



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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FEDERAL PERSONNEL AND
COMPENSATION DIVISION

September 19, 1980

B-196181

*Budget Code 0805
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Issue Area 0330

The Honorable A. Vernon Weaver, Jr.
Administrator, Small Business
Administration

Dear Mr. Weaver:

Subject: [First Look at Senior Executive Service
Performance Awards/SBA] (FPCD-80-86)

During July 1980, members of my staff reviewed Senior Executive Service (SES) bonus payments at the Small Business Administration (SBA) and two other agencies as part of a study directed by the Congress. Results of this study are included in our report entitled "First Look at Senior Executive Service Performance Awards," FPCD-80-74, August 15, 1980 (copy enclosed).

We concluded that the performance awards were within the requirements of the Civil Service Reform Act, as well as Office of Personnel Management (OPM) guidance. But we reported that each of the agencies experienced some procedural difficulties in administering these awards. We did not make specific recommendations to the three agencies in our report. In lieu of this, we are writing this letter to share a few of our observations about SBA's bonus system and to outline some recommendations you may wish to consider.

SECOND BONUS CYCLE FOR
FISCAL YEAR 1980 PERFORMANCE

SBA paid bonuses for performance in the first 6 months of fiscal year 1980. At the time of our review, it planned to again pay bonuses for the second half of fiscal year 1980 performance in the fall of 1980 with fiscal year 1981 money. Although this plan is within the legal limits of the Reform Act, it allows SBA to pay bonuses to a higher percentage

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of its executives than other agencies for the same fiscal year 1980 performance period. Most other Federal agencies will pay only one round of bonuses for fiscal year 1980 performance and will have to restrict them to no more than 25 percent of SES positions.

SBA will need to be careful about the manner in which it pays bonuses in the fall to avoid perceived misuse of the 25-percent limit set by the Fiscal Year 1980 Supplemental Appropriations Act. In this regard, we recommend that SBA work closely with OPM to determine an equitable plan for paying bonuses for the remaining fiscal year 1980 performance.

COMPOSITION OF THE PERFORMANCE
REVIEW BOARD (PRB)

All eligible members of SBA's PRB were awarded bonuses and some were also nominated for Distinguished Executive and Meritorious Executive ranks. While we did not detect any evidence of abuse of the SES performance awards system, we believe that SBA could add credibility and objectivity to its award decisions if the PRB included an impartial member or members from outside the agency to participate in PRB decisions.

OPM guidance on bonuses issued on July 21, 1980, suggests agencies consider including one or more members from another Federal agency on their PRBs to further add to the objectivity of the review process. In our report on SES bonuses, we recommended that OPM direct Federal agencies to include impartial outside members to participate in PRB decisions. We recommend that SBA add this representation to its PRB.

PRB FUNCTIONS

SBA's performance appraisal process does not include a requirement for a central review of executives' performance standards early in the performance cycle. Some agencies have adopted this procedure. This review, which could be made by the PRB, would better insure that executives' performance standards and critical elements are clear and consistent with SBA's organization goals and cover all major responsibilities of the executives. Also, such reviews would enhance agencywide consistency and fairness in performance plans, and improve the basis for comparing performances and making bonus decisions.

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We were advised that SBA's Deputy Administrator examined performance standards this year but that there was no requirement for this review. We believe that this was a very desirable step and recommend that a central review of executives' performance plans at the beginning of the rating period be made a requirement of SBA's performance appraisal process.

Also, SBA officials told us that PRB members participated in appraisal discussions and award recommendations for executives they rated. OPM guidance to agencies on PRBs (Bulletin 920-9, March 15, 1979) suggests that the supervisory official who made the initial appraisal of an executive should not be a member of the PRB considering the appraisal of that executive. We recommend that SBA consider requiring supervisors on its PRB be excused from PRB proceedings when bonus and rank recommendations of subordinates are being discussed.

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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs 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.

I want to take this opportunity to express my appreciation for the cooperation given us by your staff in this review. Although the subject was highly controversial, they were very candid in their discussions with us and promptly provided us with information we requested.

Sincerely yours,



H. L. Krieger
Director

Enclosure