and Drug Administration (FDA), the Centers for Disease Control, the Department of Commerce's export promotion programs, and the Nuclear Regulatory Commission's licensing and inspection program for the use of radioactive materials. (See pp. 19 to 30.)

GAO's June 1989 public service report also pointed out personnel recruitment and retention problems that had raised concerns about mission accomplishment in scientific and engineering occupations and in four agencies—EPA, FAA, the Internal Revenue Service, and SSA. GAO reported on similar problems in fiscal year 1989 in federal ADP occupations and at FDA and the U.S. Park Service. In another report, GAO discussed the major challenges faced by the Bureau of the Census in acquiring and retaining a sufficient number of competent temporary employees to take the 1990 census. (See pp. 30 to 34.)

The federal government must pay competitive salaries and benefits to recruit and retain a quality workforce in a competitive labor market. GAO's work addressed why federal pay reform has become such a serious topic, types of locality pay systems the government could adopt, compensation policies and practices in several agencies for employees not covered by the standard federal pay program, and federal retirement issues. As of January 1990, the gap between federal and private sector pay for comparable jobs averaged about 25 percent. This gap resulted from presidential decisions to grant federal pay raises at lesser

was not sufficient to assure uniform application of disciplinary penalties. (See pp. 62 to 67.)

Enhancing the Integrity of the Public Service

The government's administration and enforcement of ethics laws were the subjects of many GAO reviews. Although improvements have been made in the public financial disclosure systems in the legislative branch and the Department of the Navy, GAO found that procedures for reviewing individual financial disclosure reports could be further strengthened. The Department of Defense (DOD) needed to more aggressively enforce compliance with post-DOD employment reporting requirements. GAO supported the establishment of a statutory requirement for early screening and resolution of conflicts of interest for members of advisory committees. Two instances of possible violations of ethics laws were referred to appropriate investigative authorities. Further, GAO urged the Office of Government Ethics to correct shortcomings in its policy implementation—for example, by issuing final regulations to establish a confidential financial disclosure system that Congress provided the authority for in December 1985. (See pp. 68 to 77.)

GAO also examined the integrity of administrative procedures or management practices in several agencies. Inappropriate, insufficient, or questionable agency actions were identified concerning (1) management retaliation against certain agents in the Immigration and Naturalization Service, (2) improper salary payments in the Department of Justice, (3) reliability of Internal Revenue Service data on alleged employee misconduct, (4) identification and reporting of consulting services in DOD, and (5) special air transportation services provided to a manager at the Tennessee Valley Authority. (See pp. 85 to 89.)

Strengthening the Stewardship of the Public Service

Governmentwide human resource problems are serious. A GAO management review of OPM found that OPM needed to provide agencies greater leadership. Specifically, OPM needed to make numerous improvements in workforce planning, staffing, performance management, oversight, and its internal operations. The current OPM director has initiated action on most of GAO's management review recommendations; however, OPM will need to sustain its efforts in each area to achieve lasting improvements. (See pp. 98 to 105.)

Recommendations

Because this report summarizes reports GAO has already issued, it contains no new recommendations.

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Table 1.1: Merit System Principles

Personnel practices and actions in the federal government require

- recruitment from all segments of society and selection and advancement on the basis of ability, knowledge, and skills under fair and open competition;
- fair and equitable treatment in all personnel management matters, without regard to politics, race, color, religion, national origin, sex, marital status, age, or handicapping condition and with proper regard for individual privacy and constitutional rights;
- equal pay for work of equal value, considering both national and local rates paid by private employers, with incentives and recognition for excellent performance;
- high standards of integrity, conduct, and concern for the public interest; efficient and effective use of the federal workforce;
- retention of employees who perform well, correcting the performance of those whose work is inadequate, and separation of those who cannot or will not meet required standards;
- improved performance through effective education and training;
- protection of employees from arbitrary action, personal favoritism, or political coercion; and
- protection of employees against reprisal for lawful disclosures of information.

Notwithstanding OPM's critical leadership role, federal agencies bear primary responsibility for personnel management. In enacting CSRA, Congress intended that OPM provide federal agencies with more personnel management authority and flexibility. The Senate Report accompanying CSRA described agencies' intended roles:

"Decentralization is in keeping with the delegation practices that private companies use, allowing the decisionmaking process to work at a level where decisions are most effectively made. Authority for personnel management will be fixed at the level responsible for the effectiveness of programs and accomplishment of missions."

The effectiveness of OPM as a central management agency and OPM's relationship with line agencies have been continuing concerns of ours since the passage of CSRA. In January 1989 we reported on our management review of OPM.² The report, discussed in chapter 5, covered (1) planning for future workforce needs, (2) acquiring a high-quality workforce, (3) improving individual and organizational performance, and (4) ensuring the protection of merit and oversight of personnel activities. In addition to the management review, we issued a variety of reports on OPM's and agencies' performances in managing various aspects of the civil service during fiscal year 1989.

²Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/ GGD-89-19, Jan. 19, 1989).

National Commission on the Public Service

In March 1989 the National Commission on the Public Service presented its summary report and recommendations for public service improvements to the President and Congress. The Commission consisted of 36 eminent men and women. The summary report, Leadership for America: Rebuilding the Public Service, proposed 15 goals along with 45 specific recommendations for achieving them. In April 1989 testimony before the House Post Office and Civil Service Committee, we provided our views on each of the Commission's goals and recommendations.³ We agreed with the thrust of almost all the recommendations. We testified that the Commission's work provides an excellent framework for the changes needed to restore vitality and credibility to the public service.

Objective, Scope, and Methodology

The objective of this report was to summarize our fiscal year 1989 reports and testimonies that focus on the condition of the federal public service to enhance their usefulness to Congress and the President and help maintain the impetus for public service improvements called for by the National Commission on the Public Service. Overall, 93 such products are discussed in this report.

In specifying that we report on significant actions of OPM, CSRA requires us to analyze whether the actions are in accord with merit system principles and free from prohibited personnel practices. The reports we issued during fiscal year 1989 discuss the effects of such significant activities when appropriate and are presented in the context of merit system principles and prohibited personnel practices. These reports constitute our compliance with Title I of CSRA.

Title I also requires us to assess the effectiveness and soundness of federal personnel management and to review executive branch compliance with federal employment laws, rules, and regulations as directed by any committee of either house of Congress. The vast majority of the fiscal year 1989 reports pertaining to employment in the public service were done at the direction of one or more congressional committees or members. Only one report was initiated and issued under our basic legislative responsibilities to evaluate issues that will assist Congress. This report was our management review of OPM, issued in January 1989 and discussed in chapter 5. We issued two other reports in response to specific statutory direction that requires us to (1) issue an annual report on the federal payment to the District of Columbia Police Officers and Firefighters' Retirement Fund (see ch. 2) and (2) regularly determine

³Report of the National Commission on the Public Service (GAO/T-GGD-89-19, Apr. 27, 1989).

Assuring the Quality of the Public Service

Our work during fiscal year 1989 shows that government agencies continue to experience (1) staffing shortages that impede the efficient and effective accomplishment of their missions, (2) recruitment and retention problems, and (3) negative effects from compensation programs that do not adequately meet agency and employee needs.

Staffing Shortages Continue to Affect Mission Effectiveness

Merit principles require that federal employees be used effectively and efficiently. If this is to be achieved, federal managers must know how many and what types of people they need to accomplish their programs' objectives. Linking mission accomplishment with personnel requirements requires good planning systems and sound workforce information. Determining accurate staffing needs is important because overstaffing can lower productivity, while understaffing can cause unfulfilled program objectives, curtailed services, work backlogs, unnecessary overtime, and low responsiveness and morale. Effective agency planning systems and sound workforce information are not enough, however. Congress and the President must also support sound personnel management practices if agencies are to maintain sufficient staffing levels to properly carry out government services and programs.

Our last public service report discussed how staffing shortages were affecting mission effectiveness in the air traffic control system of the Federal Aviation Administration (FAA), the automated data processing (ADP) operations of the Social Security Administration (SSA), and the Superfund program in the Environmental Protection Agency (EPA). In fiscal year 1989, we reported on similar problems in the Food and Drug Administration (FDA), the Centers for Disease Control (CDC), the Department of Commerce's export promotion programs, and the Nuclear Regulatory Commission's (NRC) licensing and inspection program for the use of radioactive materials. We also reported again in 1989 on shortages in the FAA, SSA, and EPA's Superfund program. On the other hand, we reported that a 3-percent reduction in the Army Audit Agency's staffing for fiscal year 1989, which was comparable to an Armywide reduction, would probably not significantly affect the Agency's audit coverage.

Food and Drug Administration

In September 1989 we reported that FDA should determine its staffing needs through a comprehensive assessment of all FDA activities.¹ The report was requested by the Senate Appropriations Subcommittee on

¹ FDA Resources: Comprehensive Assessment of Staffing, Facilities, and Equipment Needed (GAO/HRD-89-142, Sept. 15, 1989).

requirements, and (3) handle responsibilities related to AIDS and the regulation of medical devices. While it appears that FDA needs more staff, we found it difficult to substantiate FDA's estimate for at least 2,000 more staff because FDA lacks uniformity in its internal management information systems. Its estimate was based on partial information compiled from the judgmental estimates of senior FDA officials and from a variety of time and activity reporting systems. We recommended that Congress require FDA to determine its staffing needs through a comprehensive assessment of all FDA activities, as it did in 1975. In December 1989, an Advisory Committee on FDA was established by the Secretary of the Department of Health and Human Services (HHS) to examine the mission, responsibilities, and structure of FDA and make recommendations on strengthening the agency.

Difficulties FDA reported in recruiting and retaining staff are discussed later in this chapter.

Centers for Disease Control

During fiscal year 1989, we issued two reports that addressed staff shortages at CDC, an agency in HHS. The first report, issued in April 1989, was requested by the House Committee on Energy and Commerce.² The Committee had requested information on the extent to which CDC reallocated staff from ongoing programs to support AIDS activities, as well as the potential effects of these reallocations on CDC's other public health missions.

CDC began its AIDS effort in 1981 by reallocating four staff-years from other programs to work on AIDS. By fiscal year 1988, CDC had a staff-year ceiling overall of about 4,400 and had allocated, since 1981, more than 400 staff-years to its AIDS activities. About 40 percent of these resources were allocated by specific congressional directives, and the remaining 60 percent were allocated by CDC from other programs.

We could not identify any specific effects of staff-year decreases on other CDC programs. According to agency officials, staffing limitations had a more adverse effect on the agency's ability to start and expand programs than on its ability to carry out the missions of existing programs. Officials were concerned that CDC could not start or expand about 50 activities between fiscal years 1982 and 1988. These activities included prevention and control of infectious and chronic diseases, such

²Public Health: Centers for Disease Control Staffing for AIDS and Other Programs (GAO/HRD-89-65, Apr. 27, 1989).

Agency officials believe that they need to hire additional staff to oversee the rapid expansion in federal funding for HIV prevention and to recruit staff with the proper specialized skills, such as expertise in behavioral science and community health education methods. Prevention Services has had a continuing problem obtaining enough staff to handle its growing responsibilities. Because of agencywide staffing constraints, CDC has repeatedly been unable to meet staffing requests of Prevention Services. For example, in October 1988 Prevention Services requested 67 additional staff, but CDC approved 24. Prevention Services also encountered difficulties in filling even approved positions because of the need to hire individuals with the requisite specialized skills.

In 1989 agency officials reported that staffing shortages continued to hamper their ability to provide AIDS oversight and technical assistance effectively. In February 1989 Prevention Services requested 65 additional positions, which were all approved by CDC. Because of insufficient funds to pay for the positions, however, Prevention Services estimated that only 35 of the positions would be filled. State officials have also reported a need for more federal technical assistance. Other important program monitoring activities, such as evaluating state and local department HIV-prevention programs, have not been conducted due to staff shortages, according to agency officials.

Department of Commerce

During fiscal year 1989, we issued two reports that described staffing shortages in the Department of Commerce's export promotion programs.

The first report, issued in January 1989, described, among other problems, the decline in the number of Commerce officials to assist U.S. firms and to undertake export market development activities.⁴ The report was requested by the House Subcommittee on Commerce, Consumer and Monetary Affairs, Committee on Government Operations.

In April 1980 the Department of Commerce assumed from the Department of State the responsibility for overseas commercial promotion of U.S. exports in host countries. Previously, State Department officers attached to U.S. embassies carried out this responsibility. At the time of our report, Commerce's foreign operations consisted of about 150 commercial officers in 65 countries, augmented by about 450 non-U.S. citizens known as foreign service nationals.

⁴Export Promotion: Problems in Commerce's Programs (GAO/NSIAD-89-44, Jan. 26, 1989).

offices we contacted reported that staff reductions and vacancies have limited the ability of their trade specialists (who are also responsible for creating and updating the system's files) to assist businesses on many trade matters, such as individual counseling, export licensing, and trade promotions.

Nuclear Regulatory Commission

In October 1988 we reported on the NRC's licensing, inspection, and enforcement program for the use of radioactive materials.⁶ Representative Edward Feighan requested the report.

NRC is required by law to ensure the safe handling and disposal of radioactive materials. To carry out its responsibilities, NRC issues licenses and conducts inspections to ensure that licensees use the materials safely. However, license renewal problems and inspection backlogs have occurred for years within NRC's materials licensing program. Past studies have concluded that these problems and backlogs occur because NRC does not have sufficient licensing and/or inspection staff. Our work showed that staffing shortages still exist and contribute to untimely license renewals and inspections. Renewal problems and backlogs can prolong unsafe circumstances. Renewal requests for NRC-specific licenses, which are issued for 5 years, are required to be made 30 days in advance of the expiration date.

NRC can take up to a year, and sometimes longer, to renew licenses, possibly allowing licensees to operate in an unsafe manner. Careless or irresponsible licensee actions have caused exposures to and releases of radioactive materials. In fiscal year 1987, NRC had 25 full-time staff to review about 700 new and 1,000 renewal applications. NRC historically has license renewal backlogs. For example, in 1987, NRC's goal was to process license renewals within 120 days; the time to do so averaged between 56 and 370 days in NRC's five regions. In one case we studied, NRC took 7 years to renew a license.

NRC also experienced inspection backlogs. In fiscal year 1987, NRC had 36 inspectors to monitor more than 7,700 materials licensees. NRC inspects licensees in the first year; thereafter, inspections are conducted according to a priority system based on the kinds and amounts of materials handled by the licensees. Unexpected events, however, such as the need to recall unsafe devices, cause NRC to change inspection priorities

⁶Nuclear Regulation: Stricter Controls Needed for Radioactive Byproduct Material Licenses (GAO/RCED-89-15, Oct. 12, 1988).

Our 1988 survey found agreement between controllers and facility managers that experienced controller staffing levels were too low. Overall, 85 percent of the controllers we surveyed in 1988 perceived a shortage of experienced controllers, and 67 percent perceived a shortage of developmental controllers. Similarly, 77 percent and 71 percent of supervisors and managers, respectively, said that the number of experienced controllers was too low; 63 percent and 50 percent of supervisors and managers, respectively, thought the number of developmentals was too low to meet future controller needs. Many controllers and supervisors said these shortages somewhat hindered their ability to maintain the safety of the air traffic control system.

We also testified in May 1989 before the House Subcommittee on Aviation, Committee on Public Works, on many issues related to FAA's effectiveness, including numerous FAA recruiting, hiring, and training initiatives to rebuild the workforce.⁸ We observed that these initiatives are long term and will require continued management support if they are to bear fruit. Despite these initiatives and recent progress made in hiring and certifying new controllers, we noted that FAA was not likely to meet staffing goals for experienced controllers. We also expressed concern about the growing shortage of maintenance technicians. FAA has yet to develop an adequate pipeline of new hires to replace its existing workforce. This problem is becoming more urgent because more than 50 percent of the maintenance workforce is eligible to retire by 1995. Unless enough maintenance technicians are recruited, hired, and trained, FAA may be required to contract for maintenance service, a service the Senate Committee on Appropriations has viewed as a federal responsibility.

Social Security Administration

In our last public service report, we noted that SSA did not have enough skilled ADP staff, which hampered its ADP modernization program. In fiscal year 1989, we issued two additional reports describing the effects of major SSA staff reductions. SSA was then in the fifth year of a 6-year plan to reduce staff by 17,000, or 21 percent, by fiscal year 1990. By the end of fiscal year 1990, the staff cuts will have saved a cumulative total of nearly \$2 billion, according to SSA. Both reports were requested by the Appropriations Subcommittees on Labor, Health and Human Services, Education, and Related Agencies in the Senate and the House.

⁸Issues Related to FAA's Effectiveness (GAO/T-RCED-89-39, May 9, 1989).

waste laws; and created three new environmental laws dealing with emergency planning, radon gas and indoor air quality, and Superfund revenue. The reauthorization act set 150 deadlines, with more than half (78) applying to EPA, either alone or with other agencies.

About half of the 87 deadlines we examined had been or were anticipated to be missed, including 23 EPA deadlines. The federal program managers frequently attributed delays to the inadequate resources (staff and funds) committed to the deadlines. For example, EPA missed four deadlines relating to the identification, research, and mitigation of radon. Officials cited heavy work loads and inadequate resources as the causes of the delays.

During our review EPA established a central data base of all statutory deadlines imposed on EPA by the 1986 Superfund reauthorization act and other environmental laws. However, because EPA did not include reasons for missing deadlines or for issuing periodic compliance reports to the EPA Administrator, it missed an opportunity to make the data base a useful internal control technique. We recommended that the EPA Administrator direct program managers to include the reasons why Superfund deadlines were missed or are expected to be missed in regular updates of EPA's newly established statutory deadlines data base. According to an EPA official in May 1990, the Agency has implemented our recommendation for selected high-priority deadlines.

Army Audit Agency

In April 1989 we reported on the effectiveness of the Army Audit Agency.¹² This was the second in a planned series of reviews of Department of Defense (DOD) internal audit organizations requested by the House Committee on Armed Services, Subcommittee on Readiness. We reviewed, among other things, the impact of proposed staff reductions on the Agency's audit coverage.

In fiscal year 1988, the Agency had an authorized staffing level of 861 and an operating budget of \$41 million. In April 1988 the Acting Secretary of the Army directed a 13-percent reduction in Agency staffing in fiscal year 1989. An Assistant Secretary told us that budgetary reductions forced the Army to consider staff reductions. Such a reduction would have put audit resources at the lowest level in more than 11 years and could have significantly impaired the internal audit coverage in the Army, where audit work load had expanded during the previous 8 years

¹²Army Audit Agency: Staff Reductions and Audit Quality Issues (GAO/AFMD-89-1, Apr. 21, 1989).

Some candidates told FDA officials they could not afford financially to consider an FDA position. An FDA report described the case of one candidate who was an associate professor of medicine at an eastern university. Despite his interest in the position, the candidate withdrew his name from consideration because of (1) the disparity between his university salary (\$91,200) and FDA's salary offer (about \$76,000); (2) the loss of university-provided benefits, such as health insurance and retirement, which were completely paid for by the university; and (3) the significantly higher cost of living in the Washington, D.C., area. FDA believed that the quality of candidates applying for positions was lower than that of those in the private sector because of the wide disparities in salary and benefits.

FDA has also had a difficult time retaining scientists and engineers in nine critical specialties—particularly medical officers. From fiscal years 1985 through 1988, FDA lost from 18 to 22 percent of its medical officers each year. Although several factors contributed to the turnover, FDA often cited disparities in salary as a chief reason. A 1987 FDA study, for example, compared salaries for FDA toxicologists with those for similar positions in industry. The study found that industry salaries were 31 percent higher at the FDA entry level (a GS-11, Ph.D.), 25 percent higher at the senior management level, and about 40 percent higher for senior executive equivalent positions.

The impact of FDA's personnel and retention problems may worsen during the next decade because about three-fourths of FDA's senior staff will be eligible to retire.

U.S. Park Police

In September 1989 we reported on the results of our review of recruitment and retention in the U.S. Park Police, the agency in the Department of the Interior responsible for patrolling national parks and other federal lands, primarily in the Washington, D.C., area.¹⁴ This report also described how the pay and benefits package of the U.S. Park Police compared with those of other police units in the Washington, D.C., area, which we discuss later in this chapter. The report was requested by five U.S. Senators concerned about the Park Police's possible recruiting and retention problems.

¹⁴Federal Pay: U.S. Park Police Compensation Compared With That of Other Police Units (GAO/GGD-89-92, Sept. 25, 1989).

We concluded that unless the problems with pay and personnel management practices were resolved, the situation could well worsen.

Bureau of the Census

During peak operations in 1990, at a cost exceeding \$1 million per hour, more than 300,000 temporary employees working out of nearly 500 offices attempted to count all U.S. residents. Few federal domestic activities will have as great an impact as the 1990 decennial census, America's 21st decennial census. Political power and the distribution of billions of dollars of federal funds are at stake. Among other purposes, the 1990 census will provide the basis for reapportioning the House of Representatives, redrawing state legislative district lines, and allocating federal grant-in-aid funds to state and local governments. In addition, census data are used for scores of other business and research purposes.

During fiscal year 1989, we issued two reports to and testified twice before the House Subcommittee on Census and Population, Committee on Post Office and Civil Service, on key issues in the upcoming census.¹⁶ We also testified before the Senate Subcommittee on Government Information and Regulation, Committee on Governmental Affairs, in May 1989 on related issues.¹⁷ We pointed out that the Bureau of the Census faced, among other things, a major challenge in acquiring and retaining a sufficient number of competent temporary employees to take the 1990 census.

To achieve full staffing, the Bureau needed to screen about 1.6 million applicants, or about 3 or 4 applicants per position. The Bureau was encountering difficulties in obtaining and holding a sufficient number of temporary census employees in areas of 11 states when we reviewed recruiting reports for 10 regional census offices for precensus activities in 1988. In addition, almost one-half of the Bureau's district offices were unable to meet the 1989 recruiting goal of four applicants for every field position during precensus activities. These activities involved canvassing urban areas to check the accuracy and completeness of address lists the Bureau purchased from commercial vendors. Staff shortages were the major reason that about 14 percent, or 15 of the 109 district offices, finished the precensus at least a week behind schedule. Staff

¹⁶Status of Plans for the 1990 Decennial Census: An Update (GAO/T-GGD-89-15, Mar. 23, 1989); Expanding the Decennial Census Applicant Pool (GAO/T-GGD-89-22, May 23, 1989); 1990 Census: Overview of Key Issues (GAO/GGD-89-77BR, July 3, 1989); 1990 Census: Delays in Completing the Address List for Suburban and Rural Areas (GAO/GGD-89-74, July 10, 1989); Status of 1990 Census Promotion and Outreach Activities (GAO/T-GGD-89-40, Sept. 20, 1989).

¹⁷Status of Plans for the 1990 Decennial Census (GAO/T-GGD-89-20, May 5, 1989).

Competitive Compensation Is Critical to Maintaining a Quality Workforce

Our work in the area of federal compensation indicates that the federal government's pay and benefit structure has serious implications for the quality of the federal workforce. In particular, the federal government must pay competitive salaries and benefits to recruit and retain a high-quality workforce in a competitive labor market. This basic tenet of sound personnel management is recognized in the merit principles, which require that equal pay be provided for work of equal value, with appropriate consideration for national and local rates paid in the private sector and with appropriate incentives and recognition for excellent performance. However, a large and growing gap exists between average federal and private sector pay rates for comparable jobs.

During fiscal year 1989, we reported and testified on many aspects of the government's pay and benefit structure. This work addressed why federal pay reform is such a serious issue, types of alternative pay systems the government could adopt, the diversity in agency compensation policies and practices, and federal retirement issues. The federal health benefits program, which is a major component of the government's compensation package, is discussed in chapter 5 under OPM's performance in administering civil service programs.

Why Federal Pay Reform Has Become Such a Serious Topic

In June 1989 we testified before the House Subcommittee on Employment and Housing, Government Operations Committee, on locality pay for federal employees.¹⁸ To explain why federal pay reform has become such a serious topic, we briefly reviewed the history of federal pay setting.

Since 1962 the law has required that federal white-collar employee pay rates be set and adjusted on the basis of overall comparability with the private sector. The comparability principle holds that the private sector, through collective bargaining, cost-of-living considerations, pay surveys, and other factors, determines the "going rates" for jobs comparable with those found in the government. The government then is to pay the national average rates paid in the private sector for similar work. In concept, pay comparability was designed to assure federal employees fair pay for the work they do and assure the nation's taxpayers that federal pay rates are reasonable compared with what others in the country make for similar work.

¹⁸Locality Pay for Federal Employees (GAO/T-GGD-89-27, June 26, 1989).

Table 2.2: Pay Comparison of Selected Federal and Private Sector Occupations (1988)

| Occupation | Median private sector pay | Median federal pay ^a |
|-----------------------|---------------------------|---------------------------------|
| Key Entry Operator I | \$13,311 | \$11,970 |
| Key Entry Operator II | 17,185 | 13,241 |
| Computer Operator I | 14,722 | 14,863 |
| Computer Operator V | 31,022 | 22,812 |
| Stenographer I | 22,462 | 13,241 |
| Stenographer II | 23,528 | 14,863 |
| Buyer I | 21,266 | 16,630 |
| Buyer IV | 42,533 | 30,488 |
| Chemist I | 25,694 | 16,630 |
| Chemist VII | 77,062 | 51,347 |
| Systems Analyst I | 30,770 | 25,199 |
| Systems Analyst VI | 76,382 | 60,397 |
| Attorney I | 31,987 | 25,199 |
| Attorney VI | 107,207 | 60,397 |

^aMedian federal pay was calculated using step 4 of the fiscal year 1988 pay grade specified for that occupation by the President's Pay Agent

Source: Annual Report of the President's Pay Agent, August 1988.

Another problem with the administration of comparability is its assumption that private sector pay rates are similar in different parts of the country. The General Schedule or GS pay system—the primary federal white-collar pay system—applies nationwide, with every particular job paid the same regardless of location. An entry-level secretary in New York is paid the same as an entry-level secretary in Denver or San Antonio.

In fact, private sector pay rates for the same job and local costs of living vary substantially across the country. The national average pay used in the comparability process often has little relevance to local private sector rates or the compensation needs of federal employees. Currently, the only systematic way federal white-collar pay rates can vary by occupation or locality is if OPM approves special rates to counteract recruitment and retention problems caused by higher private sector pay. Employing agencies must certify that they have sufficient funds to pay the higher amounts before special rates will be approved. OPM has testified that the special rates program cannot adequately address the need for variances from the General Schedule.

We further testified that the current uniform GS pay system can have at least two negative effects on the federal workforce. Differences in the

of-living differentials to GS rates for its employees in high cost-of-living locations. One such location is San Francisco, where Corporation employees get a 19.4 percent pay differential—the highest in the country. In another cost-of-living-based program, civilian employees in nonforeign areas outside the continental United States, such as Alaska, Hawaii, and Puerto Rico, receive cost-of-living allowances of up to 25 percent of base pay. The allowances are intended to equalize the purchasing power of these employees with the purchasing power of employees in Washington, D.C.

The Federal Wage System for blue-collar workers is an example of a market-based locality pay system. In this system, wage-fixing authorities in each of 135 designated areas throughout the country survey local private sector employers to determine the prevailing wage rates for blue-collar jobs comparable with those in the government. Each of the 135 wage areas adjusts its pay structure annually to reflect the average private sector wage rates in the area. The differences in federal pay for the same job across the wage areas are substantial. For example, in fiscal year 1988, federal blue-collar employees at grade 10, step 2, were paid \$9.06 an hour in Columbus-Aberdeen, Mississippi, and \$13.46 an hour in San Francisco—a 49-percent difference.

Nevertheless, the Federal Wage System does not perfectly mirror private sector pay. Through appropriation limitations imposed by Congress during the past several years, pay increases for employees covered by the wage system have been limited to no more than the percentage pay raises granted to white-collar employees. Thus, wage system rates in many areas are now well below the prevailing private sector rates. For example, federal blue-collar workers at grade 10, step 2, in San Francisco were paid 15.75 percent less than their private sector counterparts in fiscal year 1988.

The special rate program is also a form of market-based locality pay because it uses private sector pay rates as one factor in setting pay for selected white-collar federal employees. The program does not always permit special rates high enough, however, to match private sector pay rates for particular occupations and may not be awarded at all if an agency is unwilling or unable to absorb the cost of the increase. Although the special rate program and other locality or market-based pay initiatives are significant attempts to make white-collar pay more flexible and market sensitive, they affect only a portion of the federal white-collar workforce.

U.S. Park Police

In September 1989 we reported on a comparison of the pay and benefits package of the U.S. Park Police with those of other police units in the Washington, D.C., area.²⁰ This report also described the results of our review of possible recruitment and retention problems in the Park Police, which we discussed earlier in this chapter.

While most federal police officers are under the GS system, Park Police are under a different pay system, as were three other federal police units (Secret Service Uniformed Division, Library of Congress, and U.S. Capitol) in our comparison. We found that the starting salaries for full performance level employees at six of eight nonfederal police units with comparable duties and responsibilities were higher than those for the Park Police. The six paid starting salaries to full performance level employees that were from \$175 to \$2,590 above the Park Police's \$24,450 salary. In addition to regular pay, Park Police and other police units with comparable positions paid their officers a longevity bonus, ranging from 5 percent of the minimum salary for the position after 15 years of service to 20 percent after 30 years.

Generally, Park Police benefits, including retirement, health insurance, and workers' compensation, were comparable with, or better than, the benefits of most police units we reviewed. Life insurance coverage for Park Police and other federal police officers was more costly to employees. Park Police provided uniforms, but it did not provide education or tuition assistance to its officers as did most of the other police units reviewed.

Federal Civilian Firefighters

In September 1989 we reported on the need for Congress and the Secretary of Defense to address aspects of how federal civilian firefighters are paid.²¹ The report was requested by the House Subcommittees on Postal Operations and Services and Compensation and Employee Benefits of the Committee on Post Office and Civil Service. Because DOD employs more than 80 percent of about 11,000 federal civilian firefighters, we focused our review on DOD.

Most federal civilian firefighters have a tour of duty of 72 hours per 7-day workweek, or 144 hours per biweekly pay period. The firefighters work on a one-day-on/one-day-off basis for a total of three 24-hour

²⁰Federal Pay: U.S. Park Police Compensation Compared With That of Other Police Units (GAO/GGD-89-92, Sept. 25, 1989).

²¹Federal Pay: Complexities in Calculating Federal Civilian Firefighters' Pay (GAO/GGD-89-131, Sept. 29, 1989).

advantages to all contributions to the plan). We reported on the implementation of FERS by these agencies in a 1988 report.²²

During fiscal year 1989, we reported on several aspects of the government's management of the federal retirement system including the

- need for federal agencies and the Thrift Board to encourage greater participation in the Thrift Savings Plan,
- extensive use of contractors to implement FERS,
- effects of early retirements in certain DOD components in fiscal year 1988,
- preferential retirement benefits to law enforcement personnel, and
- duplication of benefits provided federal retirees under the Federal Employees Health Benefits Program and the Medicare Catastrophic Coverage Act of 1988.

We also reported, as required by law, on the reasonableness of the basis for the fiscal year 1990 federal payment of about \$34 million to the District of Columbia Police Officers and Firefighters' Retirement Fund.

Greater Participation in the Thrift Savings Plan Should Be Encouraged

In July 1989 we testified before the House Subcommittee on Compensation and Employee Benefits, Committee on Post Office and Civil Service, on a bill to amend the FERS Act of 1986.²³ As of May 1989, about 800,000 employees covered by FERS and 400,000 employees covered by CSRS had thrift savings accounts. While FERS, for the most part, has been successfully implemented, we testified that agencies and the Thrift Board still face a challenge in encouraging employees who are not contributing to make the thrift plan a part of their retirement program.

About 800,000 FERS employees have thrift fund accounts because of the automatic 1-percent government contribution. Less than 400,000 of these employees, however, were contributing any money of their own and receiving matching government contributions. Unless noncontributing employees can be encouraged to participate, when these employees retire, their benefits will be significantly less than those of employees covered by CSRS, and by then it will be too late to do anything about it. This is because the FERS program was designed to provide benefits comparable to CSRS only when employees fully participate in the savings plan.

²²Federal Retirement: Implementation of the Federal Employees Retirement System (GAO/GGD-88-107, Aug. 4, 1988).

²³H.R. 2514. Federal Retirement Thrift Savings Plan (GAO/T-GGD-89-35, July 25, 1989).

more opportunities for employees to participate more fully in the thrift savings plan by allowing them to invest in whatever investment fund best meets their personal investment goals.

Extensive Use of Contractors and Other Agencies Was Made to Implement FERS

In February 1989 we reported on the extent that OPM, SSA, and the Thrift Board used contractors and other agencies to assist them in implementing FERS, the cost of these services, and whether the agencies could have used their own employees and equipment to provide the products and services in a timely manner.²⁵ The Senate Subcommittee on Federal Services, Post Office and Civil Service, Committee on Governmental Affairs, requested the report.

Each of the agencies used the services of other federal agencies and contractors extensively in implementing FERS, as discussed below.

- OPM paid about \$3.8 million (about \$2.2 million to other agencies and about \$1.6 million to contractors) primarily to develop and print information to help federal employees better understand and compare the features of FERS and CSRS and to take preliminary steps toward the design and implementation of an automated FERS recordkeeping system.
- SSA contracted through the Government Printing Office for an automated system using machine-readable forms to respond to federal employees' requests for Social Security earnings and coverage information. The total cost to design, print, and process forms was \$621,506.
- The Thrift Board paid about \$14.6 million (about \$14.3 million to other agencies and about \$0.3 million to contractors) primarily to develop and operate an automated recordkeeping system and to prepare, print, and distribute materials and forms.

We concluded that using contractors and other agencies to provide these products and services was appropriate because (1) the principal agencies' staffs either were too small or lacked the capability, (2) some products or services were needed on a one-time-only basis, and (3) government printing regulations restrict agencies from printing large amounts in-house.

²⁵Federal Retirement: Use of Contractors to Implement the Federal Employees Retirement System (GAO/GGD-89-29, Feb. 1, 1989)

Preferential Retirement Benefits
To Law Enforcement Personnel

In February 1989 we reported on the extent to which law enforcement personnel receive preferential retirement benefits.²⁷ The report was requested by the Senate Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs, which expressed concern that agencies may have inappropriately classified jobs in the law enforcement job category so they could use special retirement provisions to aid in employee recruitment and retention.

Law enforcement retirement benefits are more generous and costly than such benefits for regular employees. Law enforcement personnel can retire at age 50 with 20 years of service, whereas other employees must be at least 55 with 30 years of service. They also accrue annuities at a faster rate. Under CSRS, the cost for regular pension benefits is estimated to be 28.7 percent of pay, while the special retirement benefits for law enforcement personnel are estimated to cost 43.9 percent of pay. Under FERS, which covered an estimated 25 percent of federal law enforcement personnel as of July 1988, the cost for pension plan benefits for regular employees was estimated to cost 13.8 percent of pay, while the cost for special pension plan benefits for law enforcement personnel was estimated to be 26.7 percent of pay. In fiscal year 1987, law enforcement personnel retired, on average, at age 53 with 28 years of service. Other federal employees retired, on average, at age 61 with 29 years of service.

Based on data from OPM, the Departments of Justice and the Treasury, and the U.S. Customs Service, we discussed the increase in law enforcement employees and positions covered by special retirement benefits, the extent to which new positions were created to aid in recruiting and retaining new employees, and the potential effects of related proposed legislation, as summarized below.

- As of June 30, 1987, 44,646 employees were covered by the law enforcement retirement benefits in 4,114 positions within 245 different occupational series. The number of law enforcement employees covered increased 32 percent from December 1982 through June 1987. During this time, the total number of law enforcement positions approved by OPM for special retirement benefits in CSRS increased 44 percent. Agencies attributed these increases to an expansion of the government's law enforcement programs.

²⁷Federal Workforce: Positions Eligible for Law Enforcement Officer Retirement Benefits (GAO/GGD-89-24, Feb. 2, 1989).

among other things, our review of the actuarial study on the rebate amount prepared under contract to OPM and our verification of OPM calculations.

**Annual Report Required by the
District of Columbia Retirement
Reform Act**

In March 1989 we reported, as required by law, on the reasonableness of the basis for the fiscal year 1990 federal payment of about \$34 million to the District of Columbia Police Officers and Firefighters' Retirement Fund.²⁹ Specifically, the District of Columbia Retirement Reform Act requires the Comptroller General to annually determine if the annual federal payment to the fund should be reduced based on a review of the disability retirement rate computed by an enrolled actuary. The purpose of subjecting the payments to a reduction was to encourage the District government to control disability retirement costs. Our review of the actuary's report and other relevant data concluded that no reduction was required in the fiscal year 1990 payment.

²⁹District's Workforce: Annual Report Required by the District of Columbia Retirement Reform Act (GAO/GGD-89-57, Mar. 22, 1989).

Lack of Management
Continuity and
Accountability Hinders an
Air Force Modernization
Effort

In July 1989 we reported on the need for better management of the Air Force's modernization of equipment and subsystems in the command and control center for the North American Aerospace Defense Command (NORAD) at the Cheyenne Mountain Air Force Station.¹ This command is responsible for notifying U.S. and Canadian leaders that North America is under air or missile attack. The House Subcommittee on Defense, Committee on Appropriations, requested the report.

In 1981 the Air Force began developing five modernization programs to replace or upgrade computer subsystems at the Cheyenne Mountain complex. These programs are still under development, at an estimated total cost exceeding \$1.76 billion. The Air Force planned to spend more than \$775 million through fiscal year 1989 to modernize and replace the computer and communications subsystems at NORAD's Cheyenne Mountain complex. After almost 9 years of development, none of the five modernization programs is fully operational. The Air Force estimated that it will need several more years to complete the modernization it initially planned to complete by 1987.

We reported on several long-standing, unresolved problems that could disrupt the ability of the various modernization initiatives to work together effectively to accomplish NORAD's mission. Among the problems are diffused accountability across a large, multicommand management structure, along with frequent turnover in key command and management positions. No single, accountable manager beneath the Air Force Chief of Staff has authority, accountability, and responsibility for the total system. Without a single manager at the command level, the responsible Air Force commands have been managing development and integration by consensus, through a proliferation of boards and working groups. The average tenure for the program managers responsible for the five modernization programs has been 22.5 months. In this environment, where authority and responsibility are diffused and management continuity has not been maintained, a practice has evolved of deferring problems to later years of the program and, therefore, to future managers, rather than solving them when they arise. When problems are deferred, specific accountability is lost.

¹ Attack Warning: Better Management Required to Resolve NORAD Integration Deficiencies (GAO/IMTEC-89-26, July 7, 1989)

- A March 1989 report by the National Commission on the Public Service, Leadership for America: Rebuilding the Public Service, said the President and Congress must ensure that federal managers receive the added training they need to perform effectively. A Commission task force recommended regular training for all professional federal employees and suggested a minimum of 80 hours of continuous education every 2 years. We endorsed this concept.

Regarding the usefulness of executive training and development, we reported the following:

- Executives generally perceive their training and development experiences as moderately to very useful in helping them carry out their SES duties. This was so for experiences both before and after appointment; however, executives from large and medium-sized agencies thought more of their preappointment experiences than did executives from small agencies.
- Among the specific benefits their experiences provided, we asked executives if they improved their skills and abilities in the six major competency areas OPM considers essential for executive performance. They often perceived other, greater benefits from their experiences, such as broadening their perspectives of other federal and nonfederal organizations and creating opportunities to change routines and challenge themselves.
- Mechanisms OPM requires to enhance the usefulness of executive training and development have not been effectively used. These mechanisms include a formal assessment process to identify training needs, individual advisors for SES candidates, and Executive Resources Boards to give top level direction and oversight.

Actions OPM plans to take to address problems highlighted in this report are discussed in chapter 5 in the section on OPM's performance in administering civil service programs.

Lack of Data on SES Vacancies

In April 1989 we reported on the lack of readily available data on hard-to-fill SES vacancies.³ The report was requested by the House Post Office and Civil Service Committee, which wanted us to obtain information on SES positions vacant 120 days or more and the reasons for agencies'

³Senior Executive Service: Data on Hard-to-Fill Vacancies Not Readily Available (GAO/ GGD-89-72BR, Apr. 26, 1989).

year were paid by their private sector employers rather than by government. The act required us to identify the advantages and disadvantages of the experimental approach and recommend whether it should be continued.

Between October 1970 and February 1989, 867 executives participated in the executive exchange program: 561 from the private sector and 306 from the government. The private sector executives are assigned to a government agency generally for 1 year, and government executives spend 1 year in the private sector. Seventy private sector and government executives participated in the program in fiscal years 1988 and 1989. Of the 43 private sector executives participating in the exchange program during this period, 18 were in the experimental component and were paid their full salaries by their corporate employers; salaries of the other 25 were paid by the government up to the SES salary ceiling (\$77,500 in October 1987, which was raised to \$80,700 in January 1989).

Overall, we found that the experimental component has achieved its objective of facilitating the recruitment of high-level private sector executives. It has also resulted in other benefits, such as savings to the government and greater agency participation. Views of private sector executives, their employers, and government hosts are generally positive toward the experimental component. We found no disadvantages of the experimental component to the government. The program's conflict-of-interest procedures appear to be adequate. We did note, however, an inequity in the program that should be corrected. While private sector executives in the program continue to receive most of their fringe benefits from their corporate employers, federal participants are in a leave-without-pay status, and certain federal employee benefits are reduced or not available to them.

Table 3.1 lists specific recommendations we made to Congress to improve implementation of the program. As long as adequate controls over conflicts of interest remain, we believe the experimental authority should be extended and expanded to permit more than 10 executives a year to receive their full salaries. We also believe that federal executives should continue to receive their employee benefits. This could be done by detailing the executives to private sector hosts. The government should absorb the cost of participating federal executives' benefits, as do the private sector firms for executives participating in the program. We do not believe these costs to the government would be significant

state-local government cooperation by strengthening the personnel capabilities of state and local governments.

We found that the mobility program has benefited both federal agencies and nonfederal organizations. The program has provided federal agencies with a way to satisfy many personnel needs. Agencies find the program beneficial because of the flexibility it offers in obtaining the temporary services of nonfederal personnel. Also, agencies have used the program primarily to obtain the services of college and university personnel. While the act clearly permits agencies to bring personnel into the federal government from colleges and universities for practically any purpose and to pay all salary and related assignment costs, such assignments are to be mutually beneficial to federal and nonfederal organizations. In addition, costs are to be shared accordingly. The agreements we reviewed, however, indicated that the federal government is often the primary beneficiary and, consequently, absorbs most—and many times all—assignment costs.

While federal agencies are using the mobility program in accordance with the act and finding their current mobility assignments beneficial, the main use of the program today differs substantially from the basic purpose set forth in the 1970 act. Considering this and the fact that other programs for grants, training, and technical assistance authorized under the act have been discontinued, Congress may want to reassess and clarify the primary purpose of the program. Specifically, should the primary purpose of the program be to improve personnel capabilities of state and local governments or to help federal agencies by bringing in personnel from colleges and universities?

Because of the widespread use of mobility assignments among federal agencies and the importance agencies give the program, Congress may also want to require OPM to report periodically on issues like program costs and benefits, legislative or regulatory compliance, and program results. Chapter 5 discusses, in a section on OPM's administration of civil service programs, the need for OPM to strengthen its oversight of the mobility program.

Controller Field Training

The first report, issued in March 1989, examined FAA's program for providing field training to developmental and experienced (full performance level) controllers.⁶ The report was requested by the House Subcommittee on Investigations and Oversight, Committee on Public Works and Transportation.

The National Transportation Safety Board has linked deficiencies in training to impairments in air traffic safety. We found opportunities to improve both delivery and oversight of the controller field training program. Specifically, we found the following:

- On-the-job training provided to developmental controllers at field facilities is not standardized despite recent FAA efforts to make it more uniform.
- Experienced controllers are receiving only limited amounts of training to maintain and upgrade their knowledge and skills.
- FAA does not maintain sufficient data to oversee controller field training.
- FAA has not evaluated contractor-provided training at certain centers.

FAA recognizes the need to improve its field training programs, and in August 1988, it announced a series of initiatives to improve controller training. While these initiatives should strengthen FAA's training programs, we made specific recommendations aimed at improving both FAA's implementation and oversight of controller field training. FAA generally agreed with our recommendations and is implementing them.

Aviation Safety Inspectors

The second report, issued in September 1989, examined FAA's training of its aviation safety inspectors to determine whether the training is what is needed for their jobs.⁷ Two House Subcommittees of the Committee on Public Works and Transportation requested the report.

FAA employs about 2,300 aviation safety inspectors to oversee compliance with air safety regulations. These inspectors are divided into two groups—operations inspectors and airworthiness inspectors. Operations inspectors are pilots employed by FAA responsible for checking pilots to determine their capability to operate aircraft safely, evaluating air carrier operations for compliance with safety regulations, and investigating accidents and incidents. Airworthiness inspectors are responsible for

⁶FAA Training: Continued Improvements Needed in FAA's Controller Field Training Program (GAO/RCED-89-83, Mar. 29, 1989).

⁷Aviation Training: FAA Aviation Safety Inspectors Are Not Receiving Needed Training (GAO/RCED-89-168, Sept. 14, 1989).

- Nineteen reported plans to start the required training programs during the period November 1988 through April 1989.
- Two reported having none of the required training programs and did not say when they would start. These two agencies were the Commission on Civil Rights and the National Mediation Board.
- Fifteen stated they have no computer systems containing sensitive information.

Implementation of a Professional Development Program for Members of the Foreign Service

In July 1989 we reported on the State Department's implementation of section 703 of the Foreign Service Act of 1980, which requires the Secretary of State to establish professional development programs for all Foreign Service members.⁹ The Senate Committee on Foreign Relations requested the report.

The 1980 act highlighted the need for training of Foreign Service personnel. The State Department employs the largest number of such personnel with 5,100 Foreign Service officers, who are traditionally considered to be diplomats; and about 4,200 Foreign Service specialists, such as medical doctors, secretaries, and security personnel. The State Department responded to the act by revising many of its training programs and developing new programs. For example, State revised junior officer entry-level training to place more emphasis on assignment-related training rather than on orientation and developed a new mid-level training program. State also integrated its area studies program with its language training to more closely coordinate these two aspects of preparing personnel for overseas assignments. State's fiscal year 1989 budget for professional training and development totaled about \$45.8 million.

We found that the overall amount of training has declined in recent years, and relatively less time is spent on political training than on training for other Foreign Service assignment areas. We concluded that increased management attention to the following factors could result in improved Foreign Service personnel participation in training programs: staff reluctance to attend training; funding and logistical problems, which restrict attendance; and operational pressures, which may prevent staff from leaving their jobs for lengthy training courses.

⁹State Department, Professional Development of Foreign Service Employees (GAO/NSIAD-89-149, July 26, 1989).

We reviewed PMRS shortly after it was established and reported on many implementation problems.¹⁰ During fiscal year 1989, we issued two additional reports in May and September that confirmed the earlier identified problems, and we testified in July before the House Subcommittee on Compensation and Employee Benefits, Committee on Post Office and Civil Service, on options for reauthorizing PMRS.¹¹

In general, we found that employees covered by PMRS thought that it did not fully meet its objectives to motivate and reward them. PMRS' shortcomings have been reported as follows:

- performance was not a major determinant of who received performance awards;
- awards were too small to motivate employees;
- performance ratings and awards were inequitable; and
- employees who were rated as fully successful and were in the middle third of their pay range received the equivalent of one-third of a step increase, whereas similarly situated GS employees received one-half of an increase. Thus, PMRS employees in this category were unfairly paid compared with their General Schedule counterparts.

With passage of the Performance Management and Recognition System Reauthorization Act of 1989, Congress adopted the suggestions we made in our July 1989 testimony to (1) correct the pay inequity for certain PMRS employees referred to above and (2) defer passage of major PMRS modifications pending further research and study by OPM. Some major modifications being proposed for PMRS included revising the appraisal system from a five- to three-tier rating system and establishing agency performance review boards to review recommendations and decide who should receive a performance reward and for how much. Our testimony expressed reservations about these changes and suggested they be considered further before implementation.

Our September 1989 report presented the views of 44 agency personnel directors on various aspects of PMRS. Although they expressed little agreement on how PMRS should be changed, two suggestions appeared most often. About 73 percent wanted increased funding for performance

¹⁰Pay for Performance: Implementation of the Performance Management and Recognition System (GAO/GGD-87-28, Jan. 21, 1987).

¹¹Pay for Performance: Interim Report on the Performance Management and Recognition System (GAO/GGD-89-69BR, May 18, 1989); Pay for Performance: Agency Personnel Directors' Views (GAO/GGD-89-126FS, Sept. 15, 1989); Comments on Reauthorization of the Performance Management and Recognition System (GAO/T-GGD-89-36, July 18, 1989)

to be placed on a performance improvement plan; the process can be initiated any time during the appraisal period. The improvement plan identifies the employee's deficiencies, what the employee must do to improve his or her performance, the supervisory assistance to be provided, and the time period the plan is to remain in effect. SSA guidelines recommend that during the time the performance improvement plan is in effect the supervisor assist the employee with remedial training, additional monitoring, and feedback.

While we found that SSA supervisors have had success in dealing with poor performers, SSA's system for dealing with poor performers could improve. Some supervisors were having difficulty using performance standards to identify poor performance, and they did not always use the performance improvement plan process. In addition, some supervisors were reluctant to deal with poor performers because of a perceived lack of adequate management support or authority to act against poor performers. It was unclear whether these problems reflected a need for procedural improvements, for improved training in dealing with poor performers, or for both. Significantly, we found that SSA has not monitored the effectiveness of its process for identifying and dealing with poor performers. In our opinion, improved monitoring would help SSA management identify problems in dealing with poor performers and seek solutions.

SSA agreed with our recommendations to address these problems but stated that a need also exists to address the specific problem of managers' evaluating unacceptable performance as minimally successful or satisfactory. SSA said that increased training, a tightening of current performance standards, and a more visible management commitment would help achieve the desired results. We agree.

The second report, issued in September 1989, addressed the Federal Aviation Administration's process for removing pilot examiners who are not satisfactorily carrying out their responsibilities.¹³ Two Subcommittees of the House Committee on Public Works and Transportation requested the report. Pilot examiners are private, non-FAA personnel to whom FAA delegates most of its authority and responsibility for certifying the competency of pilots. FAA has designated about 1,430 pilot examiners as official representatives of the FAA Administrator. For fees

¹³Aviation Safety: FAA Has Improved Its Removal Procedures for Pilot Examiners (GAO/RCED-89-199, Sept. 8, 1989)

penalties. The Postal Service believes, and we agree, that supervisors need flexibility in selecting penalties to account for individual cases, but rules for disciplining employees and selecting penalties should be uniform. However, the Postal Service guidance to supervisors is not sufficient to assure such uniformity.

Craft employees of the Postal Service work under uniform rules and are paid under uniform schedules, but when behavior requires correction, disciplinary treatment is not comparably uniform. Procedural requirements for disciplinary actions are not sufficiently definitive to promote consistency so that employees can correct their behavior before being disciplined and in using an employee's prior discipline record in selecting a penalty for current behavior. As a result, employees charged with the same infractions may or may not be disciplined or may be disciplined differently. For example, in one region, for absenteeism with one prior infraction of any kind, one division issued warnings in about 59 percent of its cases and gave 7-day suspensions in about 39 percent of the cases. In contrast, another division in the same region issued letters of warning in about 3 percent of its cases and issued 7-day suspensions in about 79 percent of the cases.

Service data show widespread variances in penalties within and throughout divisions in cases involving the same infraction and the same number of infractions. Although we could not determine from the data how much variation was justified by the circumstances in individual cases, we found that supervisors do not have clear guidance on considering factors inherent to selecting penalties. These factors include the following: (1) how to consider prior discipline, including whether to consider only similar past infractions or any past infractions; (2) how recent the past infractions should be to consider them; and (3) how to consider past infractions protested through the grievance process and either not imposed, reduced, or not decided. To make disciplinary actions consistent, we made recommendations to the Postmaster General to clarify these factors and strengthen controls over reviews of proposed suspensions and removals. The Postal Service commented on a draft of our report that it would respond to our recommendations.

Administration of Ethics Laws and Regulations

Beyond testifying on the President's ethics proposals during fiscal year 1989, we reported or testified on the public financial disclosure systems of the legislative branch and the Department of the Navy, DOD's revolving door legislation, possible violations of post-employment statutes by a former U.S. Air Force Colonel and a former Assistant Secretary at the Department of Housing and Urban Development (HUD), compliance of the President's Commission on AIDS with conflict-of-interest requirements, and policy-related functions not fully implemented by the Office of Government Ethics (OGE).

Legislative Branch Systems for Financial Disclosure Have Improved But Can Be Further Strengthened

In September 1989 we reported on the progress of the legislative branch in implementing Title I of the Ethics in Government Act of 1978.² This title of the act requires public financial disclosure by members of Congress, other legislative branch officials, and congressional candidates. The act also required us to determine whether Title I has been implemented effectively and whether timely and accurate reports have been filed. The annual reports must disclose income, assets, liabilities, and other financial information prescribed in the act. In a previous report on the legislative branch's financial disclosure systems in 1981, we concluded that Title I was not being effectively implemented and recommended ways to improve the systems.

Overall, we found that since 1981 the House and Senate have improved their financial disclosure systems. Filing compliance improved as a result of steps taken to detect and reduce reporting errors and to improve follow-up when reports are overdue. Clarified forms and instructions have been issued, and report review checklists developed.

On the other hand, candidate filing, while better than in 1980, remains a problem. The Ethics Act defines candidates as persons other than current members who sought election to Congress. About one-half of the candidates for the House and Senate filed late or not at all in 1986. Earlier identification of candidates by the House and Senate and better follow-up (by the House) of delinquent reports, including referrals to the Attorney General when appropriate, could enhance filing compliance.

Improved procedures for reviewing requested report corrections could further enhance disclosure systems in the House and Senate. House Ethics Committee staff did not review corrections that had been

²Financial Disclosure: Legislative Branch Systems Improved But Can Be Further Strengthened (GAO/ GGD-89-103, Sept. 8, 1989).

termination filers can be notified of the reporting requirement and sent the forms and related information. While some reports were filed late, Navy and Marine Corps officials followed up and achieved total compliance with the reporting requirement.

We also found that some potential conflicts of interest were not being identified and evaluated because some reviewers did not check whether filers were financially involved with affiliates of DOD contractors. We estimated that this resulted in not identifying potential conflicts on about 11 percent of the 1987 reports. We reviewed a sample of the identified potential conflicts and found no real conflicts of interest. As an additional means of detecting potential conflicts of interest, we recommended that the Secretary of the Navy have report reviewers check on filers' financial involvement with affiliates of DOD contractors. We also recommended that the Navy review management controls over the program as part of its implementation of the Federal Managers' Financial Integrity Act. The Navy agreed with our recommendations and has acted to implement them.

DOD Revolving Door Processes Have Improved, But Post-DOD Employment Reporting Remains Low

Congress has had a long-standing concern about people moving from government to private employment, and vice versa, under circumstances that may create real or apparent conflicts of interest—the so-called “revolving door.” Congress has been especially concerned about DOD military officers and high-level civilian employees who may have been involved in procurement working for defense contractors, fearing this situation could lead to conflicts of interest or loss of public confidence in government. These concerns led to legislation (10 U.S.C. 2397) requiring former DOD personnel to disclose employment with defense contractors. The legislation was initially enacted in 1969 and amended in 1985.

Currently, this legislation requires former DOD employees to report subsequent employment if (1) they were military officers at grades 0 to 4 (major or Navy lieutenant commander) and above with 10 years of active service or civilian employees paid at or above a GS-13 rate and (2) they were paid any time during the year at an annual rate of \$25,000 or more from a major defense contractor (one with at least \$10 million in DOD contracts). Further, the 1985 amendments now require DOD to ensure compliance with the law and review disclosure reports for potential conflicts of interest (previously, DOD only collected the disclosure reports, provided copies to Congress, and did not review the reports).

we recommended that the Secretary of Defense begin requiring individuals to report positively or negatively if they worked on major defense systems while at DOD or at the defense contractor. In a January 1990 response, DOD said it would consider making this change when it revises its individual reporting form.

DOD has done little to enforce the reporting requirement. Although DOD has been required to enforce the reporting requirement since November 1985, it essentially took no enforcement action until March 1989 when it wrote to some individuals who should have reported. This lack of action may have made former DOD employees think DOD was not serious about the law. We recommended that the Secretary of Defense direct the Standards of Conduct Office to take specific actions to more aggressively enforce compliance with the reporting requirement. In response, DOD plans to turn over to its Office of Inspector General the names of those who do not respond appropriately for investigation and possible administrative action.

Possible Violation of the Post-DOD Employment Statute by a Former U.S. Air Force Colonel

In April 1989 we reported on our review of an allegation that a former U.S. Air Force Colonel violated conflict-of-interest laws while procuring crash damage kits for the repair of C-5 aircraft.⁶ The House Subcommittee on Oversight and Investigations, Committee on Energy and Commerce, requested the report.

The allegation concerned contacts the former Colonel made with Lockheed Aeronautical Systems Company about future employment before his retirement, creating a potential conflict of interest. Also of concern were the Colonel's approval of the requirement for the C-5 crash damage kits on April 25, 1986; was he influenced by prospects of future employment at Lockheed, the manufacturer of the kits? About 7 months after his July 1, 1986, retirement from the Air Force, the Colonel began working for Lockheed.

Although the Colonel had contact with Lockheed about future employment before his retirement, we did not find any evidence that his official actions regarding the purchase of kits for the C-5 aircraft were influenced by the contact with Lockheed. His major involvement with the procurement occurred before any identified contacts with Lockheed about employment. However, in our opinion, he did not comply with

⁶Air Force Logistics: Conflict of Interest in Procurement of C-5 Crash Damage Kits (GAO/NSIAD-89-109, Apr. 12, 1989).

Our review also showed that HUD did not adequately control or monitor the former Assistant Secretary's activities as a HUD consultant. HUD officials did not request her to disclose the names of her clients. Also, in hiring the former Assistant Secretary as a consultant, HUD did not require her to file a financial disclosure report as required by HUD's Standards of Conduct regulations. In addition, HUD did not, in our opinion, exercise adequate control over her specific work assignments because it did not instruct or direct her in her duties for HUD while she conducted private business on her own behalf. The Committee's November 1989 report recommended that Congress consider amending the Ethics in Government Act to deal with individuals subject to post-employment ethics restrictions who become consultants to their former agencies.

Resolution of Potential Conflicts of Interest of Presidential AIDS Commission Members

In October 1988 we reported on the process the White House used to identify and resolve any potential or actual conflicts of interest of members of the Presidential Commission on the Human Immunodeficiency Virus Epidemic—commonly known as the AIDS Commission.⁹ The Senate Committee on Governmental Affairs requested the report.

The President established the Commission by Executive Order 12601, dated June 24, 1987, to advise him on the public health dangers of AIDS. The original Commission had 13 members, including its Chairman, who were sworn in on September 9, 1987. On the basis of published biographical information, it appeared that at least 10 of the Commissioners were affiliated with entities that could have financial interests in matters before the Commission. Under the conflict-of-interest provisions of 18 U.S.C. 208, these Commissioners would not have been able to participate, even generally, in any matter affecting the interests of their organizations unless the interests were determined to be insubstantial and waivers were granted under 18 U.S.C. 208(b). The Counsel to the President did not grant the original Commissioners such waivers upon appointment.

The need to grant Commissioners waivers from the conflict-of-interest provisions of 18 U.S.C. 208 was identified by an HHS ethics official who met with the Commissioners on October 15, 1987, to brief them on federal ethics requirements and other matters. At the meeting several Commissioners raised concern about the effect that 18 U.S.C. 208 could have

⁹Federal Advisory Committee Act: Presidential Commission on AIDS: Compliance With the Act (GAO/GGD-89-17, Oct. 19, 1988).

We found OGE needed to do more to implement these functions and made specific recommendations to the OGE Director to address each function. For example, we recommended that OGE issue final regulations establishing a confidential financial disclosure system that Congress (in Dec. 1985) provided the President specific authority to create. Since December 1986 and at the time of our review, OGE had been evaluating comments from agencies on proposed regulations. OGE had not issued the regulations in final form when we prepared this report.

Discrimination and Equal Employment Opportunity

Merit system principles require, among other things, that federal employees be recruited from all segments of society and selection and advancement be determined solely on the basis of relative ability, knowledge, and skills after fair and open competition. Further, it is a prohibited personnel practice for a manager to discriminate for or against any employee or applicant for employment on the basis of race, color, religion, sex, national origin, age, marital status, political affiliation, or handicapping condition.

The Civil Rights Act of 1964, as amended by Congress in 1972, is a specific statute requiring most federal agencies to maintain affirmative action programs to ensure implementation of EEO policies. In January 1979 the responsibility for overseeing federal EEO efforts was transferred from the Civil Service Commission, now OPM, to the Equal Employment Opportunity Commission (EEOC) making it the principal agency for EEO enforcement. EEOC provides affirmative action guidance, monitors the hiring and promotion of minorities by sex, and oversees the discrimination complaint processes for both the public and private sectors.

EEOC requires that federal agencies compare each minority group's employment rate in specific agency employment categories (job series and grade levels) to each group's rate of availability in the appropriate civilian labor force—the national, regional, or local labor force from which an agency recruits to fill specific positions. Agencies may need to initiate actions for recruitment and for analyzing barriers to minority employment and promotion when the minority group's employment rate within an agency or agency component divided by the appropriate civilian labor force rate is significantly less than 100 percent. EEOC publishes statistics that agencies must use in comparing rates. The statistics cover professional, administrative, clerical, technical, and all other job categories combined. They also cover national and regional rates of

fared as well as Foreign Service officers. Women (both minority and white) made little progress in either administrative or technical positions. Black and Hispanic women are underrepresented in Foreign Service clerical positions.

We also found that the State Department has not had an effective affirmative action plan for overcoming the underrepresentation in the Foreign Service. Specific goals and timetables for hiring and advancing minorities and women have not been established, as required by EEOC guidelines. In addition, State has not adequately reviewed its personnel processes for possible barriers to hiring minorities and advancing minorities and white women.

To address this situation, we recommended that the Secretary of State

- establish numerical goals for hiring and advancement by race, ethnic origin, and gender;
- compile information needed to monitor the implementation and progress of affirmative action efforts, such as the race, ethnic origin, and gender of applicants for Foreign Service specialist positions; and
- analyze personnel processes for artificial barriers that hinder the hiring and advancement of women and minorities in the Foreign Service and eliminate any barriers found.

In its March 1989 comments on our report, the State Department indicated that it had taken or would take corrective actions.

In July 1989 we reported on the underrepresentation of minorities and women in the U.S. Information Agency's VOA.¹³ As discussed later in the section on agency compliance with appointment and employment controls, this was one of several VOA personnel issues that warrant continued management attention.

We found that VOA had not met its affirmative action goals for broadcasters, radio broadcast technicians, and radio electronic technicians. For example, since 1984 women broadcasters increased from 24 to 27 percent; however, women radio broadcast technicians decreased from 5 to 3 percent, and women radio electronic technicians decreased from 1 to 0 percent. The goal for these categories was for women to represent between 42 and 43 percent. Also, our analysis of VOA's grade structure

¹³Voice of America: Selected Personnel Practices Warrant Management Attention (GAO/NSIAD-89-160, July 12, 1989).

Under the provisions of Executive Order 11521, incorporated by reference in 38 U.S.C. 2014 (b), a federal agency may use a “veterans readjustment appointment” to hire a Vietnam-era veteran without competition if the veteran agrees to participate in a program of education and training. The program did not apply to nondisabled Vietnam-era veterans with more than 14 years of education. Vietnam-era veterans who are receiving disability compensation or were discharged because of service-connected disabilities are eligible for the program regardless of their education. During fiscal years 1983 through 1987, 15 percent of all disabled veteran new hires entered federal service through veterans readjustment appointments. From the program’s inception in 1970 through fiscal year 1987, 279,228 such appointments were made.

Another special appointing authority, contained in 5 U.S.C. 3112, is limited to veterans who are 30 percent or more disabled. A veteran who has a service-connected disability of 30 percent or more may receive a noncompetitive temporary appointment in a federal agency if the veteran meets the appropriate qualification standard. This appointment may lead to subsequent conversion to career employment. Such noncompetitive appointments accounted for 66 percent of all new hiring of 30 percent or more disabled veterans during fiscal years 1983 through 1987 and more than 27 percent of all disabled veteran new hirings during this period.

Together, veterans readjustment appointments and noncompetitive appointments for 30 percent or more disabled veterans accounted for more than 42 percent of new hirings of disabled veterans governmentwide from 1983 through 1987. An agency-by-agency delineation of the use of the special appointing authorities for fiscal years 1984, 1985, 1986, and 1987 revealed that DOD and VA made 92 percent of all veterans readjustment appointments of disabled veterans and 92 percent of all noncompetitive appointments made for 30 percent or more disabled veterans. The five agencies in our review hired fewer than the governmentwide percentage of such hirings using special hiring authorities.

As part of our review, we surveyed and got responses from all 61 coordinators of the affirmative action program for disabled veterans in the five agencies. They reported contacting many organizations to locate qualified disabled veterans for employment. The most useful sources cited were the veterans’ representatives funded by the Department of Labor in the state employment offices. Although these representatives should know the most about the employment needs and employability of

judge examination. While female nonveterans from the 1984 competition scored higher, on average, than male veterans on the examination, they received lower average final ratings after OPM added veterans' preference points to the scores as required by law.

A conflict between veterans' preference and equal employment opportunity is not new. In a 1977 report, we noted that giving unlimited lifetime employment preference to veterans conflicted with EEO for all federal job applicants and that veterans' preference particularly deterred women because few were veterans.¹⁶

SSA's Hiring of Hispanics

In January 1989 we reported on SSA's hiring of Hispanics and service to Hispanic clients.¹⁷ The report was requested by the House Select Committee on Aging, which noted, among other things, concerns about SSA's compliance with EEOC guidelines in its hiring of Hispanics nationwide and the number of SSA employees who speak fluent Spanish and can deal effectively and efficiently with Hispanics.

In general, the employment of Hispanics in SSA compares favorably to the appropriate regional and national civilian labor forces for the three job series that we reviewed. For example, as of September 30, 1987, SSA's overall employment rate of Hispanics was 6.4 percent, which equaled the national rate of availability of Hispanics in the civilian labor force. Hispanic men, however, are not fully represented in all job series in 7 of the 10 SSA regional offices. Factors contributing to the low employment rates of minority men in these three regions were, according to SSA officials, the reluctance of men to work in SSA clerical jobs, the relatively low grades of entry-level positions in SSA's workforce, and inability to hire many new employees because of workforce reductions. SSA has directed its organizational units to address the employment of Hispanic men in their affirmative action plans.

Nearly 70 percent of Hispanics at SSA were employed in one of three civil service job series that primarily work with the public in SSA district and branch offices, providing information and assisting with benefit claims. According to SSA records, as of January 1988, approximately 8.2 percent of all SSA field office employees were certified by SSA, through interview,

¹⁶Conflicting Congressional Policies: Veterans' Preference and Apportionment vs. Equal Employment Opportunity (GAO/FPD-77-61, Sept. 29, 1977).

¹⁷Social Security: Employment of and Service to Hispanics (GAO/HRD-89-35, Jan. 30, 1989).

- Labor, with about 18,000 permanent, full-time employees, paid about \$244,000 for 7 cases in 1987, and \$50,000 for 3 cases in 1988.
- The Securities and Exchange Commission, with about 2,100 permanent, full-time employees, paid about \$40,000 for 1 case in 1987, and \$147,000 for 2 cases in 1988.

Integrity of Various Administrative Systems and Management Practices

Merit principles require that employees maintain high standards of integrity and conduct and concern for the public interest. Specific requirements are defined in administrative systems and procedures governing the merit system and are enforced by management in various ways throughout the government. In fiscal year 1989, we made several reviews in federal agencies in response to concerns about the integrity of agency administrative systems or management practices. As discussed in the following the sections, these reports or testimonies addressed specific concerns about

- management retaliation against certain Immigration and Naturalization Service (INS) agents,
- internal controls over the Department of Justice's payroll system,
- the reliability of IRS data on alleged employee misconduct,
- DOD's use of consulting services in weapons system acquisition, and
- special air transportation services provided to TVA's manager of nuclear power.

Allegation of Management Retaliation Against Agents of the Immigration and Naturalization Service

In May 1989 we reported on alleged retaliation taken by INS management officials against eight anti-smuggling agents from the Service's Houston District Office.¹⁹ The report was requested by Congressman Jack Brooks, who expressed concern that Houston INS officials may have retaliated against these agents and their immediate supervisors because of the agents' efforts to communicate with members of Congress.

In September 1987 the eight agents wrote to members of the Texas congressional delegation alleging that District management acted improperly regarding the management of their anti-smuggling unit. These allegations concerned, among other things, using anti-smuggling agents for other activities without proper authority. A Member of Congress sent a copy of their letter to a Regional Commissioner, whose office made an internal investigation. At different times after the letter was

¹⁹Immigration Service: Allegation of Adverse Actions Taken Against INS Agents (GAO/GGD-89-70, May 1, 1989).

records to his timekeeper, with the result that the supervisor failed to detect multiple preparation errors that the timekeeper made. These errors resulted in improper salary payments totaling more than \$6,000 during several months to the employee.

To correct these problems, Justice agreed to act to strengthen its payroll system internal controls in response to our recommendations. Its actions included (1) revising a departmental order on time and attendance reporting that includes, among other things, a specific prohibition for supervisors to delegate authority to certify and sign time and attendance reports to timekeepers; and (2) preparing a detailed procedures manual as a reference source for timekeepers and as a basic training guide by the Department's Training Center.

Questionable Validity and Reliability of IRS Data on Alleged Employee Misconduct

In November 1988 and July 1989, we issued a report and testified on the validity and reliability of IRS data on its investigations of alleged employee misconduct involving crimes such as bribery and embezzlement.²² The House Subcommittee on Commerce, Consumer, and Monetary Affairs, Committee on Government Operations, requested both products.

We were asked to review the nature and results of 3,861 IRS investigations of alleged employee misconduct that IRS closed between 1984 and 1987. Our analyses were to provide a broad perspective on the types of employees and violations being investigated and the punishments that resulted. However, our review of these data raised serious questions about its validity and reliability. For example, we could not identify the results of prosecution (e.g., guilty, case dismissed) for 83 percent of more than 2,600 cases in which the investigator believed enough specific and reliable information existed to open a case. We concluded that the data had limited value in describing the nature and results of the investigations.

When we prepared this report, IRS was developing and testing a new system to improve its investigation data.

²²Tax Administration: IRS' Data on Its Investigations of Employee Misconduct (GAO/GGD-89-13, Nov. 18, 1988); IRS Data on Investigations of Alleged Employee Misconduct (GAO/T-GGD-89-38, July 27, 1989).

Special Air Transportation Services Provided to TVA's Manager of Nuclear Power

In September 1989 we reported on several aspects of TVA's arrangement to provide special air transportation services to TVA's Manager of Nuclear Power from October 2, 1987, to September 30, 1988.²⁴ The report was requested by the House Subcommittee on Environment, Energy, and Natural Resources, Committee on Government Operations, and was to describe the purpose, nature, and costs of the air transportation services and whether the benefits received were potentially subject to individual federal income taxes.

TVA spent \$172,700 to provide the TVA Manager of Nuclear Power air transportation services between his TVA office in Chattanooga, Tennessee, and his home in Charlottesville, Virginia. His wife accompanied him on three of these flights. The air transportation was provided as an incentive to retain his services because TVA's Board of Directors became concerned that his absence from his Charlottesville home would adversely affect his continued availability to TVA.

The cost of commuter services was \$126,500. We concluded that the fair market value of those services—not necessarily the \$126,500 that TVA paid—could be considered taxable compensation to the TVA Manager for Nuclear Power and his wife. We noted, however, that IRS was the agency that makes such determinations. It has special rules for computing the fair market value of fringe benefit aircraft flights. At the time of our report, we did not know how IRS treated this matter for federal income tax purposes. We did, however, inform the TVA Manager of Nuclear Power of our opinion that the fair market value of the commuter services he received from TVA could be taxed.

Agency Compliance With Appointment or Employment Controls

The Civil Service Reform Act requires that we review executive branch compliance with federal employment laws, rules, and regulations as directed by any committee of either house of Congress. As discussed below, we issued to congressional committees 10 reports during fiscal year 1989 that addressed aspects of federal appointment or employment controls. Some of these controls stem from rules or regulations promulgated by OPM, while others originated from agency regulations or procedures. In addition, some of the controls provided specific criteria governing agency decisions on employing federal civilian personnel or using alternatives, specifically military or contractor personnel. These reports addressed the following subjects:

²⁴Tennessee Valley Authority: Special Air Transportation Services Provided to Manager of Nuclear Power (GAO/GGD-89-117BR, Sept. 25, 1989).

We also tested the completeness of information on certain types of conversions reported to us by 10 agencies for an 18-month period. Our test identified 34 conversions that should have been reported but were not. Other than this limited test, we did not verify the agency information or determine the propriety of the conversions reported.

Temporary Appointments and Extensions in Selected Agencies

In February 1989 we reported on our evaluation of the appropriateness of 28 appointments of temporary employees and extensions in four judgmentally selected agencies and their compliance with administrative requirements.²⁷ The agencies were the Smithsonian Institution; the Indian Head, Maryland, Naval Ordnance Station in the Department of the Navy; and the Bureau of Labor Statistics and the Employment Standards Administration in the Department of Labor. The House Committee on Post Office and Civil Service requested the report.

Agencies are allowed under OPM-delegated authority to make competitive temporary appointments of 1 year or less from their own registers for grades GS-12 and below and to extend these appointments without OPM approval in increments of up to a year, for a total not to exceed 4 years. Agencies must make all temporary appointments above GS-12 from OPM registers, and any temporary appointment extensions beyond a total of 4 years requires prior OPM approval. As explained by OPM, the authority helps agencies avoid needlessly using permanent appointments for work that is only temporary in nature. Agencies are not to use the temporary appointment authority to avoid other federal personnel requirements, such as competitive selection procedures, or to accomplish an action otherwise prohibited, such as circumventing employee restrictions.

Our case examinations showed that 19 of the 28 appointments appeared to have been appropriately made to fill a temporary need. However, in four cases the appointments appeared inappropriately made to fill a permanent need, and in five cases the record was not clear enough to tell whether the temporary appointments were proper. We also found instances where administrative errors may have adversely affected implementation of fair and open competition. Further, oversight of the delegated authority was limited.

²⁷Federal Workforce: Temporary Appointments and Extensions in Selected Federal Agencies (GAO/GGD-89-15, Feb. 23, 1989).

**Selected Personnel
Practices Warrant
Management Attention at
the Voice of America**

In July 1989 we reported on a number of personnel issues that warrant continued management attention at the U.S. Information Agency's VOA and Radio Marti, which operates quasi-independently from VOA and broadcasts to Cuba.²⁹ The report was requested by the Chairman, House Subcommittee on International Operations, Committee on Foreign Affairs, because of numerous employees' allegations about the personnel management practices at VOA and Radio Marti.

VOA, which broadcasts in English and 42 foreign languages to 127 million people around the world, had a staff of about 2,800 at the time of our report. It was delegated responsibility for its own personnel management in 1981. Radio Marti, which began broadcasting in 1985, had an authorized staffing of 165 positions. Along with a tightened budget that reduced programs and constrained employees' advancement opportunities, the 1980s brought a continuous turnover of key VOA management positions, including six directors in the past 8 years.

Among the personnel issues that warrant continued VOA management attention were the following:

- The need for Radio Marti's excepted service hiring authority. Radio Marti continues to use Schedule B hiring authority (for noncompetitive, excepted service appointments) to fill 117 positions, even though the need for this authority to cover some positions is in doubt. This authority was granted after OPM found that examining applicants for particular knowledge of Cuba required for certain positions at Radio Marti would be impractical. Personnel regulations do not protect Schedule B employees as they do competitive civil service personnel. Our review of personnel files of 35 employees in the excepted service showed 5 of them did not have the knowledge of Cuba required by the Schedule B authority, and an internal VOA report questioned use of the authority. We recommended that VOA review the use of Radio Marti's Schedule B hiring authority with a view toward ensuring that those hired under that authority have the requisite knowledge of Cuba and that all the positions designated as covered by the authority are warranted. In response, VOA said it would annually review all Schedule B positions to determine if successful job performance requires knowledge of Cuba.
- VOA had inadequate controls over time and attendance. VOA had not developed or enforced sufficient internal control procedures to ensure

²⁹Voice of America: Selected Personnel Practices Warrant Management Attention (GAO/NSIAD-89-160, July 12, 1989)

We found that the Navy did not have complete documentation to support its budget requests for civilian substitutions. Consequently, neither we nor the Navy could determine if funds requested for civilian substitution were used for this purpose. Moreover, the Navy had not developed internal control procedures to monitor civilian substitutions or to determine the uses of money requested for this purpose. To resolve these concerns, the House Committee on Appropriations, in its report on the DOD Appropriations Bill, 1989, directed the military services to establish the necessary internal control procedures to permit management oversight of civilian substitutions and comparisons of planned and actual substitutions. Navy officials expressed concern to us that more detailed recordkeeping and internal control procedures would result in the “micromanagement” of an otherwise highly decentralized civilian personnel operation.

Conversion of Military Positions to Civilian Positions at an Air Force Weapons Laboratory

In November 1988 we issued a report on the combination of civilian and military personnel at the Air Force Weapons Laboratory located at Kirtland Air Force Base, Albuquerque, New Mexico.³¹ The report was requested by the Senate Subcommittee on Defense Industry and Technology, Committee on Armed Forces, which was concerned about a lower proportion of civilian to military personnel at the Laboratory and the corresponding limitation on career opportunities for civilian engineers and scientists.

We found that the Air Force has not annually reviewed, as required by its regulations, the military positions at the Laboratory to ensure that they were consistent with the Air Force requirement that they be militarily essential or else established as civilian positions. Few of the officer positions that we reviewed met the military essentiality criterion. Of the 293 officer positions that were established to require current military experience, only 47 (16 percent) actually required such experience, according to Laboratory division and branch chiefs. Civilians could perform the duties of the remaining 246 positions, according to these officials. Because so many of the positions did not meet the Air Force’s military essentiality criterion, we recommended that the Air Force, among other things, review each such position at the Laboratory to identify those that are militarily essential and convert positions that are not to civilian positions.

³¹Personnel: Civilian/Military Personnel Mix at the Air Force Weapons Laboratory (GAO/NSIAD-89-13, Nov. 16, 1988).

federal functions under the direct supervision of federal officials should be appointed federal employees. We observed that FSLIC's failure to appoint them as federal employees circumvented federal civil service laws and regulations. We also observed that criminal conflict-of-interest statutes did not apply to those receivership employees who were not federal employees. We thought some of the employees should be federal employees and therefore subject to these statutes.

- **Workforce planning**—OPM had not established a systematic effort to plan for adjustments to the future workforce due to such events as technological and demographic changes. In addition, in response to a clear mandate from CSRA to encourage and carry out innovative research and demonstration projects, OPM had approved only four such projects after 10 years of CSRA. OPM also had not assumed leadership in promoting workforce planning in the agencies.
- **Staffing**—OPM was undertaking an ambitious program to reform the hiring process. This program was needed because OPM's role in hiring and recruiting had vacillated in the years since CSRA, limiting program effectiveness.
- **Performance improvement**—OPM developed then abolished programs providing assistance to agencies in improving organizational performance. Continued problems with performance management systems and the agencies' desire for more performance improvement assistance required a stronger OPM leadership role.
- **Oversight**—OPM had not provided the leadership agencies needed to improve or establish their own personnel management evaluation programs. This was compounded by problems with OPM's personnel management evaluation program, which had experienced declining resources and restructuring for several years. This raised concerns about OPM's ability to protect the merit system and provide useful feedback to agencies.
- **Internal operations**—OPM needed to improve internal operations and deal with serious employee morale problems. A decade of fundamental policy redirection, reorganizations, and decreased resources had left OPM with serious internal problems and a diminished capacity to implement its initiatives. For example, in a survey we made of OPM employees in November 1987, about half reported that budget and staffing constraints had negatively affected their units' ability to accomplish goals. Only 23 percent of OPM employees thought morale was high, and only 15 percent thought the agency as a whole was effective to a great extent.

Our specific recommendations to OPM in the above five areas appear in appendix II.

At the time of our January 1989 report the then director, Constance Horner, did not concur with our findings because she believed any just assessment of OPM's leadership would conclude that it had been very active and successful in preparing the federal civil service for the human resource demands of the next century. We disagreed; we said that the government was still not well-postured to meet future challenges and was facing serious human resource problems which were

federal workforce with the ultimate objective of providing available labor pool information for specific occupations.

OPM had also undertaken several compensation studies, including the Director's Task Force on Pay Reform. This group's work was the foundation for the administration's legislative proposal for reform of the white-collar pay system. OPM was researching alternative approaches to influencing staffing through pay and planned to continue testing approaches to pay for performance. As of April 30, 1990, OPM was conducting seven demonstration projects involving pay system alternatives.

In the spring of 1989, OPM introduced the quarterly Federal Staffing Digest, which is distributed to agency personnel offices and discusses, among other things, effective workforce planning practices of the public and private sectors. To help agencies meet changing workforce needs, OPM has also analyzed agencies' college relations and recruitment programs.

OPM issued a personnel management research agenda in September 1988 and developed a data base of relevant personnel management research. Since our management review was issued, OPM has approved additional demonstration projects. OPM also observed that in-house research was addressing research agenda items, particularly recruitment and retention. This research included recent studies of the federal job information centers and a new hiring system for professional and administrative jobs.

Staffing

OPM has developed a comprehensive examining program to select candidates for almost 100 different occupations in federal agencies at the GS-5 and -7 levels. Recent college graduates beginning a civil service career typically fill these positions. Each year 10,000 to 20,000 candidates are selected for these jobs. Under the new program, called Administrative Careers With America, applicants can qualify for federal employment in several ways. They can choose from six automated, written examinations to evaluate their potential for successful job performance in specific occupational areas, or, if they achieved a high college grade-point average, agencies can directly recruit and hire them without testing them.

OPM has not specifically assessed the cost or effectiveness of delegating employment examining authority to agencies. We had urged OPM to gather information on the benefits and costs of centralized OPM examining as opposed to delegated agency examining because CSRA requires

- OPM administers the Presidential Management Improvement Awards Program. Under this program more than 650 civilian and military personnel received Presidential letters of commendation and awards for achievements that saved the government about \$1.6 billion.

In addition, OPM noted several research and demonstration projects that had been initiated or were under discussion to detect and address barriers to effective performance management systems. Among the identified barriers are concerns about (1) the number of rating levels, (2) the size of bonus awards, (3) burdensome performance elements and standards, (4) the negative effect of individual performance appraisals on organizational quality and productivity, and (5) the link between mission accomplishment and performance appraisals.

OPM also described outreach and clearinghouse activities, including three interagency task forces and sponsorship of networks of agency officials to exchange information on quality management and productivity improvements. Further, OPM was preparing a bibliography on recent personnel research findings, beginning with "Job Analysis," which will include "Classification." As part of the initiative on frontline employees, OPM also established a clearinghouse for agency programs for such employees.

Oversight

OPM noted steps taken to address the following two main concerns about its oversight function: (1) the ability to monitor agency personnel actions for compliance with regulatory and legal requirements and (2) its leadership role in strengthening agency internal Personnel Management Evaluation (PME) programs. On the first concern, OPM initiated a new governmentwide evaluation program in 1989 that contains an intensive and structured review of agency use of delegated authorities. Under this program, OPM staff will visit up to 200 large installations a year to examine and evaluate important topics from a nationwide perspective. Eight such topics were to be studied in fiscal year 1989, two involving in-depth review of traditional staffing authorities and newly delegated ones. In addition, OPM said it increased the number of its on-site reviews of specific targeted areas in installations and reviews.

On the second concern, OPM stressed the importance of agency self-evaluation programs to the viability of its redirected evaluation approach. OPM's approach mainly concentrates on governmentwide issues while the agencies focus on case-oriented compliance work. On this matter, OPM had done or considered doing the following:

throughout OPM's administrative network by sponsoring annual conferences to convene central and regional office administrative personnel to solve common problems. Further, OPM has targeted performance management for improvement. It has used an automated system for tracking performance appraisals to improve communication and follow up on performance management, and the Director has been given status reports on the status of performance management in each OPM organization.

- OPM expanded training efforts by establishing an office to focus on employee development and training and earmarking more than \$150,000 in fiscal year 1989 funds to supplement executive and managerial training. It developed a career management program and launched a series of agencywide SES seminars and lunches to improve camaraderie and communications. Also, it established an intern program to select and train the next generation of OPM managers. Since June 1989 10 interns were hired nationwide to participate in a 2-year training and development program. OPM was also providing internally developed performance management training designed and delivered by its personnel office staff to all OPM managers and supervisors. The training aimed to help managers and supervisors prepare adequate employee performance plans and to use the appraisal process to provide appropriate feedback on performance.
- OPM established an incentive awards program to improve employee morale and retention. A pilot spot cash award program was implemented to recognize deserving employees. To help alleviate stress for employees with special family situations, OPM established a free dependent care information and referral service for OPM employees nationwide.
- OPM's internal personnel office was making an analysis of OPM's turnover that was expected to result in an information system that would become an integral part of OPM's workforce and succession planning program and serve as a model throughout government.

Related Actions on Recommendations to the President and Congress

Beyond making recommendations to OPM, our management review made the following recommendations to the President and Congress: (1) the President should give sustained attention to establishing and maintaining an environment more conducive to human resource management; and (2) Congress should make greater use of the oversight and appropriation process to establish a clear record of OPM's plans, programs, and results and better hold OPM accountable for meeting CSRA goals. We specifically urged the President to work with Congress to ensure a competitive federal pay and benefit structure.

- imposing a 1-year (1991) freeze on cost-of-living adjustments for all federal civilian retirees, except for permanently disabled annuitants.

We continue to believe that Congress needs to better hold OPM accountable for meeting CSRA goals and for establishing a clear record of OPM's plans, programs, and results. While we concur with the priority placed by oversight committees on pay and benefit reforms, greater congressional oversight of OPM's accomplishments and plans in critical areas, such as federal workforce planning, staffing, performance improvement, and evaluation of agency personnel management, is needed to ensure the appropriate framework for federal workforce improvements. As we suggested in our OPM management review report, Congress could require that OPM provide an annual assessment of the federal workforce and a detailed discussion of OPM's activities in critical areas.

OPM's Performance in Administering Civil Service Programs

In addition to being responsible for providing leadership to the federal government in human resource management, OPM also is responsible for administering programs in specific functional areas. During fiscal year 1989, we reported on five OPM programs covering its

- approach to executive training and development,
- oversight of agencies' programs to hire and advance disabled veterans,
- oversight of the mobility program created by the Intergovernmental Personnel Act of 1970,
- regulation of the federal employee suggestion program, and
- management of the Federal Employees Health Benefits Program.

Executive Training and Development

In September 1989 we reported on the training and development of senior executives.³ The House Subcommittee on Civil Service asked that we evaluate how well OPM has fulfilled its leadership responsibilities for executive training and development. In chapter 3, we discussed the findings reported to the Subcommittee of a questionnaire administered to a sample of SES members on the extent and usefulness of their executive training and development.

In creating the SES, CSRA emphasized the importance of training and developing these executives and SES candidates by requiring OPM to

³Senior Executive Service: Training and Development of Senior Executives (GAO/GGD-89-127, Sept. 29, 1989).

- the need for certain types and levels of training for new executives, and
- ways to improve the managerial competency benefits from the training and development curriculum.

We also recommended that OPM address what specific responsibilities agencies and OPM should have in the oversight process as well as what actions OPM should take to ensure strong oversight. We also urged OPM to address related recommendations of the National Commission on the Public Service.

In a December 20, 1989, response to our report, the OPM Director said executive training and development was now a top priority since the President has a personal commitment to the continued high quality of the public service starting with the executive levels. The Director agreed with our assessment that OPM needs to seriously examine its training and development policies for senior executives and managers and to give special attention to its leadership role in providing guidance and technical assistance to departments and agencies. While indicating that OPM will act further to resolve the problems we identified, the Director noted that the following specific actions had already been taken:

- OPM recently conducted two conferences for Executive Resources Board members and identified a number of concerns the Boards and OPM are addressing to improve the Boards' effectiveness. These were the first such conferences conducted in almost 10 years.
- OPM is establishing an Advisory Committee on Executive Training and Development to review and assess a broad range of policies and programs for federal executives to, among other things, improve SES participation in training and development. Following the Committee's deliberations, OPM will develop recommendations in the spring of 1990.
- OPM is working with the Small Agency Council to identify and develop particular courses for small agencies whose executive and managerial personnel have special job requirements and therefore require more tailored training programs.

- using its reviews of agencies' plans and accomplishment reports and its on-site reviews to evaluate agencies' progress in meeting program objectives; and
- citing an individual agency's progress or lack of progress and program effectiveness in the annual report to Congress.

We also recommended that the five agencies work with OPM to develop criteria for measuring disabled veteran employment and advancement performance and use the criteria for agency self-assessments.

In an April 28, 1989, response to our report, the OPM Director recognized that OPM could have done more in this program and welcomed our suggestions. The Director said the employment of disabled veterans in the federal government is an important OPM priority and she outlined OPM initiatives to improve its ability to locate and place disabled veterans. Regarding our specific recommendations on OPM's program oversight efforts, the Director made the following points:

- OPM believes the indicators used in our report are adequate criteria for assessing individual agency and governmentwide performance in disabled veteran employment and advancement. OPM does not believe that it is necessary to provide specific performance standards through legislation.
- OPM was establishing a computerized data base to provide agencies with comparisons and trends comparable to the indicators in our report to assist them in making further in-depth agency analyses. OPM also planned to expand a program of on-site technical assistance reviews.
- Through the use of a combination of review techniques, OPM will be better able to identify trends, follow up on specific issues, and assist agencies in their self-assessments.
- OPM should be better able to cite individual agency progress in the annual report to Congress upon implementation of the computerized data base of performance indicators. OPM believes this will be a major motivator for agencies to devote the proper resources and attention to their disabled veterans' programs.

The Government Employees Incentive Awards Act of 1954 as amended (5 U.S.C. ch. 45) established the federal government's incentive awards program, including the employee suggestion program. Federal agencies are required to recognize and reward employees for their meritorious achievements or suggestions, encouraging employees to contribute to the efficiency, economy, or improvement of government operations. OPM regulates and oversees the suggestion program, establishing agency requirements.

Our analysis of private sector and federal monetary awards reported to a national association in 1987 found that private suggestion programs provide greater monetary awards. Specifically, private firms paid about 10 percent of savings as awards, while federal agencies paid about 2 percent. The average award paid per 100 employees in private firms was \$682; in federal agencies it was \$299. Private firms paid about \$5,000 per 100 employees compared with the \$235 that federal agencies paid.

Motivational studies show that money is one of the fundamental reasons why employees participate in suggestion programs. Private programs have a more generous award formula than do federal programs. In our opinion, private firms' greater awards account, at least in part, for the higher employee participation and program savings. To better motivate federal employees to participate in suggestion programs, we recommended that OPM adopt a fixed percentage formula for tangible benefit awards of not less than 10 percent, which is the typical industry practice. OPM subsequently informed Congress that it is considering our findings and recommendations in the context of a complete revision of guidance for administering the incentive awards program, which was targeted for completion in late fiscal year 1990.

We cautioned OPM and other agencies that the benefits of increasing monetary awards may not be realized unless other key factors—management support, continuous publicity, adequate funding and staffing, and responsiveness to suggesters—are also emphasized.

Federal Employees Health Benefits Program

The Federal Employees Health Benefits Program is a major component of the government's compensation package and as such is an important factor in attracting and retaining a high-quality workforce. About 8 million federal employees, annuitants, and their dependents receive health benefits from the program, which in 1989 was estimated to cost \$11.6

Since our testimony OPM changed the way administrative expense ceilings are set. To illustrate the significance of this change, if the ceilings had been based on OPM's new formula, administrative expenses for the 5-year period would have increased less than 25 percent and would have been \$132 million less in 1987. At the Subcommittee's request, we are further analyzing the program's administrative expenses, including OPM's internal controls.

Exemption From Premium Taxes

We subsequently reported in August 1989 that Congress may want to consider exempting the health insurance program from premium taxes.⁹ In 1987, 22 of the 25 experience-rated plans charged the health benefits program about \$44 million for premium taxes imposed by the 50 states and other governmental entities, including the District of Columbia and the Republic of Panama. These taxes are included in the plans' premiums charged to enrollees and the federal government. In 1980 Congress exempted the Federal Employees Group Life Insurance Program premiums from similar premium-based taxes because it considered the program to be self-insured and because states generally do not tax self-insured programs. We stated that if Congress wants to treat premium taxes uniformly in the health and life insurance programs, it may wish to consider amending the Federal Employees Health Benefits Act to expressly prohibit states and other governmental entities from imposing or collecting taxes, fees, or other monetary payments based on the premiums paid under the Federal Employees Health Benefits Program.

The Program Is Vulnerable to Fraud and Abuse

We also testified about instances of fraud and abuse identified in at least six of the largest plans during the last several years. OPM's plan audits, which are the primary internal control against fraud and abuse, identified two plans that commingled health benefit and union funds to finance union operations during the 7-year period ending in 1985. The unions later repaid the money, and OPM has issued regulations prohibiting the commingling of program funds. OPM audits also identified another plan that improperly charged the program about \$1 million in 1984 for facilities rented to other parties. The plan settled the matter by repaying the funds along with civil penalties after the matter was referred to the Justice Department for prosecution.

We found a serious abuse of program funds by one plan, which improperly charged the health benefits program more than \$7 million for federal income taxes paid on plan profits for 6 years ending in 1987.

⁹Federal Compensation: Premium Taxes Paid by the Health Benefits Program (GAO/GGD-89-102, Aug. 8, 1989).

While the contractor concluded that the federal program needs a fundamental legislative redesign, it also recommended actions it believed OPM could implement without legislative changes. The contractor estimated that these steps would save at least \$500 million per year (or about 6 percent of estimated 1988 total program costs of \$8.8 billion). Our December 1988 report reviewed OPM's plans for addressing seven policy changes to correct some of the program's problems that the contractor thought would not require a legislative change. We did not evaluate the merits or potential costs of implementing these recommendations.

Some Independent Agencies Offer Their Own Health Plans

Because of concern about employees leaving the Federal Employees Health Benefits Program to join alternative health plans, the Senate Subcommittee on Federal Services, Post Office and Civil Service, Committee on Governmental Affairs, asked us to determine the extent to which independent agencies are offering alternative plans and what percentage of employees participate in such plans.

An independent agency with the authority to fix compensation may offer an alternative health plan to its employees. Based on telephone surveys we conducted with officials in about 60 independent agencies, we identified seven agencies that offered alternative health plans. One of them—TVA—is not covered by the federal program and has provided its own health plan since the 1950s.

The other six agencies introduced alternative plans in the 1980s and also offer federal plans. More than half of the employees in each agency have joined alternative plans. These agencies, their employee size, and percentage of employees enrolled in alternative plans were, respectively

- the Federal Deposit Insurance Corporation, 8,500 employees, 85 to 90 percent in an alternative plan;
- the Office of the Comptroller of the Currency, 3,300 employees, 85 percent in an alternative plan;
- the Board of Governors of the Federal Reserve System, 1,500 employees, 70 percent in an alternative plan;
- the Federal Home Loan Bank Board, 1,300 employees, 55 percent in an alternative plan;
- the Farm Credit Administration, 600 employees, 60 percent in an alternative plan; and
- the Overseas Private Investment Corporation, 135 employees, 70 percent in an alternative plan.

30, 1987, a backlog of 11,609 unadjudicated cases, which Labor considers to be a normal inventory of cases, existed.

Regarding the overall size of program costs and the number of employee injuries, we reported the following:

- The cost of the federal workers' compensation program increased 78 percent from 1979 to 1987. However, when stated in constant 1979 dollars, the program costs increased only 13 percent during the 9-year period. The cost increase occurred during the time Labor was reducing a large backlog of cases. Labor officials believe the backlog reduction caused the real increase in program costs.
- The trend in work-related injuries and illnesses in the federal workplace is downward, according to statistics compiled by Labor's Occupational Safety and Health Administration. From 1979 to 1987, the incidence of work-related injuries and illnesses per 100 federal employees declined from 7.3 to 5.0, or 32 percent.

The Postal Service Experience

With a workforce of about 780,000 career employees as of October 1988, the Postal Service is one of the nation's largest employers. During fiscal year 1988, (1) the Service recorded about 62,000 accidents nationally and almost 18,000 injuries resulting in one or more lost workdays, (2) more than 24,000 employees were paid \$19.6 million in continuation of pay benefits, (3) almost 17,000 employees were paid \$189.9 million in compensation benefits, and (4) about 73,000 employees were paid \$74.5 million in medical benefits.

In 1978 the Postal Service created a program to comprehensively control workers' compensation benefits. Service policy provides division managers considerable discretion in developing procedures for implementing the program. The Service measures effectiveness of division procedures to control lost workdays and associated costs through the performance indicators of the number of lost workdays due to injuries and the number of continuation of pay hours. Performance among 75 divisions is ranked according to these and other performance indicators. Since this program began, the rate of both indicators has declined at least 65 percent. Despite the overall reductions, however, not all divisions are as successful as others in controlling the rate of lost workdays due to injuries and the rate of continuation of pay hours.

We recommended that the Service take the following specific actions to improve the administration of its program and better control program costs:

Central Oversight of Federal Drug Testing Efforts Needed

During fiscal year 1989, we issued three reports on federal drug-testing efforts.

Federal Agency Plans Vary Widely

The first report was issued in March 1989 at the request of the Senate Subcommittee on Treasury, Postal Service, and General Government, Committee on Appropriations.¹³ It describes how agency plans for drug testing of federal employees vary widely despite the plans' adherence to mandatory governmentwide guidelines and applicable law. As part of the Drug Free Federal Workplace Program, President Reagan issued Executive Order 12564 on September 15, 1986, requiring each executive branch agency to establish drug-testing programs for employees in sensitive positions. However, because of concerns about aspects of the Executive Order, Congress included provisions in the 1987 Supplemental Appropriations Act (Public Law 100-71, July 11, 1987) that required that certain actions be taken before executive branch agencies could use appropriations for the drug-testing program. Among other things, the act required each agency to develop a drug-testing plan in accordance with the Executive Order and other statutes. It also required HHS to (1) issue mandatory collection and testing guidelines, (2) certify that each agency had developed a plan, and (3) provide Congress with an agency-by-agency analysis of the plans. HHS published its final guidelines in April 1988 and in May 1988 certified 42 agency drug-testing plans and gave its analysis to Congress.

In general, we found that because of the discretion provided agencies in designing drug-testing programs, agency plans differ and, as a result, employees may face different circumstances depending on where they work. Although such differences might be explained by varying agency circumstances or needs, neither the HHS analysis of the plans nor the plans themselves address the rationale for the differences.

More specifically, in the 21 agency plans we reviewed, variations exist among agencies in such aspects as the positions subject to testing, frequency of testing, drugs for which agencies plan to test, and potential disciplinary actions, as summarized below.

- The positions subject to random testing, so-called "testing-designated positions," differ widely among agencies. For example, a clerk-typist at the Department of Commerce in a critical sensitive position is subject to

¹³Drug Testing: Federal Agency Plans for Testing Employees (GAO/GGD-89-51, Mar. 1, 1989).

costs. At the time of our report, it was too soon for most agency programs to determine the overall direction and magnitude of program costs in relation to the OMB estimates. We suggested Congress direct agencies to track and report actual program costs in agencies' annual reports required by Public Law 100-71 if Congress wants to develop accurate cost data on federal drug-testing programs.

Noncompliance With Mandatory Testing Requirements

The third report was issued in September 1989 at the request of the Senate Subcommittee on Treasury, Postal Service, and General Government, Committee on Appropriations.¹⁵ It discusses the Department of Transportation's noncompliance with blind performance testing requirements in HHS's mandatory guidelines and, therefore, illustrates further the need for centralized oversight of federal drug-testing efforts.

From July 1, 1988, through June 30, 1989, Transportation collected for analysis approximately 16,000 employee urine samples, 99 of which tested positive for illegal drugs. To comply with Public Law 100-71 and HHS guidelines, Transportation should have included 1,250 blind samples along with the real employee specimens as part of the quality assurance program to assess the accuracy of laboratory results. During this period, Transportation did not comply with the blind performance testing provision. Therefore, it could not assure employees subjected to urine testing that its laboratory was meeting all quality control standards required by law and federal guidelines. Transportation officials agreed that the Department had not complied when we discussed our findings with them, and they provided further details discussed in our report. They also said they have begun to comply with HHS guidelines on blind performance testing. As a result of our findings, the Senate Committee on Appropriations instructed the Secretary of Transportation to assure that the Department complies fully with HHS guidelines.

Transportation's noncompliance demonstrates the need for continuing oversight and independent monitoring of federal drug-testing programs. We expressed concerns in 1988 congressional testimony about the absence of meaningful governmentwide oversight to ensure compliance with drug-testing program requirements.¹⁶ An HHS official who is primarily responsible for the HHS guidelines was unaware of Transportation's noncompliance until we briefed him. He said his office is normally not aware of difficulties in a drug-testing program unless they are brought

¹⁵Employee Drug Testing: DOT's Laboratory Quality Assurance Program Not Fully Implemented (GAO/GGD-89-80, Sept. 29, 1989).

¹⁶Federal Employee Drug Testing (GAO/T-GGD-88-40, June 16, 1988).

Chapter 5
Strengthening the Stewardship of the
Public Service

Although we made no recommendations in this report, in concluding our work we pointed out to Fort Leavenworth management officials a procedure the U.S. Postal Service used to resolve many of its labor-management disputes, thereby avoiding a need for FLRA review. Management officials said they had not succeeded in proposing such an informal problem-solving process, but they would try to improve communications with the union. Also, when we completed our work at Fort Leavenworth, FLRA was providing on-site training to improve labor-management relations.

Management Review Recommendations to the Office of Personnel Management (OPM)¹

Workforce Planning

1. Establish an ongoing, viable planning program to identify and prepare the government for its future workforce needs as an integral part of OPM's activities. The program should include at a minimum

- establishing a continuing effort to identify key emerging demographic, social, and economic trends and changes to the structure of the federal workforce;
- developing information on the quality of the federal workforce;
- enhancing analysis of the staffing implications of the federal pay structure; and
- identifying and addressing the potential staffing repercussions of the Federal Employees Retirement System.

2. Actively encourage workforce planning in the agencies and provide or help arrange assistance to the agencies if requested.

3. Serve as a central clearinghouse for workforce planning practices and trends in the public and private sectors and publicize successful planning efforts.

4. Culminate the recently initiated efforts to increase the quantity and quality of personnel management research with a well-defined research strategy and provide usable products to the agencies.

Staffing

5. Make ongoing assessments of OPM's staffing program that include at a minimum

- instituting systematic reviews of the effectiveness of delegated examining, including establishing, in consultation with the agencies, measurable standards for cost, effectiveness, and timeliness; and
- enhancing recruitment feedback mechanisms by seeking continuous input from major recruitment constituencies such as college placement officers, in addition to the agencies.

Performance Improvement

6. Assert more leadership in ensuring that agencies receive the assistance they need to improve productivity, quality, and performance, including enhancing OPM's capability to provide, or help agencies

¹Source: *Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges* (GAO/GGD-89-19, Jan. 19, 1989).

- ensures senior executives are committed to, and held accountable for, improving management in their units and implementing OPM's long-term action plan by including components of the plan in their SES contracts.

16. Develop mechanisms to improve communication, including clarifying and communicating to all employees the mission, priorities and goals and objectives for OPM overall and for each unit; and duties, responsibilities, and performance expectations for each employee.

17. Provide supervisors and managers with better training and development experiences to help them improve their skills in communication, information sharing, and setting and providing feedback on performance expectations.

18. Assess ways to improve retention and motivation, including OPM's awards systems and promotion processes.

19. Develop a workforce planning system to determine needed staffing levels and skills, basing staffing and budget requests on workforce planning. The system should provide information on what staff are leaving and how (or whether) they should be replaced, should take into account an analysis and forecast of customers' demands for services, and should provide an assessment of skills and training needs. Particular attention should be paid to those functional areas where we found a need for increased OPM activity, such as productivity assistance and personnel management evaluation.

Status of Plans for the 1990 Decennial Census (GAO/T-GGD-89-20, May 5, 1989).

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IRS Data on Investigations of Alleged Employee Misconduct (GAO/T-GGD-89-38, July 27, 1989).

Financial Disclosure: Navy's Public Disclosure System Generally Works Well But Can Be Improved (GAO/NSIAD-89-194, July 27, 1989).

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Issues Related to FAA's Effectiveness (GAO/T-RCED-89-39, May 9, 1989).

acquire, special and technical assistance in areas such as setting performance standards or measuring performance and motivation.

7. Establish a more aggressive outreach program into the public and private sectors to learn current practices and trends in performance improvement and quality and productivity management.

8. Enhance clearinghouse activities that disseminate information on innovative human resource practices to help agencies wishing to further their performance improvement efforts.

9. Initiate additional research and support new demonstration projects to continue the search for ways to remove the barriers which prevent performance management systems from achieving their potential.

Oversight

10. Assess the standards for agency evaluation systems and make changes where needed.

11. Establish a clearinghouse on good and innovative evaluation methods, techniques, and plans.

12. Develop qualifications for evaluators and assess the training available to them.

13. Increase oversight of agency personnel management evaluation programs to include more agencies.

14. Until agencies improve their programs, OPM should concentrate its in-depth oversight activities on those agencies with weak or nonexistent programs. Once agencies have improved their programs, OPM should reassess its strategy to determine if an enhanced OPM on-site presence is still necessary.

Internal OPM Operations

15. Initiate an internal management improvement program and an organization development agenda that

- includes steps to involve employees in identifying critical areas needing attention, determining causes of problems, and developing a long-term action plan to solve problems and evaluate results; and

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to his attention. He believed Transportation's noncompliance with HHS guidelines to be a serious deviation.

FLRA Met Its Responsibilities at Fort Leavenworth, Kansas

In January 1989 we issued a report evaluating the Federal Labor Relation Authority's (FLRA) ability to investigate and resolve unfair labor practices at Fort Leavenworth, Kansas, a U.S. Army installation.¹⁷ Representative Jim Slattery requested the report.

Based primarily on our review of FLRA case files for 102 charges of unfair labor practices made by the local union during the 12 months ending June 30, 1988, we concluded that FLRA met its statutory responsibilities at Fort Leavenworth. FLRA did not receive any charges from management at Fort Leavenworth during this period. As of July 31, 1988, FLRA had completed action on 74 of the 102 charges. FLRA issued a formal complaint against management for 1 of the 74 charges, which was settled when management agreed to provide the union with complete information used in ranking and rating candidates for job vacancies. FLRA dismissed 1 of the charges, and the union withdrew the remaining 72 after FLRA's investigations: 40 because the union generally could not substantiate the charges and 32 because union and management reached a resolution. Both management and union officials believed that FLRA had met its responsibilities for investigating unfair labor practice charges, facilitating voluntary settlements, and issuing complaints. They expressed no concerns about FLRA's timeliness.

While we concluded that FLRA met its responsibilities, we also reported that labor-management difficulties have persisted at Fort Leavenworth, and the number of unfair labor practice charges has increased during the last several years. Our review of FLRA's records showed that a total of 199 unfair labor practice charges were levied against Fort Leavenworth management by the local union during the 45-month period spanning October 1984 through June 1988. The number increased from 5 in fiscal year 1985 to 83 during the first 9 months of fiscal year 1988. These 199 charges at Fort Leavenworth accounted for about 7 percent of all charges filed by the Army, but civilian employees at this installation represent less than 1 percent of the Army's total civilian employee population.

¹⁷Labor-Management Relations: Efforts to Resolve Disputes at Fort Leavenworth, Kansas (GAO/ GGD-89-33BR, Jan. 4, 1989)

testing, but an employee in a similar position at HHS is not. The proportion of the workforce subject to random testing also varied and ranged from less than 1 percent at the Department of the Treasury's Bureau of Public Debt to 100 percent at the U.S. Marshals Service.

- The annual frequency at which employees in testing-designated positions would be tested varies from 4 to 100 percent. While the majority of plans indicate that only applicants for testing-designated positions will be tested, five plans call for the testing of all job applicants, and one plan does not include any applicant testing.
- While the majority of agencies plan to test for the five drugs—marijuana, cocaine, opiates, amphetamines, and phencyclidine (PCP)—specifically authorized in HHS guidelines, random testing at HUD as well as random and applicant testing at HHS and the Department of the Treasury's Savings Bond Division, will be limited to marijuana and cocaine.
- The disciplinary actions that an agency is authorized to take upon the first confirmed determination that an employee uses illegal drugs ranges in severity from a written reprimand to removing the employee from service. The plans of all but one agency did not provide any criteria as to what particular disciplinary action would be taken against an employee on the basis of a first-time, confirmed positive test.

None of the agency drug-testing plans we reviewed discuss how the program will be affected by requirements to observe employee rights under CSRA or the Rehabilitation Act of 1973. Neither the OPM drug-testing guidelines nor the agency drug-testing plans address the Reform Act's stipulation that an agency taking disciplinary action demonstrate a connection between an employee's off-duty conduct and job performance.

Agency Costs May Vary From OMB Estimates

The second report was issued in May 1989 at the request of two Subcommittees of the House Committee on Post Office and Civil Service.¹⁴ We analyzed OMB's cost estimates for the proposed drug-testing programs of civilian cabinet-level departments.

In May 1988 OMB sent to Congress cost estimates of agency drug-testing programs. OMB estimated the average yearly costs for 12 civilian cabinet-level departments at about \$7 million. However, our analysis showed that OMB guidance to departments specifying the dollar amount for estimating certain cost categories may not indicate what some departments will spend. Further, differences in departmental estimates suggest that some departments have either overestimated or underestimated their

¹⁴Employee Drug Testing: Agency Costs May Vary From Earlier Estimates (GAO/GGD-89-75, May 30, 1989).

- Identify effective control procedures used by more successful divisions, disseminate that information to all divisions, and promote greater use of those controls for each location. We found the Service's more successful Columbus and Seattle divisions have procedures that effectively control costs. Such procedures, if compiled and shared with other divisions, may help control the costs of injuries Servicewide.
- Establish guidelines requiring routine medical monitoring and scheduled periodic review of limited duty assignments for possible termination. Under Labor's regulations, limited duty is intended to be temporary, and monitoring employees' medical progress and work duty status should facilitate returning limited-duty employees to full productivity as soon as medically possible. We found that Servicewide limited-duty guidelines did not include criteria for determining the length of an employee's limited duty or the frequency for monitoring an employee's progress. As a result of the lack of guidelines, many employees remained on limited duty for extended periods. For example, we found some employees on limited duty for as long as 4 years in one division and more than 19 years, intermittently, in another.
- Remind divisions of the importance of the requirement to complete accident reports and require divisions to establish a system of control procedures, such as routine reconciliation of accident reports and medical treatment records for occupational injuries and illnesses. We found that not all local supervisors report all accidents as required, which could result in understating the total number of accidents and noncomparable accident statistics. Although not required, some divisions have instituted procedures for periodically checking to see that accident reports are completed for all accidents involving treatment at the medical unit. Such a procedure can make the data more useful to local managers.
- Issue guidelines for divisions on improving coordination/communication between injury compensation and safety staffs and on establishing and implementing national reporting verification procedures. We found that a lack of coordination/communication between the injury compensation staff and the safety staff led to inaccuracies in reporting accidents nationally. In addition, although some divisions use verification procedures to check the accuracy of national accident data, no verification procedures are required Servicewide. To the extent that accident reporting is not reliable, management will not have a valid Servicewide measure of success in meeting safety objectives, including minimizing the number of accidents and the costs of injuries.

Other Agencies' Administration of Selected Personnel Management Functions

Beyond reporting on OPM's stewardship of human resource management issues, we addressed other agencies' administration of specific personnel management functions in reports on federal compensation for work-related injuries and disabilities, employee drug testing, and labor-management relations at a U.S. Army installation.

Compensation for Work-Related Injuries and Disabilities

In October 1988 we reported on the program established by the Federal Employees' Compensation Act to compensate federal employees for disabilities from work-related injuries and occupational diseases.¹¹ Concerned about program costs and the number of employee injuries, the report was requested by the Ranking Minority Member of the Senate Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs. Later, in September 1989 we testified before the House Subcommittee on Postal Personnel and Modernization, Committee on Post Office and Civil Service, on our review of the Postal Service's policies and procedures for administering and controlling the costs of its work-related injury compensation program.¹²

The Governmentwide Experience

About 3.1 million federal workers are covered by the federal workers' compensation program. It provides nontaxable payments (periodically adjusted for cost-of-living increases) as compensation for lost wages, medical services, vocational rehabilitation, other related expenses, and awards for specific injuries and survivor benefits. The Department of Labor's Office of Workers' Compensation Programs administers the program through its headquarters and 13 district offices. Labor pays benefits to employees from the Employees' Compensation Fund and is then reimbursed annually by the employing agency from its appropriated funds or operating revenues.

Benefits for 226,300 employees or their survivors amounting to about \$1.1 billion were charged back to employing agencies for the year ending June 30, 1987. Before payments start, employing agencies are required to continue paying employees their full salaries for up to 45 calendar days after they sustain work-related injuries. About 72,500 employees were accordingly paid \$58 million during fiscal year 1987. As of June

¹¹Federal Workforce: Federal Employees' Compensation Act Cost Growth and Workplace Safety (GAO/GGD-89-4, Oct. 20, 1988).

¹²Postal Service Management of Work-Related Injuries (GAO/T-GGD-89-41, Sept. 28, 1989).

Federal procurement regulations expressly prohibit charging federal income taxes to government contracts. OPM officials did not detect these improper charges when they reviewed the plan's accounting statements. In December 1988, we reported our findings to OPM's program administrator and recommended that OPM recover the funds, which it has done.¹⁰

We also found that, despite the potential for significant losses, OPM had not required plans to monitor claims to detect provider and enrollee fraud and abuse. Although OPM intended to insert a clause in its 1990 contracts requiring procedures for detecting fraud and abuse, the type of monitoring will be the plans' prerogative. Officials at several of the largest plans said that their current practice for dealing with suspected fraud is to closely monitor future claims, but referral for prosecution is usually not considered.

More effective vulnerability assessments and oversight of the program could help OPM identify weaknesses in its internal control systems that have allowed fraud and abuse. In addition, expediting the implementation of regulations to exclude payments to providers found guilty of fraud or unethical practices would improve prevention controls. We plan more work to identify further actions OPM and the plans could take to prevent fraud and abuse.

Contractor's Estimate of Program Savings

OPM contracted with a private firm to comprehensively examine the federal health benefits program and recommend actions to improve the program during the 1990s. The contractor's report, submitted to OPM in April 1988, identified major problems in the structure and operation of the program.

The report concluded that lack of competition to enter the program results in excessive costs and premiums. Plans are either included by law or excluded without regard to price, quality, or efficiency considerations. The report also noted that the government does not use its leverage as a large purchaser to negotiate discounts, as large corporations typically do. It also concluded that problems have occurred because of the erosion of the principle of group insurance as people representing the same risk level have congregated in a certain plan or option. This has reduced the cross-subsidies possible when young and old and sick and healthy people are in the same plan or option.

¹⁰Federal Compensation: Recovery of Improper Health Benefits Charges Needed (GAO/GGD-89-27, Dec. 13, 1988).

billion in premiums; the government was to pay \$8.2 billion, or 71 percent of this cost, with enrollees contributing the remainder.

In May 1989 we testified before the House Subcommittee on Compensation and Employee Benefits, Committee on Post Office and Civil Service, on administrative cost trends in the Federal Employees Health Benefits Program and OPM controls to prevent fraud and abuse.⁷ Health benefits are provided through 42 experience-rated plans that base their premiums on past claims experience and 333 community-rated plans, primarily health maintenance organizations. Experience-rated plans account for about 90 percent of all program expenditures and were the focus of our work. As requested by the Senate Subcommittee on Federal Services, Post Office and Civil Service, Committee on Governmental Affairs, we also reported on (1) a contractor's recommendations for reducing program costs and (2) the extent to which independent agencies are offering their own health plans.⁸

Administrative Costs Have Risen 75 Percent in 5 Years

In 1987 the experience-rated plans spent about \$7 billion. About 90 percent of this amount was paid to enrollees or their health care providers for benefit claims. The remainder was for administrative expenses (\$448 million), premium taxes (\$44 million), and service charges (\$42 million), which are the plans' profits. At \$534 million, these three administrative items are a significant program cost and, while small in relation to benefit payments, had escalated rapidly during the 5-year period from fiscal year 1982 to fiscal year 1987, as follows:

- The plans' administrative expenses increased by 75 percent during the 5-year period or about 1.4 times the increase in benefits paid. This increase cannot be attributed to growth in enrollment, which increased by less than 2 percent.
- The administrative expenses would have been somewhat affected by wage and price inflation as the Employment Cost Index (a federal economic indicator of changes in compensation levels for all occupations in the non-farm economy) rose 21 percent and the Consumer Price Index grew by 18 percent during the 5-year period.
- Service charges increased at a much faster rate than administrative expenses through 1984. Although they have since leveled off, the plans' profits increased by 77 percent during the 5-year period.

⁷Federal Employees Health Benefits Program (GAO/T-GGD-89-26, May 24, 1989).

⁸U.S. Employees Health Benefits: Status of Contractor's Nonlegislative Recommendations to Reduce Costs (GAO/HRD-89-6, Dec. 19, 1988); U.S. Employees Health Benefits: Independent Agencies Offering Their Own Health Plans (GAO/HRD-89-49, Mar. 2, 1989).

Oversight of the Intergovernmental Personnel Act Mobility Program

As discussed in chapter 3, we reported in June 1989 on the IPA mobility program.⁵ Beyond the need for Congress to reassess and clarify the primary purpose of the program, we reported on the need for OPM to strengthen its program oversight.

OPM has exercised minimal guidance and oversight of the program since 1982, when OPM limited its involvement in all IPA activities. As a result, OPM has not always obtained information and followed up to ensure that IPA assignments are proper. For example, we found that

- OPM reduced staff committed to the mobility program from five full-time staff in fiscal year 1978 to two as of March 1989;
- since the spring of 1987, OPM has not followed up with all agencies to obtain copies of all mobility assignment agreements, despite the requirement that agencies furnish OPM with a copy within 30 days after signing;
- OPM often did not receive the required evaluation reports from agencies on their use of the mobility program, and OPM has not done any governmentwide evaluations of the program since at least the early 1980s; and
- agencies were inconsistent in requiring mobility program participants to file confidential financial disclosure reports.

To ensure effective use of OPM program resources, we recommended that the OPM Director implement a system to control the receipt of assignment agreements, agency evaluation reports, and other information necessary to effectively review federal agencies' use of the program. OPM should use this information to direct agencies to make timely corrections of any improper agreements, as provided in current regulations. In April 1990 OPM said it agreed with this recommendation and expected action to be completed by October 1990. We also recommended that OPM specify the circumstances under which nonfederal employees on detail to federal agencies should file financial disclosure reports. OPM said in April 1990 that it will work with OGE to determine such circumstances.

Federal Suggestion Programs

In August 1989 we reported on key factors contributing to employee participation and savings in a successful suggestion program.⁶ The House Subcommittee on Civil Service, Committee on Post Office and Civil Service, and Representative John Kasich requested the report.

⁵Intergovernmental Personnel Act of 1970: Intergovernmental Purpose No Longer Emphasized (GAO/GGD-89-95, June 19, 1989).

⁶Federal Workforce. Federal Suggestion Programs Could Be Enhanced (GAO/GGD-89-71, Aug. 23, 1989).

Oversight of Agencies' Programs to Hire and Advance Disabled Veterans

In February 1989 we reported on the effectiveness of the affirmative action program for disabled veterans at five agencies: the Department of Labor, HHS, NASA, OMB, and OPM.⁴ The report was requested by the House Committee on Veterans' Affairs, which wanted to know, among other things, if OPM, as the governmentwide program manager, should improve its oversight of program operations. Chapter 4 discussed the report's description of the government's use of special authorities to hire disabled veterans.

Federal regulation (5 C.F.R. 720.306) requires OPM to monitor agency efforts to hire and advance disabled veterans through review of agency plans and employment data, direct agency contact, and other appropriate means. OPM is to evaluate on-site program effectiveness, both at agency headquarters and at field installations or operating components. In addition, OPM is required to provide technical assistance, guidance, instructions, data, and other information to supplement and support agencies' programs and annually report to Congress on the program's progress.

Because performance standards or other criteria for measuring success were not established by law or regulation, it is not possible to conclusively determine to what extent agencies' disabled veterans' programs have been successful or unsuccessful. A variety of measurements, comparisons, and analyses that we used, however, suggest that the five agencies could do more to promote the employment and advancement of disabled veterans. Overall, we found mixed results among the five agencies. While the Department of Labor and OPM programs were more successful at employing and advancing disabled veterans than were HHS, NASA, and OMB, all five agencies' disabled veteran employment rates declined from 1982 to 1987.

We recommended that OPM improve its management of the disabled veterans' affirmative action program by

- developing, with agency assistance, criteria for measuring agencies' disabled veteran employment and advancement performance;
- overseeing agencies' self-evaluations by helping them with the in-depth data analysis necessary to find the causes of problems and ways to improve performance;

⁴Disabled Veterans' Employment: Performance Standards Needed to Assess Program Results (GAO/ GGD-89-45, Feb. 28, 1989).

direct their systematic and continued training and development. Subsequently, OPM provided agencies with policy guidelines on designing and administering executive development programs. Under OPM's latest guidance, which became effective in July 1984, OPM views its role as providing agencies central leadership and direction by (1) setting policy and offering guidance for developing executives, managers, and supervisors; (2) monitoring and evaluating the government's progress toward management excellence; and (3) making OPM services and assistance available to agencies as needed. Federal agencies are expected to initiate the design and administration of their own systematic programs for developing supervisors, managers, and executives.

We found that OPM's oversight of agency executive development has been generally dormant during the past 5 years due to major reorganizations and reductions in staff. For example, between December 1981 and December 1988, OPM reduced from 19 to 2 the staff in executive and management development who were involved with oversight, agency assistance, and policy development; most of the reductions occurred in 1983. In addition, OPM no longer regularly receives information on agency executive and management development programs; OPM let expire a regulatory requirement that agencies submit program plan updates. Consequently, OPM is not in a position to know if effective systematic development of executives is occurring. The reorganizations and lack of staff, according to OPM officials, have also reduced OPM's ability to provide agencies with guidance and assistance.

Overall, we concluded that OPM has not effectively fulfilled its leadership role in executive development since about 1984. However, to its credit, OPM began during our review a reexamination of its role and responsibilities in executive training and development. An internal recommendation urged OPM to take a more active leadership role in ensuring that federal managers and executives are developed as effectively as possible. Specifically, we recommended that OPM, in reassessing its roles and responsibilities in this area, examine

- the need for governmentwide requirements for minimal levels of executive training and development,
- the difficulties small agencies face in providing executive training and development,
- the need to improve the mechanisms for ensuring that executives receive appropriate training and development,
- the need to encourage greater support among executives and agencies for executive training and development,

Since issuance of our management review, both the President and Congress have acted to improve human resource management in the federal government. For example, the President proposed and the Senate confirmed an individual who has demonstrated a commitment to the civil service as OPM director. As discussed in chapter 4, the Ethics Reform Act of 1989 was enacted which, beyond reforming ethics laws, provided pay increases to members of Congress as well as to top officials in the executive and judicial branches. While these are positive steps forward, the President and Congress should do more, particularly in the area of pay and benefit reforms for rank-and-file workers.

As discussed in chapter 2, we strongly endorse federal pay reform efforts. Both the President and key congressional committees in both houses have proposed legislation to reform the pay-setting principles and processes for federal white-collar employees. Such reforms are critically needed because of pay disparities with the nonfederal sector. Non-competitive salary rates are the major reason for federal recruitment and retention difficulties, especially in high-cost, high-paying localities.

Notwithstanding the lack of current competitive salary rates, President Bush, like previous Presidents, decided to grant a 1990 federal pay raise at a lesser amount than needed to maintain comparability with private sector salaries. To stay even with the average private sector salary increase for the previous year, a federal salary increase of 6.4 percent for fiscal year 1990 was required. Such an increase would not have reduced the gap between average federal and private sector salaries that already existed because of smaller raises granted federal employees than their private sector counterparts each year since 1978. Nevertheless, the President granted a 3.6-percent increase, thereby lessening government pay competitiveness with the private sector by almost 3 percent that year.

We support efforts of OPM and the congressional committees to reform the Federal Employees Health Benefits Program. On the other hand, certain proposals in the President's fiscal year 1991 budget request would reduce federal employee retirement benefits and could therefore be construed as a lessening of the federal compensation package's competitiveness. Specifically, these proposals call for

- eliminating the lump-sum payment option from civilian employee retirement programs;
- reducing the CSRS cost-of-living adjustments to the Consumer Price Index increase minus 1 percentage point; and

- OPM convened an interagency task force to examine PME program effectiveness. The task force was to assess the adequacy of minimum requirements of agency PME programs in view of the many changes in personnel management since CSRA. It was to also review the qualification standards for agency evaluators and the adequacy of OPM's PME training courses. In April 1990, OPM said the task force had completed its work and OPM was forming an interagency work group to further address these issues.
- OPM developed an inventory of PME plans, methods, and techniques and was establishing a clearinghouse to provide technical information to agencies on request. A catalog of clearinghouse materials was expected to be available to agencies by spring of 1990.
- OPM planned to consider the need for more focus on agencies with weaker internal PME programs identified through OPM's survey results. In February 1989 OPM completed a survey of the capabilities of agency internal PME programs. Further, OPM planned during fiscal year 1990 to concentrate its discretionary resources on those agencies with weak evaluation programs. Two of the three agencies first selected for agency-specific reviews in fiscal year 1990 (IRS and the National Park Service) were in this category, and OPM also planned to work with the U.S. Customs Service to improve its self-evaluation program.

OPM further noted that agency-led evaluations, many in which OPM had participated, have increased threefold since 1986. OPM viewed this as evidence that oversight programs are seriously trying to protect the merit system as OPM grants agencies greater flexibility in using personnel authorities.

Internal Management Improvements

Among the actions OPM said it was taking to revitalize its internal workforce were the following:

- OPM was developing management improvement plans throughout the agency. It recruited new personnel to analyze internal functions and revise its administrative policies and procedures. It also created a new office to support management improvement efforts. In January 1990 program office executives submitted new and revised performance standards for their organizations to enhance OPM accountability to its customers and improve organizational performance. OPM also instituted a new planning and budget system that requires associate directors and office heads to develop work plans to be incorporated into their SES performance plans.
- OPM prepared and distributed an employee orientation handbook for new employees. It was systematically trying to improve communications

that economy be considered when OPM delegates personnel management authority to agencies. OPM responded that during the initial years of delegated examining following CSRA, it collected cost (direct salary) figures from agencies. OPM found the data, however, to be unreliable, unsystematically collected, and sometimes estimated. OPM's position since has been that agencies' must judge cost effectiveness when deciding to continue in voluntary delegations. OPM said agency satisfaction was its best measure of the program's effectiveness.

OPM has established several mechanisms to enhance recruitment, including a national recruiting symposium, a nationwide college relations program, a computerized telephone system for job and application information, and specific recruiting and employment initiatives in conjunction with other agencies and colleges.

Performance Improvement

Among the many activities OPM noted to provide governmentwide leadership and assistance to agencies to support improved productivity, quality, and performance were the following:

- OPM had proposed legislation to extend pay for performance for grade 13 to 15 supervisors and managers. OPM had also commissioned the National Academy of Sciences to conduct a research project on performance appraisal techniques that will analyze public and private experiences with merit pay systems.
- OPM was increasing efforts to improve performance management and appraisal training, including course updating, greater review of training materials, and monitoring of classes. Further, OPM had begun providing training programs to develop communications and problem-solving skills of frontline employees and their supervisors to improve government service involving public contact.
- OPM was making a governmentwide study at both agency and installation levels to assess improvements in performance management practices and systems. In the summer of 1989, OPM issued revised regulations and guidance to agencies on reductions in grade and removals based on unacceptable performance.
- OPM performance management liaison staff, including a designated specialist in each OPM regional office, are available daily to discuss agency performance management problems, answer questions on regulatory and policy issues, and provide advice.
- OPM provided direct technical assistance on using incentive awards to approximately 40 agencies to improve their program results. It developed a sample plan for agencies, as well as guidance on program evaluation, promotion, and planning an incentive awards program.

undermining its ability to serve the public, in part due to a lack of effective OPM leadership.

In September 1989 the current director, Constance Newman, provided us with her assessment of OPM policies and programs and an OPM response to our specific recommendations. She pledged to address those problems that have prevented the federal workforce from reaching the high quality it could, and she outlined her immediate priorities for OPM. She said that reform of the GS pay system and improved public understanding and support for the public service would be two top priorities for OPM. She also noted a need to restructure the federal health benefits program. She said success in these areas was fundamental to OPM's long-range strategy of improving other related personnel systems, such as position classification, performance appraisal, pay for performance, and employee training and development.

Subsequently, OPM provided congressional oversight committees in April 1990 an updated response to the specific recommendations in our January 1989 report. While we are pleased OPM has acted on most of our recommendations, we believe that it will need to sustain its effort to achieve lasting improvements. Based on OPM's September 18, 1989, and April 30, 1990, responses, the following summarizes actions OPM said it was taking to address our findings and recommendations. As we address these subjects in future reports, we will evaluate the effectiveness of OPM's responses in producing long-term improvements.

Workforce Planning

With a contract for Civil Service 2000 in January 1988,² OPM began analyzing demographic and labor trends and their effect on government staffing. OPM viewed the publication of Civil Service 2000 as the beginning of a campaign to alert agencies to changes in the labor market for which planning is essential. To help agencies plan alternative strategies for the issues in Civil Service 2000, OPM was planning to establish a training curriculum to provide agencies with strategic planning skills.

OPM began implementing a comprehensive program of workforce quality assessment, which includes long-term studies of trends and changes in the quality of applicants and new hires and immediate studies of the quality of incumbents in critical occupations. OPM was developing the capability to identify and analyze specific demographic trends in the

²This report was prepared for OPM by the Hudson Institute and submitted to Congress in June 1988 in response to a congressional requirement that OPM report "on the long term work force needs of the Federal Government."

Strengthening the Stewardship of the Public Service

OPM is responsible for enforcing civil service laws and regulations and for administering civil service benefit programs. While OPM's role as administrator of the civil service is important, its mission is much broader. As envisioned in the Civil Service Reform Act of 1978, OPM's mission is to improve the government's performance by providing leadership and expertise in the management and development of the federal government's most valuable resource—its people.

During fiscal year 1989, we completed a special assessment of OPM's leadership role in managing the government's human resources since OPM's establishment in 1979. We also reported on a variety of issues involving OPM's administration and oversight of civil service operations. Further, we addressed other agencies' administration of specific human resource programs in reports on federal compensation for work-related injuries or disabilities, federal employee drug testing, and unfair labor practices at a U.S. Army installation.

OPM Needs to Enhance Its Leadership of Federal Human Resource Management

CSRA envisioned a strong leadership role for OPM and specifically tasked the director with proposing policies to the President to promote an efficient civil service and the systematic application of merit principles. Before the current director, Constance Newman, OPM had three directors—Alan Campbell, Donald Devine, and Constance Horner—each with a fundamentally different interpretation of OPM's role. All three had different operating philosophies, and each reorganized the agency. These changes in operating philosophies and organizational structure were accompanied by declining budgets and staffing levels. Our management review of OPM concluded that the culmination of changes since CSRA passage had undermined OPM's ability to maintain a stable agenda and provide sustained attention to identifying and resolving critical governmentwide problems and preparing for the future.

OPM's Response to Management Review Findings and Recommendations

In a January 1989 report to Congress, we presented the results of our management review of OPM's leadership on federal human resource management issues.¹ To enable OPM to exercise greater leadership, we made numerous recommendations to the Director in the areas of workforce planning, staffing, performance improvement, oversight of agency personnel management, and internal operations. Our work in these areas found the following:

¹Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/ GGD-89-19, Jan. 19, 1989)

We noted at the time of our review that the Laboratory had about 49 percent civilian employees, compared with about 72 percent at 13 other Air Force laboratories (based on fiscal year 1986 data, which were the latest data readily available).

Receivership Employees Who Perform Federal Functions Should Be Appointed Federal Employees

In June 1989 we reported on our assessment of allegations of wrongdoing concerning the Federal Savings and Loan Insurance Corporation's (FSLIC) FirstSouth Receivership in Little Rock, Arkansas.³² As part of our work, we addressed the appointment of receivership employees as federal employees. The Senate Subcommittee on Federal Service, Post Office, and Civil Service, Committee on Governmental Affairs, requested the report.

FSLIC was a government corporation that insured deposits in savings and loan institutions. FSLIC could also have been appointed as a receiver, a separate and distinct legal entity, for liquidating a failed institution. As a receiver, FSLIC duties included taking legal and physical possession, collecting obligations due, disposing of assets, and settling claims against a savings and loan association. As of April 30, 1989, 99 receiverships were operating with total assets of \$8.6 billion. FirstSouth was a federally insured savings and loan association put into receivership in December 1986 with assets of almost \$1.7 billion.

In the past, federal regulators chose not to appoint any receivership employees as federal employees. During our review, FSLIC moved to place key receivership operations under regional federal officials' control. According to FSLIC, about 50 of the approximately 1,300 employees in receivership activities would be appointed as federal employees under an FSLIC restructuring plan. In addition, FSLIC told us that receivership employee standards of conduct, issued in May 1989 during our review, subjected such employees to the same standards of conduct as all federal employees.

While FSLIC had taken a positive step by issuing receivership employee standards of conduct, we said the measure was not a substitute for appointing as federal employees those employees who perform federal functions. We recommended that all receivership employees performing

³²Failed Thrifts, Allegations of FirstSouth Receivership in Little Rock, Arkansas (GAO/GGD-89-98, June 16, 1989).

³³After we reported on the FirstSouth Receivership, Congress enacted a law that abolished FSLIC, and the Federal Deposit Insurance Corporation assumed responsibility for FirstSouth.

that it paid employees only for hours worked. We noted (1) abuses in time and attendance reporting, (2) failure to abide by overtime and compensatory time rules, and (3) work scheduling shortcomings. During our review, VOA took several steps to improve control of time and attendance, such as establishing a policy of zero tolerance for violation of time and attendance rules and planning a review of the justification for an 8-hour day without a meal break. While we recognized that VOA's actions appeared remedial, we recommended that VOA fully implement its initiatives to improve time and attendance control. In October 1989 VOA reported to Congress that it had thoroughly reviewed policies governing overtime and time and attendance and, among other things, is studying changes to better adapt governmentwide regulations to VOA's unique operating environment, clarify guidelines, and facilitate enforcement.

- VOA has underrepresentation of women and minorities, which is discussed earlier in this chapter in the discrimination and equal employment opportunity section.

Shortcomings in Navy's Management Oversight of Civilian Substitution

In November 1988 we reported on the Navy's practice of substituting civilian positions for military positions.³⁰ The House Subcommittee on Defense, Committee on Appropriations, requested the report.

Navy officials stated that civilian substitution is not a program with specific goals and objectives; instead, it is one of several administrative initiatives for the cost-effective use of personnel. Substitutions initially increase the Navy's personnel costs because civilians must be hired to replace the military personnel who are reassigned. Navy officials told us that, in the long run, as military personnel levels are reduced, it will save money because it generally costs less to employ civilians than military personnel.

DOD policies support converting military positions to civilian positions when military staff are not required. The Navy has developed a general position consistent with DOD Directives 1100.4 and 1400.5, which state that civilian personnel are to be employed unless military personnel are required for reasons of law or for other matters, such as combat readiness, training, and security. Between fiscal years 1983 and 1988, the Navy planned to convert 4,900 military positions to civil service jobs.

³⁰Navy Manpower: Management's Oversight of Civilian Substitution Lacking (GAO/NSIAD-89-5, Nov. 28, 1988).

Incomplete Hiring Data on Overseas DOD Dependent Schoolteachers

In June 1989 we issued a report on the DOD policies and practices for hiring teachers for its overseas DOD Dependent Schools.²⁸ The House Subcommittee on Investigations, Committee on Post Office and Civil Service, requested the report.

Civil service positions in the executive branch are generally in the competitive service unless the positions have been specifically excepted by law, the President, or OPM. OPM has excepted teaching positions in DOD schools overseas from the competitive service since 1959. Because they are excepted service appointments, civil service hiring regulations applicable to competitive service employees do not apply to overseas teachers. Under its statutory authority to establish personnel hiring policies for teachers, DOD gives preference (1) to teachers residing overseas over those residing in the United States; and, (2) among teachers residing overseas, to dependents of military personnel and federal civil servants stationed overseas.

The Subcommittee specifically wanted us, among other things, to identify the total number of teachers hired overseas, as well as those hired in the United States for schools overseas. These data were to be used to determine if DOD was hiring more teachers from overseas than from the United States and agency officials' rationale for using temporary appointments for some teachers residing overseas. DOD officials told us that DOD makes temporary appointments of overseas personnel to provide flexibility in staffing needed for fluctuations in troop levels, student populations, and teacher requirements. However, based on the data from DOD, we could not determine the total number of teachers nor the source of their appointments. The statistical data we received were incomplete for the 5 school years for which we requested data. Consequently, the data were insufficient to evaluate headquarters officials' rationale for appointing teachers hired overseas to temporary positions. DOD officials told us they were developing a computerized system to capture these data beginning with the 1989/1990 school year.

²⁸Federal Personnel: Defense Department's Hiring of Teachers for Overseas Schools (GAO/ GGD-89-82, June 14, 1989).

- conversions of noncareer appointees to career positions,
- temporary appointments and extensions in selected agencies,
- hiring of overseas DOD dependent schoolteachers,
- selected personnel practices at VOA,
- Navy's practice of substituting civilian positions for military positions,
- Air Force's criteria for determining a position's establishment as a civilian or military position, and
- receivership employees who perform federal functions.

Conversions of Noncareer Appointees to Career Positions

In June 1989 we completed a more than 2-year effort to periodically report to the House Post Office and Civil Service Committee summary statistical information on the conversions of noncareer appointees to career positions from 60 executive branch departments and agencies, including the issuance of four fact sheets to the committee in fiscal year 1989.²⁵ Citing the importance to the federal civil service of the merit principle of fair and open competition, the former Chairwoman of the House Subcommittee on Civil Service had requested the information to better understand the conversion process and its possible impact on the recruitment and retention of a highly competent and motivated career workforce.

Overall, 42 of the 60 agencies reported 578 conversions of noncareer personnel to career status from January 1, 1987, through February 28, 1989. Nearly 80 percent of these conversions occurred under competitive appointment authorities. The conversions consisted of appointments of employees to career positions of any grade from noncareer GS-12 positions or above, including the SES. Of the 578 conversions, most were from the following types of noncareer positions:

- temporary appointments (164 or 28 percent),
- Schedule A appointments²⁶ (98 or 17 percent), and
- expert or consultant appointments (91 or 16 percent).

²⁵Federal Employees: Appointees Converted to Career Positions, July Through September 1988 (GAO/GGD-89-38FS, Jan. 13, 1989); Federal Employees: Appointees Converted to Career Positions, October Through December 1988 (GAO/GGD-89-66FS, Apr. 24, 1989); Federal Employees: Supplemental Information on Appointees Converted to Career Positions (GAO/GGD-89-56FS, Mar. 21, 1989); Federal Employees: Appointees Converted to Career Positions, January Through February 1989 (GAO/GGD-89-89FS, June 13, 1989).

²⁶These are appointments to positions at GS-15 or below in the excepted service for which it is not practicable to hold any employment examination and is not of a confidential or policymaking nature, such as an attorney position.

Identification and
Reporting of DOD's Use of
Consulting Services in
Weapons System
Acquisition

In June 1989 we testified before the House Subcommittee on Investigations, Armed Services Committee, on the use of consultants in the defense acquisition process.²³ The testimony was based, in part, on the results of our case study review of the use of consulting services in the development of three weapons systems from the Army, Navy, and Air Force. The testimony also expressed our concern about long-standing and persistent problems DOD has had with identifying and reporting consultant services.

DOD is required by law to report, as part of its budget submission to Congress, the amount it proposes to spend on contracted advisory assistance services. DOD budgeted about \$1.6 billion for these services in each of fiscal years 1988, 1989, 1990, and 1991. We found that these figures do not provide an accurate picture of DOD's use of consulting services, nor do they accurately indicate trends in the use of these services. An even greater problem was the inconsistent interpretations among the Army, Navy, and Air Force of what constitutes a consulting service. Until the Services develop and use clear and specific definitions, Congress will continue to have little assurance that the budget data it receives accurately portrays DOD's expenses for consulting services.

We also observed that the Navy recently developed plans to reduce the use of contractors in what it regards as the more critical or sensitive aspects of procurement, including acquisition planning, requests for proposals and procurement requests, and the source selection process. Information we obtained from three Navy systems commands indicates that it plans to convert about 2,000 staff-years of contractor support to in-house capability during the next 5 years. Because this proposed reduction lessens the risk of transferring inherently governmental functions to the private sector and the risk involved in contractor access to sensitive procurement information, we said it was a positive step. However, we cautioned that the commands will need to implement the appropriate controls to ensure that, as internal resources increase, this reduction in contractor support does occur.

²³Use of Consulting Services in Defense Acquisition (GAO/T-NSIAD-89-36, June 7, 1989).

received, events occurred that six of the eight agents and their two immediate supervisors believed that the Service retaliated for the agents' letter. In December 1987 five of the eight agents and their immediate supervisors requested the Office of Special Counsel to review their allegation of retaliatory actions. During our review, the Counsel was investigating the allegation.²⁰

While we attempted to determine if management officials did retaliate, we did not make a legal determination of retaliation. Based on circumstantial evidence, we concluded that management officials acted unfavorably toward the agents and their supervisors, which might have resulted partly from the letter. It was not clear, however, whether the letter significantly motivated the unfavorable actions or whether they were based on management concerns about the agents' performance and the supervisors' effectiveness in carrying out assigned tasks. This essentially factual determination turns on questions of credibility and can only be resolved through adjudication by MSPB. Regardless of whether retaliation occurred, we concluded some of the management practices were inappropriate. Accordingly, we concurred with recommendations of the Department of Justice's Office of Professional Responsibility to the INS Commissioner to remedy troublesome management problems in its Houston District.

Internal Controls Strengthened Over Justice's Payroll System

In March 1989 we issued a report to the U.S. Attorney General on internal control weaknesses in the Department of Justice's central payroll system.²¹ Our work was done in response to a request by the Chairman, House Post Office and Civil Service Committee.

We concluded that Justice's central payroll system is vulnerable to improper salary payments to employees on extended leave without pay. In nearly half of 72 such leave cases we identified, the documentation necessary to prevent employees from receiving salary payments during their leave status was not prepared. A Justice review showed more than a third of its timekeepers had received no training on preparing time and attendance records. In one case, we found that a supervisor improperly delegated his authority to review and approve time and attendance

²⁰In April 1990 the Special Counsel filed a formal complaint with MSPB seeking disciplinary action against three members of District management for a pattern of prohibited personnel practices and other violations of law.

²¹Internal Controls: Justice's Payroll System Controls Need Strengthening (GAO/GGD-89-50, Mar. 28, 1989).

as Spanish-speaking. SSA offices in Chicago, Cleveland, Detroit, Milwaukee, and New York City have experienced difficulties in hiring Spanish- and English-speaking employees for one job series, according to a May 27, 1988, internal SSA memorandum. Because of this, OPM has conducted special examinations for candidates in these locations, and SSA offices are recruiting at local colleges and universities for more Spanish-English-speaking candidates.

Discrimination Complaint Costs

In September 1989 we issued a report on the cost of resolving cases of discrimination against federal employees because of sex, race, age, national origin, religion, or handicaps.¹⁸ The Chairman, House Subcommittee on Employment and Housing, Committee on Government Operations, requested the report.

Federal employees are protected against discrimination by several laws, including the Equal Pay Act, the Age Discrimination in Employment Act, the Rehabilitation Act, and the Civil Rights Act of 1964. When discrimination cases result in monetary relief, the funds come from either an agency's appropriation or from the Judgement Fund, a permanent indefinite appropriation used to pay certain claims against the federal government.

Governmentwide, employees were paid \$12 million from the Judgement Fund for 156 discrimination lawsuits filed in fiscal year 1988. The year before, 144 discrimination cases accounted for \$6.5 million in payments to employees. We found no patterns in monetary payments by federal agencies from the Judgement Fund.

When employees win their cases through administrative procedures within an agency, the agency makes payments from its own appropriations. We found that while each agency compiles and maintains data on payments, no complete, reliable central data source exists in the federal government on payments made by agencies in discrimination cases. To learn about agencies' records on the costs of resolving discrimination complaints, we gathered payment data from three different-sized agencies:

- Agriculture, with about 89,000 permanent, full-time employees, paid about \$806,000 for 50 cases in 1987, and \$341,000 for 82 cases in 1988.

¹⁸Discrimination Complaints: Payments to Employees by Federal Agencies and the Judgement Fund (GAO/HRD-89-141, Sept. 25, 1989)

disabled veterans, more than one-third of the coordinators did not report using these representatives.

We recommended that the heads of the five agencies assure that program coordinators, among other things, (1) be informed about the special hiring authorities that can be used to employ disabled veterans and (2) establish and maintain contact with veterans' representatives in state employment offices as a principal recruiting source of qualified disabled veterans.

As discussed in chapter 5, we also made recommendations to OPM and the agencies to strengthen their administration of the program.

Appointments of Women Administrative Law Judges

In October 1988 we reported on the progress of federal agencies in appointing women to administrative law judge positions.¹⁵ Representative Sander M. Levin requested the report.

Administrative law judge positions have been established in 30 federal agencies throughout the United States at grade levels GS-15, 16, and 17. In general, these judges preside at formal agency hearings to resolve administrative disputes. As of July 1988, SSA employed about 650 of the nearly 1,000 administrative law judges in the federal government and SSA had hired 84 of the last 94 judges appointed from OPM registers. OPM administers a comprehensive examination to determine applicants' qualifications as administrative law judges.

During our review, the OPM administrative law judge registers consisted of those qualified in 1984 during an open competition period. Of the 94 judges appointed since the 1984 examination, 12 women were certified by OPM as eligible for agency selection as of July 1988, but only 1 woman applicant was selected. As we were completing our report, SSA was filling up to 65 more administrative law judge positions; 2 women were among 60 applicants who were selected and accepted appointments to begin work in September 1988, according to OPM.

Male veterans have dominated the administrative law judge appointments because of veterans' preference rules. Very few female applicants were entitled to veterans' preference points in the administrative law

¹⁵Administrative Law Judges: Appointment of Women and Social Security Administration Staff Attorneys (GAO/GGD-89-5, Oct. 19, 1988).

showed that women and minorities represented about 48 percent of the staff, but women and minorities had only about 18 percent of grade 13 or above positions. We recommended that VOA determine if artificial barriers are contributing to the underrepresentation of women and minorities and then take steps to increase their representation, especially at senior levels. In October 1989 VOA advised Congress of several measures taken to implement this recommendation, including the appointments of several women in the past year to senior positions and the VOA Director's expressed expectation to see more qualified women and minorities represented at senior and middle management levels.

Use of Special Authorities to Hire Disabled Veterans

In February 1989 we reported on the effectiveness of affirmative action programs for disabled veterans at five agencies: the Department of Labor, HHS, the National Aeronautics and Space Administration (NASA), OMB, and OPM.¹⁴ The report was requested by the House Committee on Veterans' Affairs, which was concerned that federal agencies may not be doing enough to hire and advance disabled veterans.

The Vietnam Era Veterans' Readjustment Assistance Act of 1974 requires federal agencies "to promote the maximum of employment and job advancement opportunities within the federal government for qualified disabled veterans and veterans of the Vietnam era." During fiscal years 1982 through 1987, disabled veterans represented from 6.0 to 6.3 percent of all federal employees, and from 0.2 to 4.9 percent of the employees in the five agencies we reviewed. The governmentwide employment rate for disabled veterans in 1985 and 1987 was more than five times its percentage share of the national labor force. When subtracting from the governmentwide figures the three federal agencies employing the most disabled veterans—the Postal Service, DOD, and the Veterans Administration (VA)—the resulting disabled veteran employment rate for the rest of the government was double the national rate.

Disabled veterans constitute a decreasing population. According to Bureau of Labor Statistics' studies, the number of unemployed but employable disabled male veterans dropped from 99,000 in 1985 to 67,000 in 1987. Their unemployment rates, however, were higher than those for all male veterans during the same periods.

¹⁴Disabled Veterans Employment: Performance Standards Needed to Assess Program Results (GAO/ GGD-89-45, Feb. 28, 1989).

availability in the civilian labor force of minority groups, including separate rates for men and women.

During fiscal year 1989, we issued reports and delivered congressional testimony on many discrimination and EEO-related issues at the request of congressional committees or individual members. These reports and testimonies addressed the (1) underrepresentation of minorities and women in the Foreign Service and the Voice of America (VOA), (2) use of special authorities to hire disabled veterans, (3) appointments of women administrative law judges, (4) employment of Hispanics in SSA, and (5) costs of resolving federal employees' discrimination complaints.

Underrepresentation of Minorities and Women in the Foreign Service and the Voice of America

In June 1989 we reported on the underrepresentation of minorities and women in the Foreign Service.¹² A December 1987 foreign relations authorization statute directed us to review the Foreign Service's merit personnel system.

Specifically, we examined the Department of State's personnel practices to determine whether minorities and white women in the Foreign Service were (1) underrepresented and/or (2) receiving disparate treatment in such areas as hiring, assignments, and promotions. We evaluated State's efforts to comply with EEOC regulations on affirmative action programs but did not determine whether discrimination existed in State's Foreign Service merit personnel system. When we conducted our review, State employed about 5,100 Foreign Service officers, who are traditionally considered to be diplomats, and about 4,200 Foreign Service specialists.

We found that minorities and women were underrepresented in the Foreign Service workforce when compared with civilian labor force representation. Between 1981 and 1987, State increased its minority representation from 7 to 11 percent. The representation of white women remained essentially unchanged at about 24 percent.

By applying EEOC criteria, we found that State has eliminated entry-level underrepresentation for Foreign Service officers. However, underrepresentation at the middle and senior levels of the Foreign Service exists, particularly for women. Foreign Service specialists have not

¹²State Department: *Minorities and Women Are Underrepresented in the Foreign Service* (GAO/NSIAD-89-146, June 26, 1989); *Underrepresentation of Minorities and Women in the Foreign Service* (GAO/T-NSIAD-89-49, Sept. 22, 1989)

on their ability to contribute to the Commission. Later, the HHS official recommended that the Commissioners be granted a waiver, and on October 30, 1987, the Counsel to the President granted the original Commissioners a limited waiver from 18 U.S.C. 208. The waiver was limited to general policy discussions and recommendations. Commissioners were to avoid any specific matters involving an entity in which the member, his family, or a business associate had a financial interest.

Before the limited waivers were granted, the Commissioners had held three public meetings from September 9 to October 30, 1987. Allowing the Commissioners to serve during that period without a waiver exposed them to the risk of possible criminal violations. An individual may be fined up to \$10,000 or imprisoned for up to 2 years, or both, for violating 18 U.S.C. 208. In October 1988 testimony before the Senate Governmental Affairs Committee, we supported establishing a statutory requirement for early screening and resolution of conflicts of interest.¹⁰ We stated that resolving conflicts before advisory committees begin business is important to ensure their independent operation and to protect Committee members from the risk of acting in ways that could constitute criminal offenses.

Functions Not Fully Implemented by the Office of Government Ethics

In October 1988 we reported on policy-related functions OGE had not fully implemented.¹¹ We agreed with the Senate Subcommittee on Oversight of Government Management, Committee on Governmental Affairs, to report on these matters directly to the Director, OGE.

OGE is responsible for providing uniform, authoritative policy guidance on ethics matters within the executive branch. Section 402(b) of the Ethics in Government Act of 1978 outlined several specific policy-related functions of the OGE Director, including

- developing regulations on conflicts of interest and ethics in the executive branch;
- evaluating, with the assistance of the Attorney General, the conflict-of-interest laws and recommending needed amendments; and
- establishing a formal advisory opinion service, whereby opinions are compiled, published, and made available to agency ethics counselors and the public, and providing informal opinions and advice.

¹⁰Federal Advisory Committees: GSA's Management Oversight and GAO Comments on Proposed Legislative Amendments (S. 2721) (GAO/T-GGD-89-1, Oct. 5, 1988).

¹¹Ethics: Office of Government Ethics' Policy Development Role (GAO/GGD-89-3, Oct. 5, 1988).

that part of DOD revolving door legislation as stated in 10 U.S.C. 2397a, which relates to private employment contacts between certain DOD procurement officials and defense contractors. As a “covered defense official” who participated in the procurement function, this statute required the Colonel to report contacts concerning employment with a defense contractor to both his supervisor and the designated agency ethics official and disqualify himself from participation in procurement functions with that contractor. The Colonel did not comply with the reporting requirement nor disqualify himself.

We referred our findings in this case to the Secretary of Defense when we issued our report. The Secretary of Defense has the statutory responsibility to determine whether persons have failed to file reports promptly or to disqualify themselves if required to do so. The Secretary also has the authority to impose penalties, including an administrative penalty up to \$10,000.

Possible Violations of Post-Employment Statutes by a Former HUD Official

In April 1989 we provided in testimony before the Employment and Housing Subcommittee of the House Committee on Government Operations the results of our review of the (1) propriety and legality of a former HUD Assistant Secretary’s post-employment activities and (2) adequacy of HUD’s oversight of her activities when she was employed as a consultant to HUD.⁷

Our review showed that after the Assistant Secretary resigned from HUD a number of her contacts with HUD were for securing meetings and receptions for herself and her clients with members of a visiting Soviet delegation. These contacts appear to have been made to influence HUD personnel and involved particular matters in which HUD had a direct and substantial interest and, in some cases, involved matters that the Assistant Secretary had participated in before resigning. As a result, we concluded that this be referred to the Department of Justice for further investigation because her contacts appeared in violation of the Ethics in Government Act, which prohibits such activities by former federal employees. In November 1989 the House Committee on Government Operations approved and adopted a Committee report with the same conclusion.⁸

⁷Post-Employment Activities of Dr. June Q. Koch, Former Assistant Secretary for Policy Development and Research, Department of Housing and Urban Development (GAO/T-RCED-89-19, Apr. 26, 1989).

⁸Trading on Position and Conflict of Interest by Former HUD Assistant Secretary June Koch, Committee on Government Operations, House Report 101-372, November 17, 1989.

In March 1989 and September 1989, we testified and reported on several aspects of DOD's implementation of the revolving door laws.⁴ These included (1) the extent to which former DOD personnel are reporting defense-related employment, (2) whether DOD's report review process has improved since our 1986 report,⁵ and (3) DOD actions to enforce the reporting requirement. We prepared the testimony for the House Subcommittee on Investigations, Armed Services Committee. The report was requested by the House Subcommittee on Seapower and Strategic and Critical Materials, Committee on Armed Services; the Senate Subcommittees on Federal Services, Post Office, and Civil Service and on Oversight of Government Management, Committee on Governmental Affairs; and Representative Barbara Boxer.

We reported in March 1986 that the reporting requirement was not an effective disclosure mechanism because many people who leave DOD and take jobs with defense contractors were exempt from reporting that employment, and many former DOD personnel who were required to report did not do so. Since then, the law has been amended to exempt fewer people from the reporting requirement, but the majority of those probably required to report do not do so. For example, the Defense Manpower Data Center estimated that only 30 percent of DOD personnel who left to work for defense contractors reported defense-related employment as required by law for fiscal years 1986 and 1987. Consequently, the reporting system is still not an effective disclosure mechanism.

Since our 1986 report, there have been improvements in both the amount of information provided by individuals reporting defense-related employment and DOD's review of this information. In comparing fiscal year 1983 reports with reports submitted for fiscal years 1986 and 1987, we found the level of detail had significantly improved. We reviewed a statistical sample of about 200 reports submitted for fiscal years 1986 and 1987 and found that about 89 percent were certified as having sufficient information to meet the statutory requirement. However, about 34 percent of these did not list major systems on which the individual worked while employed by DOD or the defense contractor. This information is important in identifying potential links between the individual's work at DOD and work for a defense contractor. Accordingly,

⁴Implementation of the DOD Revolving Door Legislation (GAO/T-NSIAD-89-17, Mar. 15, 1989); DOD Revolving Door: Processes Have Improved but Post-DOD Employment Reporting Still Low (GAO/NSIAD-89-221, Sept. 13, 1989).

⁵DOD Revolving Door: Many Former Personnel Not Reporting Defense-Related Employment (GAO/NSIAD-86-71, Mar. 4, 1986).

requested for reports filed with the House. The Committee said that after it questions items in the reports, it is the filer's obligation to explain or revise the report. In contrast, the Senate Ethics Committee reviewed corrections. However, the Committee's procedures for monitoring amendments did not always ensure timely corrections.

We made several recommendations to the House and Senate Ethics Committees designed to (1) improve filing compliance among certain Senate, House, and legislative agency employees; (2) deal with the late-filing and nonfiling candidates; (3) strengthen review and follow-up procedures; and (4) inform the public that reports are under review and subject to change. Senate Ethics Committee officials agreed with the thrust of our recommendations and have acted to fully address most of them. However, the House Ethics Committee has not generally been as responsive.

Navy's System of Public Financial Disclosure Generally Works Well But Can Be Improved

In July 1989 we reported on the Department of the Navy's implementation of the executive personnel financial disclosure system.³ The House Subcommittee on Commerce, Consumer Protection, and Competitiveness, Committee on Energy and Commerce, requested the report.

High-level Navy and Marine Corps officials are required to disclose certain assets; income sources; transactions, such as purchases, sales, and exchanges of real property or securities; gifts; liabilities; agreements or arrangements with former employers or for future employment; and positions held outside the U.S. government. The reports are to be reviewed by appropriate Navy and Marine Corps officials within 60 days of filing. Reviewing officials determine to their satisfaction that each item in the report has been completed and that no interest or position disclosed violates or appears to violate applicable laws and regulations. Our review was to determine whether these disclosure reports were filed on time and adequately reviewed. As requested, however, we did not include in our review financial disclosure reports for presidential appointees who require Senate confirmation.

We found that with minor exceptions the Navy and Marine Corps executive financial disclosure reporting system worked well. We did not find evidence of any conflicts of interest. Lists of personnel who are required to file are maintained and updated so that new entrant, incumbent, and

³Financial Disclosure: Navy's Public Disclosure System Generally Works Well But Can Be Improved (GAO/NSIAD-89-194, July 27, 1989).

Enhancing the Integrity of the Public Service

To help restore public confidence in government, President Bush, shortly after taking office, established a commission to propose reforms to federal ethics laws which issued a report with recommendations in March 1989. Subsequently, the President issued Executive Order 12674 (Apr. 12, 1989) to establish "fair and exacting standards of ethical conduct for all executive branch employees." In April 1989 the President submitted to Congress his proposals for ethics law reform. Among other things, the proposals called for strengthening the process of public financial disclosure by federal officials and stronger restrictions on post-employment and general conflict-of-interest matters.

In June 1989 we testified on the President's proposals before the House Subcommittee on Human Resources, Committee on Post Office and Civil Service.¹ We supported many of the President's proposal for reform, such as the proposal to establish civil and misdemeanor penalties for violations of conflict-of-interest statutes. On the other hand, we said other proposals required further refinement and discussion, such as the need to clarify vague areas in the law and administrative shortcomings that have created uncertainty and confusion. In November 1989 Congress passed the Ethics Reform Act of 1989 (P.L. 101-194), which included elements from the President's and our proposals for ethics law reform.

Beyond reporting on the administration of ethics laws and regulations, our integrity-related work during fiscal year 1989 focused on discrimination and equal employment opportunity (EEO) issues, various agency administrative systems or management practices, and agency compliance with appointment and employment controls. It is a prohibited personnel practice for a manager to discriminate for or against any employee or applicant for employment. Merit principles also require that employees maintain high standards of integrity and conduct and concern for the public interest. CSRA requires us to review executive branch compliance with federal employment laws, rules, and regulations as directed by any congressional committee.

¹The President's Ethics Proposal (GAO/T-GGD-89-29, June 13, 1989).

paid by student pilots, pilot examiners administer oral and flight tests and issue certificates to operate an aircraft.

We found that FAA lacked adequate guidance to ensure that a pilot examiner's due process rights were protected during removal. As a result, FAA had difficulty removing pilot examiners who used unacceptable pilot certification practices. These unacceptable practices, such as improper flight testing, seriously impair FAA's ability to ensure that only safe and competent pilots are certified. For example, FAA removed one pilot examiner's designation following two accidents—with three fatalities—within a few weeks after he issued the pilots' certificates. Pilot error was cited as the cause of both accidents. Alleging that FAA did not provide the examiner with a due process hearing prior to removal, the examiner's attorney threatened to sue FAA. FAA decided to settle the case by agreeing to restore the pilot examiner's designation provided he not litigate.

We could not determine the number of pilot examiners FAA has attempted to remove or how many challenged the removal, because FAA does not maintain such data. However, because of the potential safety implications involved, we brought this matter before FAA's Chief Counsel, who concurred with our findings. In June 1989 FAA issued revised procedures for removing pilot examiners who are not performing satisfactorily. FAA believes the revised procedures will help resolve the problem. While we cannot predict whether courts will find that these procedures satisfy due process concerns, the procedures do address issues raised in earlier court decisions. This should, in turn, increase FAA's ability to ensure that safe and competent pilots receive pilot certificates. Because FAA headquarters acted quickly to resolve this problem, we made no recommendations.

Disciplinary Policies and Practices in the U.S. Postal Service

In May 1989 we reported on the disciplinary policies and practices in the U.S. Postal Service.¹⁴ The report was requested by the House Subcommittee on Postal Personnel and Modernization, Committee on Post Office and Civil Service. Concern was expressed that postal employees may be penalized differently for similar infractions and in similar circumstances.

The Postal Service relies on supervisors' discretion in decisions to formally discipline employees and in selecting appropriate disciplinary

¹⁴Postal Service: Discipline Practices Vary (GAO/GGD-89-79, May 19, 1989).

awards, and about 48 percent recommended that agencies receive greater flexibility to design a pay-for-performance system that fits agency goals and culture. In total, they made about 30 suggestions to reform PMRS, including the following:

- About 39 percent of the directors recommended changing the number of rating levels, but the recommendations were for two, three, and four levels, with no clear majority supporting any one alternative.
- About 30 percent wanted to correct the inequity in the merit increase schedule that gives PMRS employees who are rated fully successful and whose salaries are in the middle third of their pay range smaller base salary increases than their GS counterparts.
- About 23 percent wanted to drop the mandatory 2-percent performance award for those employees rated 2 levels above fully successful.
- Only about 4 percent suggested using an award panel process to grant performance awards, and 7 percent said they definitely did not want to use an award panel process.
- Other suggestions included eliminating merit increases and reinstating GS step increases, giving larger merit increases, limiting OPM to an advisory rather than a regulatory role, simplifying the system, substituting narratives for summary ratings, and allowing group assessment.

Two Agencies' Experiences in Dealing With Poor Performers

During fiscal year 1989, we issued two reports describing agency experiences with poor performers. In the first, issued in January 1989, we discussed how SSA identifies and deals with employees who have received less than fully satisfactory ratings (poor performers).¹² The Senate Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs, requested the report.

According to SSA officials, poor performers should receive every opportunity to improve their performance to the fully satisfactory level. As part of this philosophy, supervisors are expected to identify and inform poor performers of their deficiencies and help them improve. However, supervisors are also expected to take action when attempts to achieve satisfactory performance fail.

SSA requires a performance improvement plan be implemented whenever a supervisor determines that an employee is performing at less than the fully satisfactory level. An employee does not have to be formally rated

¹²Poor Performers: How They Are Identified and Dealt With in the Social Security Administration (GAO/GGD-89-28, Jan. 27, 1989).

Enhancing Performance of the Federal Workforce

A high-quality organization is constantly seeking to improve the performance of its workforce. Finding ways to enhance the performance of the federal workforce has been a major thrust of recent civil service reforms and is a continuing responsibility of OPM.

In recent years we have reviewed various systems aimed at improving the performance and accountability of the public service in selected agencies. In our last public service report, we described the results of our reviews during fiscal years 1987 and 1988 on the implementation of a revised pay-for-performance system for federal supervisors and managers, performance appraisal systems for blue-collar workers, aspects of performance management at SSA, and training activities at EPA and FAA that aim to improve performance. The following sections describe the results of our reviews during fiscal year 1989 concerning (1) congressional reauthorization of the pay-for-performance system for federal supervisors and managers, (2) the procedures for dealing with certain poor performers in SSA and FAA, and (3) the disciplinary policies and practices in the U.S. Postal Service.

Extension of the Performance Management and Recognition System

Paying managers and supervisors in grades 13 through 15 on the basis of their individual performance was a major part of civil service reform. The system originally set up to do this was called Merit Pay. This system was subsequently modified by Congress in 1984 and set up as the Performance Management and Recognition System (PMRS) with a scheduled expiration date of September 30, 1989. In September 1989 Congress extended PMRS for an 18-month period. About 130,000 employees participate in the system.

PMRS is an important program because it is a principal means for providing incentives to motivate and reward federal managers and supervisors in grades 13 through 15. Through an annual performance appraisal process, each PMRS employee receives a summary rating based on five levels of performance—fully successful, two levels above fully successful, and two levels below fully successful. Employees who are rated fully successful or above receive base salary increases that, for the most part, meet or exceed those available to General Schedule employees. In addition, employees rated two levels above fully successful are guaranteed a performance award bonus at the end of the rating period, while those rated fully successful or one level above fully successful can receive such bonuses at the agencies' discretion.

evaluating aircraft maintenance programs, inspecting aircraft for safety, and evaluating mechanics and repair facilities.

We found that FAA inspectors were not receiving the training that FAA managers say they need to effectively perform their assigned jobs. In 1988 less than 40 percent of the operations inspectors received the flight training that FAA says they must have to perform pilot flight checks, and airworthiness inspectors received less than 50 percent of the training that FAA said they needed. FAA recognizes the need to improve its aviation safety inspector program and has started initiatives to improve inspector training. While we believe that FAA is moving in the right direction, further improvements are needed if FAA is to effectively meet its training requirements as the inspector workforce grows to about 3,000 in the early 1990s. FAA has established a new branch to improve oversight of inspector training and set national training priorities.

Agency Compliance With Training Requirements of the Computer Security Act of 1987

In February 1989 we issued a report describing agencies' compliance with an OPM requirement to start a computer security training program.⁸ The House Committee on Government Operations and the House Committee on Science, Space, and Technology requested the report.

The Computer Security Act (P.L. 100-235), enacted January 8, 1988, provides for improving the security and privacy of sensitive information in federal computer systems. Section 5(a) of the act requires periodic training in computer security awareness and accepted computer security practice for all employees who are involved with the management, use, or operation of each federal computer system containing sensitive information within or under the supervision of that agency. Under section 5(b), training must start within 60 days of the issuance of the OPM training regulation required in section 5(c). OPM issued its interim training regulation on July 13, 1988.

Many agencies have acted to comply with sections 5(a) and 5(b) of the act. The 81 agencies that responded to our questionnaire between October 12 and December 12, 1988, reported as follows:

- Forty-five reported having started computer security training programs as required by the act.

⁸Computer Security: Compliance With Training Requirements of the Computer Security Act of 1987 (GAO/IMTEC-89-16BR, Feb 22, 1989).

Strengthening Employee Training and Development

Training problems continued as one of the many human resource management issues affecting FAA that we reported on in fiscal year 1989. We also reported on (1) the extent to which agencies are complying with requirements to start computer security training programs and (2) the Department of State's implementation of a professional development program for members of the Foreign Service.

Improvements Are Needed in FAA's Controller and Aviation Safety Inspector Training

Training is critical to an individual's successful performance as an air traffic controller and to the safety of the nation's air traffic system. As discussed in chapter 2, we reported and testified in fiscal year 1989 on several serious problems that continue to trouble the air traffic control workforce based on a 1988 survey of more than 5,000 controllers, supervisors, and managers from FAA's largest facilities. Among other things, the survey solicited their views on the quality of training. Controllers had strong concerns about certain aspects of developmentals' training. Many supervisors and developmentals shared these concerns, but facility managers did not.

Specifically, a majority of experienced controllers and many supervisors surveyed rated the developmentals' training as "less than adequate" or "poor" in such aspects as using backup systems, emergency procedures, holding patterns, and controlling traffic in bad weather. In contrast, most facility managers rated the same training as "adequate" to "excellent." In addition, many experienced controllers expressed concerns about developmental talents, stating that the developmentals' work attitudes, overall skill levels, and abilities to learn were worse at the time of our 1988 survey than 3 years previously. Further, 31 percent of the surveyed controllers said that training involving live traffic before certification of a controller position was insufficient. One controller described this situation:

"Due to pressure, . . . trainees are being checked out too soon, then the supervisors put one of the experienced controllers in to work the handoff position for this not-yet-truly-qualified controller and tell us to keep an eye on him/her."

In fiscal year 1989, we issued two additional reports that identified improvements needed in FAA's field training for controllers and training for aviation safety inspectors.

because of the small number of federal employees involved in the program each year.

Table 3.1: Actions Congress Should Take to Improve Implementation of the President's Commission on Executive Exchange Program

- Extend the authority provided by Public Law 99-424 to permit private sector executives assigned to government agencies in the program to be paid their full salaries by their corporate employers
- Expand the authority to permit more corporate executives to be paid their full salaries by their corporate employers.
- Authorize federal executives assigned to private sector companies, as part of the program, to be placed on detail to the private sector during the assignment. This would allow executives to remain in federal pay status and continue to receive all benefits that, as federal employees, they would normally receive.
- Authorize the corporate host companies to reimburse the sponsoring federal agencies for the executives' salaries.
- Include in legislation authorizing this authority a statement that it is enacted "notwithstanding any other law" to preclude the need to amend any other existing statutes that may apply to the program and for which exemptions for federal participants may be necessary.
- Include in legislation authorizing this authority an enumeration of those statutes that should continue to apply to the program, such as statutes relating to compensation, benefits, travel and relocation, conflict of interest, standards of ethical conduct for government officers and employees, post-employment restrictions for exchange executives, and authority for agencies to accept reimbursements for executives' salaries from private sector companies. The applicable statutes should be listed and incorporated by reference into the exchange program statute

In August 1989 Congress extended the authority for the experimental component for 1 year. While we anticipate further action on our recommendations, Congress had not acted when we prepared this report.

Congress Should Reconsider the Uses and Purposes of the Intergovernmental Personnel Act Mobility Program

At the request of the House Subcommittee on Human Resources and Intergovernmental Relations, Committee on Government Operations, in June 1989 we reported and testified on the mobility program created by the Intergovernmental Personnel Act (IPA) of 1970.⁵ The mobility program allows federal agencies to temporarily assign personnel to and receive personnel from eligible nonfederal organizations, such as state and local governments, institutions of higher education, and Indian tribes and tribal organizations, as well as other organizations approved by OPM. The act authorized grants, training, technical assistance, and mobility assignments. Although Congress has amended the act several times, the underlying purpose has remained the same: improve federal-

⁵Intergovernmental Personnel Act of 1970: Intergovernmental Purpose No Longer Emphasized (GAO/GGD-89-95, June 19, 1989); The Intergovernmental Personnel Act Mobility Program (GAO/T-GGD-89-33, June 20, 1989)

inability to fill these vacancies sooner to illuminate reports of agencies' problems recruiting career SES personnel.

We found that complete, accurate, and current data on career SES vacancies governmentwide were not readily available. Using OPM information, we identified 319 positions in 13 agencies reporting 10 or more vacancies that were at least 120 days old as of January 31, 1989. We obtained the reasons why the vacancies were not filled; however, this information probably did not fully reflect agencies' recruitment problems. It appeared that this information understated the difficulty some agencies faced in filling career SES vacancies, particularly those positions requiring a high level of specialized technical or scientific expertise.

Of the 319 positions, we found that the agencies were actively recruiting for just 74 SES vacancies. The delays in filling these 74 positions were attributable to

- internal agency processing and selection activities (such as rating applications, interviewing applicants, or making selection decisions) in 63 instances;
- applicant security clearance or conflict-of-interest problems in 5 instances;
- delays in the agency processes for deciding on a position's duties or its organizational location in 4 instances; and
- too few qualified applicants so agencies elected to readvertise vacancies after their first announcement in 2 instances.

Congress Should Take Certain Actions to Improve the Executive Exchange Program

In March 1989 we reported on the implementation of the Executive Exchange Program Voluntary Services Act of 1986 (Public Law 99-424).⁴ The act added an experimental component to the program for fiscal years 1987 through 1989 to encourage higher level private sector executives to participate. Under the program, created by executive order in 1969, the federal government and the private sector voluntarily exchange executives on a temporary basis. The private sector host companies pay the salaries of federal participants. Until 1986 the government paid the salary of all private sector participants, up to a certain dollar limit. Under the experimental component, which was to expire on September 30, 1989, salaries of up to 10 private sector participants each

⁴Federal Workforce: Implementation of the Executive Exchange Program Voluntary Services Act of 1986 (GAO/GGD-89-62, Mar. 31, 1989).

Extent and Usefulness of Training and Development

In September 1989 we reported on the training and development of senior executives.² Because sufficient information was unavailable, the House Subcommittee on Civil Service asked that we survey career SES members of different-sized agencies to obtain their views on their training and development experiences. As also requested by the Subcommittee, OPM's fulfillment of its leadership responsibilities for executive training and development is discussed in chapter 5 under a section on OPM's administration of civil service programs.

As the government's general managers, the roughly 6,000 career SES members are responsible for a broad range of essential government activities, such as acquiring weapon systems and providing accurate and timely benefits to the elderly. We sent questionnaires to a statistically valid sample of SES members on the extent and usefulness of their executive training (such as formal classroom training and seminars) and development (such as rotational job assignments and task forces). The responses received are projectable to about 77 percent of the SES membership as of June 30, 1987.

Regarding executive participation in training and development, we reported the following:

- The projected results of our questionnaires showed that about 87 percent of the executives appointed to the SES in fiscal year 1982 and beyond said they received some executive training or development before appointment. However, the responses also showed that 13 percent received neither, a situation that became somewhat more common in recent years, with 27 percent in 1986 and 15 percent in 1987 receiving neither.
- The percentage of executives without training and development after SES appointment was nearly double compared with before appointment. About 23 percent of the executives reported no training or development since October 1981 or after their appointment date, whichever was later.
- Small agencies, those with up to 50 senior executives, seem to have more difficulty than larger agencies in providing executives training and development experiences. For example, the percentage of executives from small agencies reporting no preappointment experiences was more than double the percentage of those from larger agencies.

²Senior Executive Service Training and Development of Senior Executives (GAO/GGD-89-127, Sept. 29, 1989).

Improving the Effectiveness of the Public Service

The effectiveness of the public service in carrying out the complex and varied missions of the federal government depends on many factors. Competent and experienced leadership, effective training and development, and performance accountability and rewards are all important.

The major purpose of CSRA was to improve the effectiveness and accountability of the public service. This was reflected in the establishment of the SES and in requiring performance-based pay for managers and supervisors, as well as in the merit principles that emphasize the need for effectiveness in managing the federal workforce. In addition, the merit principles require that employee pay contains incentives and recognition for excellent performance.

Merit principles call for improving performance through effective education and training. Under these principles, employees should be retained and inadequate performance corrected. Those employees who cannot or will not improve their performance to meet required standards should be separated from service. Merit principles also require that employees be educated and trained in cases where better organizational and individual performance would result.

The public service faces critical challenges in the years ahead. The following sections discuss these challenges in the context of providing competent and experienced leadership, strengthening employee training and development, and enhancing workforce performance.

Providing Competent and Experienced Leadership

During fiscal year 1989, we reported on the lack of management continuity and accountability in certain costly defense programs, the extent to which career SES members participated in executive training and development activities and their perceptions of those experiences, and the lack of readily available data on SES vacancies. We also reported on many aspects of an executive exchange program (which assigns private sector executives to government agencies) and an intergovernmental mobility program (which has become a primary way that agencies bring college and university personnel into the federal government).

- In the agencies we reviewed, only a small percentage of new employees had new positions that were covered by the special retirement provisions. As a result, it did not appear that the new positions were being created to aid in recruiting and retaining new employees.
- Legislation that was proposed but not passed by the 100th Congress would have increased the number of personnel in the law enforcement retirement program by approximately 17,000 and cost \$1.3 billion for the extra retirement benefits that would be paid during retirees' expected lifetimes.

Duplication of Health Benefits

In March 1989 we reported on the duplication of benefits provided federal retirees under the Federal Employees Health Benefits Program and the Medicare Catastrophic Coverage Act of 1988.²⁸ The report was requested by 6 Senators and 44 Representatives before Congress repealed most provisions of the act in November 1989.

The Federal Employees Health Benefits Program is the largest employer-sponsored health benefits program in the United States. Active federal civilian employees, federal retirees with 5 consecutive years of program coverage immediately preceding retirement, and their dependents and survivors are eligible to participate. The program provides health insurance to about 1.6 million retirees. OPM is responsible for the overall administration of the health benefits program, and chapter 5 discusses aspects of OPM's management of the program.

Enacted in July 1988, the Medicare Catastrophic Coverage Act of 1988 (P.L. 100-360) extended catastrophic protection to about 33 million elderly and disabled beneficiaries, including Medicare-eligible federal retirees, many of whom were enrolled in the federal health benefits program. To finance the cost of the new catastrophic benefits, additional Medicare premiums were imposed. Because federal retirees already paid premiums for many of these medical costs covered under the program, OPM was directed to reduce the premiums to prevent federal retirees from paying twice for the same benefits.

With the principal exception of additional skilled nursing facility benefits, we found that the Catastrophic Act provided few new benefits for Medicare participants than were already available from the federal health benefits program. We also found that OPM's \$37.20 per year rebate for 1989 appeared reasonable. These findings were based on,

²⁸U.S. Employees Health Benefits: Rebate for Duplicate Medicare Coverage (GAO/HRD-89-58, Mar. 23, 1989).

Effects of Early Retirements in
Certain DOD Components

In February 1989 we reported on DOD's management of the voluntary early retirement program resulting from fiscal year 1988 budget reductions.²⁶ We focused on the cost and possible adverse effect of large numbers of DOD civilian employees electing early retirement, as we were requested by the House Subcommittee on Readiness, Committee on Armed Services, and the Senate Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs. We concentrated our review on the Army Materiel Command, two of its subordinate commands (Aviation Systems Command and Troop Support Command), and the Air Force Air Logistics Center.

At the Army Materiel Command, including all its subordinate commands, 15,763 employees were eligible for early retirement because of budget reductions and 2,877 (18 percent) retired. At the Air Force Air Logistics Center, 2,345 employees were eligible because of budget reductions and 634 (27 percent) retired. Data we gathered from these components and OPM described the effects of these early retirements on budget savings and employment levels, as summarized below.

- While the Army saved funds, the early retirements caused government costs to increase. Data from the two subordinate Army commands showed that the Army achieved budget savings of about \$6.6 million (\$23,076 per retiree) in fiscal year 1988 as a result of a total of 288 employees electing early retirement. The savings were achieved by avoiding salary outlays and agency contributions toward employees' benefits (retirement and health and life insurance). However, when budget outlays from the Civil Service Retirement Fund were considered (lump-sum annual leave, monthly annuity payments, lump-sum retirement payments, and retiree health insurance payments) there was a net cost to the overall federal budget in fiscal year 1988 of about \$2.6 million, or \$9,146 per retiree.
- The total employment levels in the three Army commands and the Air Force Center were only temporarily affected by early retirements. As funds became available, the commands and Center filled all or some vacancies created by early retirements. For example, during fiscal year 1988, 634 employees elected early retirement at the Center, which limited hiring to 170 new employees. However, when fiscal year 1989 funds became available, the Center increased its hiring to reach its pre-1988 levels, hiring 1,282 new employees during the first 3 months of fiscal year 1989.

²⁶Federal Employees: Early Retirements at the Defense Department in Fiscal Year 1988 (GAO/ GGD-89-53FS, Feb. 23, 1989)

As of May 1989, 49 percent of eligible FERS employees contributed to the thrift plan and received matching government contributions. Participation rates among major departments varied from 40 percent at the Department of the Treasury to 70 percent at the Department of State. Within departments, we noted more significant variances. For example, within the Department of Navy, participation rates varied from 26 to 61 percent, and within the Department of the Treasury, the participation rates varied from 33 to 73 percent.

We concluded that agencies and the Thrift Board should target for special meetings those organizations with low participation rates. Also, agencies should identify further the reasons for low participation rates in some organizations and identify ways to address those reasons. In addition, we concluded that agencies should target new employees for special briefings to further explain the importance of their participation just before their first opportunity to contribute.

We also testified on a bill, H.R. 2514, that would (1) authorize federal agencies to pay lost interest to employees' Thrift Savings Fund accounts caused by agencies' administrative errors and (2) remove restrictions on investments by certain thrift savings plan participants. The bill passed the House in April 1990 and was pending in the Senate when we prepared this report. We supported these changes for the following reasons:

- In a February 1989 Comptroller General decision,²⁴ we concluded that agencies did not have statutory authority to reimburse lost interest payments to employees' thrift savings accounts from appropriated funds without an express mandate from Congress. Because this would financially penalize federal employees, we said that from an equitable standpoint, we would support legislation authorizing agencies to make payments into savings plan accounts to cover earnings lost due to an agency's delay in making contributions. H.R. 2514 would authorize such payments.
- H.R. 2514 would also eliminate restrictions that phase in the amount of contributions that can be invested in the stock and fixed income funds. Because the thrift fund was removed from the federal budget in fiscal year 1989 and its expenditures are not reflected as budget outlays, we testified that the current restrictions on investments are no longer needed. The fund's transactions should not be considered transactions of the federal government. Elimination of these restrictions would provide

²⁴ Agency Authority to Pay Lost Earnings on Contributions to Employee Thrift Savings Plan Accounts (B-231205, Feb. 3, 1989).

shifts per workweek. They are paid on a biweekly basis under a complex formula involving the sum of regular base pay, premium pay, and overtime pay.

We recommended that Congress enact legislation to change current pay provisions so that firefighters' pay is not reduced upon promotion. Federal civilian firefighters at or above the GS-5 level who spend at least 80 percent of their work time on supervisory and closely related work are statutorily exempt from overtime. Therefore, their pay is the sum of only base and premium pay. We found instances where firefighters promoted to supervisory positions had their gross salaries reduced by losing overtime pay, and we believe legislation is needed to correct the problem. This situation could reduce the pool of qualified applicants for supervisory firefighter positions. When we prepared this report, no legislative action had been taken to implement this recommendation.

We also recommended that the Secretary of Defense

- alert officials at Army and Navy payroll offices that some of their pay systems are vulnerable to improper payments resulting from random mistakes and misinterpretation of regulations, and
- take action to see that personnel in those payroll offices who do manual calculations receive special training.

We found instances where these agencies made overpayments. By letter (dated December 12, 1989), DOD informed us that it had initiated actions to implement these recommendations.

Federal Retirement Issues

The Federal Employees Retirement System (FERS) Act of 1986 (P.L. 99-335) provided (1) a new retirement system for all federal civilian employees hired after December 1983 and (2) an opportunity for about 2.1 million employees covered by existing retirement systems, primarily the Civil Service Retirement System (CSRS), to transfer to FERS during a July through December 1987 open season. FERS provides benefits from three separate components, each administered by a different agency. OPM is responsible for the pension plan component, SSA is responsible for the Social Security component, and the Federal Retirement Thrift Investment Board is responsible for the Thrift Savings Plan component (a retirement savings and investment plan which provides tax deferral

Compensation Policies and Practices Vary Among Agencies

While pay is uniform under the GS system, employees in some agencies are not under the General Schedule, and others are under pay practices unique to specific employee groups. The diversity of the compensation systems is illustrated by reports we issued during fiscal year 1989 on the compensation of top managers in the Tennessee Valley Authority (TVA), U.S. Park Police, and federal civilian firefighters.

Tennessee Valley Authority

In May 1989 we reported on the compensation of top TVA managers.¹⁹ The House Subcommittee on Oversight, Committee on Ways and Means, requested the report.

We found that TVA uses a supplemental retirement plan as deferred income to provide additional compensation to recruit and retain top managers and to reward outstanding performance. Available only to certain top TVA managers, this plan supplements benefits provided under other retirement plans. In addition, TVA compensates its top managers with relocation incentives (payments in addition to travel and relocation expenses), performance awards and bonuses and, before October 1, 1988, paid its employees' share of Social Security contributions and medical and dental insurance premiums. The average annual base salary provided 220 top TVA managers was \$72,950 on October 1, 1988, ranging from a high of \$77,400 to a low of \$63,950. For the period of January 1 through October 1, 1988, 29 top managers received either supplemental retirement and/or relocation incentive benefits averaging \$31,438 and \$26,125, respectively.

Earlier, in April 1989, we provided our legal opinion to the Subcommittee on the authority of TVA to make payments to its employees that might exceed a statutory limitation. We stated that the supplemental retirement and the relocation incentive benefits represent a clear and direct circumvention of 16 U.S.C. 831b, which states that no employee of TVA shall receive a salary in excess of that received by members of the TVA Board of Directors. TVA Board members are paid at level IV of the Executive Schedule, which was \$80,700 a year when we prepared our legal opinion. While we recognized that TVA may well be experiencing difficulties in recruiting and retaining top executives due to the salary limitations imposed on all federal officials by the statutory ceiling, we concluded that TVA should ask Congress to amend or repeal the statute if it is sure it needs to raise salaries to recruit and retain top executives.

¹⁹TVA Management: Information on Compensation for Top Managers (GAO/RCED-89-137BR, May 17, 1989).

cost of living in geographic areas can cause significant differences in federal employees' purchasing power. A dollar paid an employee in a high-cost area does not go as far as that same dollar in a low-cost area. Thus, it can be argued that the current uniform GS pay system does not equitably compensate employees doing the same work in different locations.

In addition, the disparities in local private sector pay rates for particular occupations result in differences in the federal government's competitiveness with local job markets. Because of local pay differences, the government may pay more than the market in some areas for certain jobs, even with the large average pay gap. In other areas, the federal government pays much less than its competitors for the same jobs.

Given the pay gap and the problems of inequitable and uncompetitive pay from one area to another, it is not surprising that agencies continue to report recruitment and retention problems. Federal employees in some high-cost areas, although they desire to serve the public, may find it difficult to support their families. Job applicants in areas where federal pay falls significantly below pay in the private sector must be willing to accept less pay to become federal employees. Therefore, we concluded that any reform of the federal white-collar pay-setting process must consider geographic compensation differences through some form of locality pay.

Types of Locality Pay Systems

We testified that essentially two separate models or types of locality pay systems are available to the federal government—one based on cost of living and one based on the local labor market. Cost-of-living-based locality pay focuses on equalizing employee purchasing power throughout the country and would adjust pay for all federal white-collar employees in specified areas. Labor-market-based locality pay is primarily concerned with keeping the federal government competitive with other employers and would provide pay adjustments for those employees in occupations in specified areas where federal pay is lower than the private sector rate. Because either model would vary pay adjustments by area, adoption of locality pay could be a less expensive way to address the recruitment and retention problem than attempting to close the pay gap through nationwide adjustments.

Both types of locality pay already exist in the federal government. For example, the Federal Deposit Insurance Corporation, which has certain pay-setting autonomy unavailable to other federal agencies, adds cost-

Comparability worked fairly well for many years. Disagreements often occurred over measuring pay comparability, what jobs should be surveyed, and the size of the employers in the survey, but the process was continually refined and, as a rule, federal pay was kept comparable to the private sector average.

Beginning in 1978 and each year since then, however, presidents decided to grant federal pay raises at lesser amounts than required to achieve comparability with the private sector. Such “alternative plans” are allowed by the law when the president believes smaller pay raises are justified by a “national emergency or economic conditions affecting the general welfare.” As a result, a gap between federal and private sector pay for comparable jobs gradually developed, growing each year until it stood at about 22 percent when we testified in June 1989 and about 25 percent as of January 1990.

Table 2.1 demonstrates the results of federal white-collar pay setting since 1977; it shows how the federal-private sector pay gap grew each year that alternative plans were imposed. Table 2.2 shows the median rates paid for selected jobs in the private and federal sectors. The median federal pay for certain jobs currently lags far behind median private sector pay. With such uncompetitive pay rates, it is unlikely government will be able to attract and retain the good people it needs.

Table 2.1: History of General Schedule Pay Adjustments (1978 to 1990)

| Month/year | Pay agent ^a determination | Increase provided | Pay gap |
|--------------|--------------------------------------|-------------------|---------|
| October 1978 | 8.40% | 5.50% | 2.90% |
| October 1979 | 10.41 | 7.00 | 3.41 |
| October 1980 | 13.46 | 9.10 | 4.36 |
| October 1981 | 15.10 | 4.80 | 10.30 |
| October 1982 | 18.47 | 4.00 | 14.47 |
| January 1984 | 21.51 | 4.00 | 17.51 |
| January 1985 | 18.28 | 3.50 | 14.78 |
| January 1986 | 19.15 | 0.00 | 19.15 |
| January 1987 | 23.79 | 3.00 | 20.79 |
| January 1988 | 23.74 | 2.00 | 21.74 |
| January 1989 | 26.28 | 4.10 | 22.18 |
| January 1990 | 28.62 | 3.60 | 25.02 |

^aThe President's Pay Agent (currently the Secretary of Labor and the Directors of OMB and OPM) determines and reports annually to the President the pay adjustments necessary to maintain pay comparability based on surveys of private sector pay by the Bureau of Labor Statistics

shortages in some offices during the prec canvass also led the Bureau to alter its goals and move staff among offices to complete work.

Pay

Ensuring competitive pay rates has been a challenge for the Bureau. In a series of testimonies during 1988 and 1989, we encouraged the Bureau to consider a geographic pay system that would be sensitive to labor market conditions and competitive with local wage rates. The Bureau subsequently developed and implemented a district office geographic pay program for the 1990 census. Under Title 13 of the U.S. Code, the Secretary of Commerce has the authority to administratively determine pay rates for temporary employees hired for the decennial census and related activities.

Most of the temporary employees the Bureau hired for the census were enumerators. While the Bureau originally planned enumerator pay rates for 1990 to be either \$5.50 or \$6.00 per hour, the geographic wage program contains seven different wage levels, with enumerator pay increasing at \$0.50-intervals and ranging from \$5.00 to \$8.00 per hour.

Diminishing Labor Pool

A diminishing labor pool also confronts the Bureau. To many potential employees, census work is unattractive because of its temporary nature, lack of benefits, and required access to an automobile. We urged the Bureau to explore all options to enlarge its labor pool. One option that both we and the Bureau endorsed and Congress enacted this year was legislation to allow federal military and civilian retirees to work on the 1990 census without a reduction in their retirement annuities.

In our May 1989 testimony, we pointed out that federal retirees are a potentially large source of applicants. For example, more than 1.6 million federal retirees are under the age of 70. Retired postal workers familiar with neighborhoods and recognized by residents would be especially valuable. We cautioned, however, that the Bureau should take maximum advantage of the legislation. We urged the Bureau to pursue recruitment strategies that target federal retirees and to monitor the number of retirees it hires as a basis for decisions on subsequent decennials.

At the time of our review, Park Police had 627 officers, 489 of whom were located in the Washington, D.C., area. A comparison of Park Police vacancy and turnover rates with those of 11 other police units in the Washington, D.C., area did not indicate any recruitment and retention problems. Between October 1985 and September 1988, authorized and on-board staffing levels at Park Police increased, and the vacancy rate during the period varied but was at its lowest level in fiscal year 1988. The turnover rate at Park Police varied slightly and was at its lowest level for the 4-year period in fiscal year 1988.

Park Police officials, when commenting on a draft of our report, generally agreed with the facts but still believed recruiting and retention problems existed even though they were difficult to quantify. They said that, while Park Police had received many applications, the quality of the applicants had declined. In addition, they said they have had trouble recruiting women and minorities. They also said a comparison of the resignations and retirements during the first 9 months of fiscal year 1989 (after the period covered by our report) compared with those during the same period in 1988 showed that resignations and retirements had increased.

Federal ADP Personnel

In February 1989 we reported on the government's ability to recruit and retain ADP personnel.¹⁵ The report was requested by the Senate Subcommittee on Federal Services, Post Office, and Civil Service, Committee on Governmental Affairs.

We interviewed 46 top information and personnel managers in 23 major civilian and defense agencies to develop an understanding of the recruitment and retention of ADP personnel across a broad spectrum of federal agencies. Noncompetitive pay, limited training opportunities, and the negative image of federal service were among the factors that managers said hindered their efforts to recruit and retain ADP personnel. Some specific concerns noted included the following:

- The government's salary for an entry-level computer programmer was as much as 33 percent less than private sector pay for similar work.
- Budget constraints limited training opportunities and restricted career development opportunities for ADP personnel.
- Unflattering perceptions of government employment further complicated recruitment efforts.

¹⁵Federal ADP Personnel: Recruitment and Retention (GAO/IMTEC-89-12BR, Feb. 7, 1989).

of Defense buildup. However, the fiscal year 1989 reduction was ultimately limited to 3 percent, which compared with Armywide civilian personnel reductions for the year. The 3-percent reduction did not appear to seriously impact audit coverage.

Agencies Continue to Experience Recruitment and Retention Problems

Our last public service report pointed out personnel recruitment or retention problems that raised concerns about mission accomplishment in scientific and engineering occupations, as well as in four agencies—EPA, FAA, the Internal Revenue Service (IRS), and SSA. We cited inadequate pay as a cause of many of these problems. As discussed below, we reported on similar problems in fiscal year 1989 at FDA, the U.S. Park Police, and in federal ADP occupations. Some evidence of problems was anecdotal and not supported by quantifiable statistics on staff vacancies and turnover, as discussed in our review of the U.S. Park Police. We also reported on the major challenge the Bureau of the Census faced in acquiring and retaining a sufficient number of competent temporary employees to take the 1990 census.

Food and Drug Administration

In September 1989 we reported that FDA was experiencing difficulties in recruiting and retaining staff because of the disparity in pay and benefits between the federal government and the private sector.¹³ The Senate Appropriations Subcommittee on Agriculture, Rural Development, and Related Agencies and the Senate Committee on Labor and Human Resources requested the report.

FDA data showed that it took from at least 4 months to more than 5 years to fill 36 vacant Senior Executive Service (SES) positions. Vacant positions existed in all six FDA centers and the Office of Regulatory Affairs, including positions at the directorate, deputy directorate, and associate commissioner levels. Fifteen of these 36 positions were vacant for less than 1 year before they were filled. Most of the other 21 positions were vacant for up to 2 years; and 1, a division director position in the Center for Drug Evaluation and Research, had not been permanently filled for more than 5 years.

¹³FDA Resources: Comprehensive Assessment of Staffing, Facilities, and Equipment Needed (GAO/HRD-89-142, Sept. 15, 1989).

As the reports disclosed, SSA managers and employees believed the staffing reductions hurt the quality of SSA's service provision. The first report, issued in February 1989, presented the views of SSA personnel on the quality of the agency's service to the public and the impact of staff reductions.⁹ Questionnaires were mailed to a sample of 467 managers and 643 employees in SSA's district and branch offices and hearing offices in June 1988. Generally, both managers and employees said that the quality of service to the public had declined since a similar survey in 1986 and that morale at units had also declined due to reductions in staff. Specific survey findings included a quadrupling of the percentage of managers who rated their unit's performance as declining since 1986—from 11 to 47 percent. When asked to rate the eight factors contributing to declining performance, the two principal reasons managers cited were staff reductions (cited by 91 percent of the respondents) and low morale (cited by 78 percent of the respondents).

The second report, issued in June 1989, examined several issues related to the quality of service provided by SSA, including a further discussion of the SSA morale problem.¹⁰ While we found little information to compare morale at SSA with that of other federal agencies, the available information suggests that job satisfaction at SSA may be lower than at most major federal agencies. Our survey data indicated a sizable drop in SSA staff morale between 1986 and 1988, which managers attribute to the staff reductions. In 1986, for example, 44 percent of the managers and 20 percent of the employees rated their units' morale as high, compared with 23 percent of the managers and 12 percent of the employees in 1988.

EPA's Superfund

In November 1988 we issued a report on the degree of compliance with deadlines in the Superfund Amendments and Reauthorization Act of 1986.¹¹ The Senate Subcommittee on Superfund and Environmental Oversight, Committee on Environment and Public Works, requested the report.

The 1986 reauthorization extended Superfund through 1991; provided an additional \$8.5 billion in cleanup funds; amended existing hazardous

⁹Social Security: Views of Agency Personnel on Service Quality and Staff Reductions (GAO/HRD-89-37BR, Feb. 10, 1989).

¹⁰Social Security: Staff Reductions and Service Quality (GAO/HRD-89-106BR, June 16, 1989).

¹¹Superfund: Missed Statutory Deadlines Slow Progress in Environmental Programs (GAO/RCED-89-27, Nov. 29, 1988).

and delay needed inspections and licensing actions. As a result, some licensees may never be reinspected after the first year. In one case, NRC did not inspect a licensee for 10 years. When it did so in 1987, NRC found that a fire had destroyed the facility 3 years earlier, and the licensee had abandoned a damaged piece of equipment containing radioactive material.

Federal Aviation Administration

Staffing shortages at FAA have raised questions in Congress on FAA's ability to oversee aviation safety. In our last public service report, we noted that problems with FAA's human resource planning and management contributed to staffing shortages and to other difficulties with air traffic control, airline inspection, and air traffic equipment maintenance and repair programs. In fiscal year 1989, we reported and testified on serious problems that continue to trouble the air traffic control workforce.⁷ These products were in response to a request by the House Committee on Public Works and Transportation that we update a 1985 questionnaire and a previous evaluation of the problems facing the air traffic control workforce. Our updated questionnaire, completed in 1988 by more than 5,000 controllers, supervisors, and managers from FAA's largest facilities, provides their views on various issues, including the adequacy of staffing, training of new controllers, morale, and safety of the air traffic control system. Their views on the quality of controller training appear in chapter 3.

FAA has been trying to hire new controllers but has not been able to meet congressionally mandated goals for employing experienced controllers (referred to as full performance level controllers). In fiscal year 1988, FAA was understaffed by about 3,300 experienced controllers from the 1981 prestrike level of 13,205. Several factors have affected FAA's progress in hiring new controllers. FAA needs 100 applicants to eventually produce one experienced controller. A 40-percent attrition rate at the FAA academy has made it difficult for FAA to replace the more than 11,000 controllers it lost in 1981. In addition, data showed that about 29 percent of the first-line supervisors were eligible to retire. As FAA has been striving to deal with its staffing problems, air traffic has increased every year since the strike.

⁷Aviation Safety: Serious Problems Continue to Trouble the Air Traffic Control Work Force (GAO/RCED-89-112, Apr. 21, 1989); Aviation Safety: Conditions Within the Air Traffic Control Work Force (GAO/RCED-89-113FS, Apr. 24, 1989); Serious Problems Continue to Trouble the Air Traffic Control Work Force (GAO/T-RCED-89-44, May 25, 1989).

In fiscal year 1988, the number of commercial officers declined by almost 15 percent (26 officers) from the 176 officers on board in the peak staffing year (fiscal year 1986). Only about 150 positions could be funded in fiscal year 1988 because of budget limitations, according to Commerce. Since 1986 officers lost through attrition and unrenowned limited appointments have generally not been replaced. As a result, staff has been spread more thinly. In addition, coverage of some promising markets (as in East Asia) has been sacrificed.

The second report, issued in August 1989, described problems with the Department of Commerce's Worldwide Commercial Information Management System.⁵ The report was requested by the Senate Subcommittee on Foreign Commerce and Tourism, Committee on Commerce, Science and Transportation. One of the problems we found was a data base of questionable quality due in part to insufficient support staff.

This system is Commerce's third attempt since 1978 to develop a comprehensive, automated trade information data base to help U.S. firms establish themselves in the export marketplace. It is designed to link 122 overseas posts and 47 domestic district offices to a central data base of commercial information in Commerce headquarters. The data base is also designed to contain a list of domestic and foreign traders, a repository of market research reports (cataloged by subject and country), and a list of upcoming trade promotion activities.

While budgets have been inadequate to support the system's development and implementation, we found that even if more funds were provided it was questionable whether adequate field staff was in place to operate the system as designed. Field staff is crucial to the system's success but has been significantly reduced since the system's inception. Between 1985 and 1988, the number of domestic and overseas field staff declined by 119 (11 percent) from 1,064 to 945. Domestic field staff reductions—Commerce's largest—were part of an OMB initiative encouraging state governments to assume a greater role in export promotion and offsetting increases in foreign post operating costs.

In addition to staff reductions, we also found that a large number of staff vacancies could not be filled because of a lack of funds. For example, 18 of 59 authorized positions in a high-volume exporting region were vacant at the time of our report. Most of the posts and

⁵Export Promotion: Problems With Commerce's Commercial Information Management System (GAO/NSIAD-89-162, Aug. 31, 1989).

as hepatitis B, influenza, Lyme disease, and infectious diseases in neonatal intensive care units and day care centers; vaccine programs; and occupational health activities.

We also found that CDC accounts for staff-year use by organizational subunit and not by program or activity as required by the Standards for Internal Controls in the Federal Government published by our office in 1983. As a result of this practice, actual time charges cannot be accurately allocated to specific programs and activities, and agency officials must use either budgeted amounts or estimates when requested to provide data on actual staff-years expended and on other management functions. Lack of data on the uses of resources constitutes a weakness in management information that predisposes the agency to potential misallocations of staff resources. For example, management cannot compare budgeted to actual staff resources to determine where and why variances exist. In addition, agency officials have no historical data to rely on when justifying budget requests for additional staff. To provide for the proper classification and reporting of staff-years, we recommended that CDC devise a system to track employees' actual time spent on each program or activity.

The second report was issued in July 1989 and focused on how staffing problems had impaired a CDC component, the Center for Prevention Services, from effectively using federal funds aimed at preventing the spread of the human immunodeficiency virus (HIV), which causes AIDS.³ The Senate Committee on Governmental Affairs requested the report and asked us to obtain information on CDC's management of HIV-prevention funding to state and local health departments.

The HIV epidemic is a national public health threat of potentially catastrophic proportions. Over 54,000 persons have died from AIDS through April 1989, according to CDC. As many as 1.5 million Americans may already be infected with HIV, according to the Public Health Service, and epidemiological research suggests that more than 50 percent of those infected will develop AIDS. Prevention Services is responsible for administering cooperative agreements with state and local health departments for HIV prevention. Funding for these cooperative programs has increased from about \$25 million in 1986 to about \$144 million in 1989.

³AIDS Education: Staffing and Funding Problems Impair Progress (GAO/HRD-89-124, July 28, 1989).

Agriculture, Rural Development, and Related Agencies, and the Senate Committee on Labor and Human Resources because of concerns about FDA's level of resources to meet its current and future responsibilities.

FDA touches the day-to-day lives of virtually all citizens through its regulation of the safety of the nation's foods, drugs, medical devices, radiological products, and cosmetics. Since fiscal year 1980, new laws (such as the Federal Anti-Tampering Act) and other public health problems, such as the acquired immunodeficiency syndrome (AIDS) epidemic, have significantly increased FDA's responsibilities. However, FDA staffing levels have not increased along with these added responsibilities. In fact, staffing has declined. During most of this period, FDA's staffing requests were reduced by each level of review in the executive branch, with substantial reductions usually made by the Office of Management and Budget (OMB). FDA's staff declined from 7,816 in fiscal year 1980 to an estimated 7,229 in fiscal year 1989—a reduction of 587 (or 7.5 percent). FDA officials have reported that staffing shortages caused inadequate coverage of some activities.

Problems relating to FDA's food programs illustrate the situation. While the staffing levels allocated to FDA's food programs decreased 17 percent, from 2,569 in 1980 to 2,129 in 1989, FDA's responsibilities increased significantly. For example, it was assigned new legislative responsibilities under the Infant Formula Act of 1980 and the Pesticides Monitoring Improvements Act of 1988. While one of FDA's specific responsibilities is to develop methods to analyze pesticide residues, FDA has had the resources to develop analytic methods to be used in field laboratories to test only 150 of 450 approved pesticides on the market, according to FDA's Center for Foods.

In addition to new legislatively imposed responsibilities, FDA's Center for Foods and related field staff have had to deal with increased concern for the safety of seafood (a growing part of the American diet); pesticide residues on fresh fruits and vegetables; illness outbreaks associated with foodborne pathogenic microorganisms (e.g., listeria and salmonella); and a variety of unplanned events, such as glass in baby food and cyanide-laced grapes from Chile. The Chernobyl nuclear accident also required increased FDA inspections of imported foods from Europe and Asia to detect possible radiation contamination.

To achieve adequate staffing, FDA officials estimated that more than 2,000 additional positions were needed for fiscal year 1990 to (1) replace those lost since 1980, (2) fully implement new legislative

whether the financial disclosure requirements for the legislative branch under the Ethics in Government Act of 1978 are being met (see ch. 4).

Because this report contains brief descriptions of reports we issued and statements of testimony on personnel issues presented before various congressional committees during fiscal year 1989, it does not contain any new audit or evaluative work on the activities of OPM or MSPB. The report notes known actions on our recommendations that agencies have taken as of April 1990. The descriptions of agency actions came primarily from the agencies' official written responses to the recommendations.⁴ All reports and statements are organized into four major categories to address the major issues confronting the public service: its quality, effectiveness, integrity, and stewardship.

⁴The head of a federal agency is required by 31 U.S.C. 720 to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Merit Systems Protection Board

MSPB is an independent, quasi-judicial agency in the executive branch charged with safeguarding the federal merit systems and civilian federal employees against unfair personnel actions. It hears and decides employee appeals on agency personnel actions to assure that these actions are consistent with merit system principles. These actions include employee removal, reduction-in-grade, and suspension. MSPB can (by its own authority) order corrective and disciplinary action against an employee or agency when appropriate. It also conducts studies of the civil service and other merit systems in the executive branch to determine the presence or absence of prohibited personnel practices. These practices, established by CSRA, are listed in table 1.2. Specific allegations of prohibited personnel practices are investigated by the Office of Special Counsel, which became an independent executive branch agency in July 1989 under the Whistleblower Protection Act. The Special Counsel may initiate disciplinary and corrective actions before the board when warranted.

Table 1.2: Prohibited Personnel Practices

Officials and employees who are authorized to take personnel actions are prohibited from

- discriminating against any employee or applicant;
- soliciting or considering any recommendation on a person who requests or is being considered for a personnel action unless the material is an evaluation of the person's work performance, ability, aptitude, or general qualifications, or character, loyalty, and suitability;
- using official authority to coerce political actions, to require political contributions, or to retaliate for refusal to do these things;
- willfully deceiving or obstructing an individual as to his or her right to compete for federal employment;
- influencing anyone to withdraw from competition, whether to improve or worsen the prospects of any applicant;
- granting any special preferential treatment or advantage not authorized by law to a job applicant or employee;
- appointing, employing, promoting, or advancing relatives in their agencies;
- taking or failing to take a personnel action as a reprisal against employees who exercise their appeal rights, refuse to engage in political activity, or lawfully disclose violations of law, rule, or regulation, or of mismanagement, gross waste of funds, abuse of authority, or a substantial and specific danger to public health or safety; and
- taking or failing to take any other personnel action violating a law, rule, or regulation directly related to merit system principles.

During fiscal year 1989, we did not receive any specific congressional requests to review any MSPB activities. Because of the large numbers of congressional requests for reviews of OPM and other federal agency personnel management activities, we did not undertake a separate review of MSPB during the year.

Introduction

This report summarizes our findings and recommendations from fiscal year 1989 on the management of the federal government's most valued resource—its employees. People problems affect agency performance, which affects the lives of every American citizen.

As in our previous public service report that covered products issued during fiscal years 1987 and 1988,¹ we organized our summary of fiscal year 1989 reports around issues affecting the quality, effectiveness, integrity, and stewardship of the public service. Many of these products contained recommendations to Congress and various federal departments and agencies. Appendix I lists those products with recommendations to Congress that we believe still require action.

Background

Title I of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 2304, requires us to report annually on the significant activities of the Office of Personnel Management (OPM) and the Merit Systems Protection Board (MSPB).

Office of Personnel Management

OPM is the federal agency primarily charged with executing the laws governing the federal civil service and developing, administering, and enforcing civil service rules and regulations. Generally, OPM is responsible for assuring the systematic application throughout government of nine basic merit system principles that were codified for the first time in law by CSRA and are summarized in table 1.1. Specifically, OPM responsibilities include examining applicants for positions in the civil service, personnel investigations, personnel program evaluation, executive development, and training.

OPM also administers the retirement and insurance programs for most federal civilian employees and is responsible for exercising leadership in affirmative action. OPM policies govern civilian employment in executive branch agencies and certain agencies in the legislative and judicial branches. OPM helps these agencies carry out its policies while delegating certain personnel powers to agency heads.

¹The Public Service: Issues Affecting Its Quality, Effectiveness, Integrity, and Stewardship (GAO/GGD-89-73, June 6, 1989).

Abbreviations

| | |
|-------|--|
| ADP | automated data processing |
| AIDS | acquired immunodeficiency syndrome |
| CDC | Centers for Disease Control |
| CSRA | Civil Service Reform Act |
| CSRS | Civil Service Retirement System |
| DOD | Department of Defense |
| FDA | Food and Drug Administration |
| EEO | equal employment opportunity |
| EEOC | Equal Employment Opportunity Commission |
| EPA | Environmental Protection Agency |
| FAA | Federal Aviation Administration |
| FERS | Federal Employees Retirement System |
| FLRA | Federal Labor Relations Authority |
| FSLIC | Federal Savings and Loan Insurance Corporation |
| GS | General Schedule |
| HHS | Department of Health and Human Services |
| HIV | human immunodeficiency virus |
| HUD | Department of Housing and Urban Development |
| INS | Immigration and Naturalization Service |
| IPA | Intergovernmental Personnel Act |
| IRS | Internal Revenue Service |
| MSPB | Merit Systems Protection Board |
| NASA | National Aeronautics and Space Administration |
| NORAD | North American Aerospace Defense Command |
| NRC | Nuclear Regulatory Commission |
| OGE | Office of Government Ethics |
| OMB | Office of Management and Budget |
| OPM | Office of Personnel Management |
| PCEE | President's Commission on Executive Exchange |
| PCP | phencyclidine |
| PME | Personnel Management Evaluation |
| PMRS | Performance Management and Recognition System |
| SES | Senior Executive Service |
| SSA | Social Security Administration |
| TVA | Tennessee Valley Authority |
| VA | Veterans Administration |
| VOA | Voice of America |

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amounts than required to maintain comparability with the private sector each year since 1978. (See pp. 35 to 49.)

Improving the Effectiveness of the Public Service

Competent and experienced leadership, effective training and development, and performance accountability and rewards are all important for developing and maintaining a high-quality public service.

GAO reported on the lack of management continuity and accountability in certain costly defense programs, the extent to which career members of the Senior Executive Service (SES) participated in executive training and development activities and their perceptions of the usefulness of those experiences, and the lack of readily available data on why agencies were unable to fill their SES vacancies sooner. GAO also urged Congress to take actions to improve the effectiveness of two special public service employment programs: an executive exchange program (whereby the government and private sector voluntarily exchange executives on a temporary basis) and an intergovernmental mobility program (which has become a primary way that agencies use to bring academic personnel into the federal government). For example, GAO recommended that Congress permit more corporate executives working in government under the exchange program to be paid their full salaries by their corporate employers. (See pp. 50 to 57.)

Training problems continued as one of several human resource management issues affecting FAA. Specifically, FAA's controller and aviation safety inspector training needed improvements. GAO also reported on (1) the extent to which agencies were complying with requirements to start computer security training programs and (2) factors affecting the Department of State's implementation of a professional development program for Foreign Service members. (See pp. 58 to 61.)

Finding ways to enhance the performance of the federal workforce has been a major thrust of recent civil service reforms. In recent years GAO has reviewed a variety of systems aimed at improving the performance and accountability of the public service in selected agencies. During fiscal year 1989, GAO reported on a variety of implementation problems with (1) the pay-for-performance system for federal supervisors and managers, (2) agency procedures for dealing with certain poor performers, and (3) disciplinary policies and practices in the U.S. Postal Service. For example, GAO found that the pay-for-performance system was not viewed by covered employees as fully meeting its objectives to motivate and reward employees, SSA's system for dealing with poor performers could be improved, and Postal Service guidance to supervisors

Executive Summary

Purpose

Management of the federal government's most valuable resource, its employees, affects the quality of the services it delivers to the public. The Office of Personnel Management (OPM) has a special role in overseeing the management of the federal workforce.

Title I of the Civil Service Reform Act of 1978 (CSRA) requires GAO to report annually on certain public service activities. This report summarizes major issues GAO identified in 93 reports and testimonies issued in fiscal year 1989 dealing with the federal public service.

Background

OPM is the federal agency primarily charged with executing the laws governing the federal civil service and developing, administering, and enforcing civil service rules and regulations. OPM policies govern civilian employment in executive branch agencies and certain agencies in the legislative and judicial branches. OPM is responsible for helping these agencies to carry out its policies while delegating certain personnel powers to agency heads. Notwithstanding OPM's critical leadership role, federal agencies bear primary responsibility for personnel management. In enacting CSRA, Congress intended that OPM decentralize to federal agencies more personnel management authority and flexibility. In a June 1989 summary report, GAO discussed public service issues covered previously in GAO reports and testimonies prepared in fiscal years 1987 and 1988.

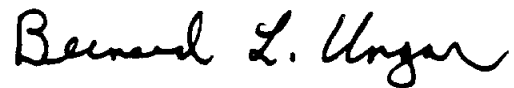
Results in Brief

GAO's reports in fiscal year 1989 continued to confirm that the state of the public service is not what it should be and, as a result, some government programs and services have suffered. Deficiencies and problems continue because of the federal government's inability to consistently

- assure the quality and improve the effectiveness of its workforce through successful recruiting, competitive pay, competent leadership, and improved performance management;
- enhance the integrity of the public service by effectively curtailing conflicts of interest and strengthen the effectiveness of personnel administrative systems and management practices; and
- strengthen the stewardship of the public service through more effective leadership by OPM in human resources management and civil service administration.

B-204941

John Tavares, Project Manager, Federal Human Resource Management Issues, was the principal contributor to this report. Please contact me on 275-5074 if you have any questions concerning the report.

A handwritten signature in black ink that reads "Bernard L. Ungar". The signature is written in a cursive style with a large initial 'B' and a long, sweeping underline.

Bernard L. Ungar
Director, Federal Human
Resource Management Issues

