United States Government Accountability Office

GAO

Testimony
Before Congressional Subcommittees

For Release on Delivery
Expected at 10:00 a.m. EDT
Tuesday, May 22, 2007

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

Status of GAO's Human Capital Transformation Efforts

Statement of David M. Walker,
Comptroller General of the United States

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GAO-07-872T

May 22, 2007

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Highlights

Highlights of GAO-07-872T, a testimony before Congressional Subcommittees

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Why GAO Prepared This Statement

The subcommittees asked the Comptroller General of the United States to discuss recent human capital reform efforts at the U.S. Government Accountability Office (GAO). In 2004, GAO conducted its first ever market-based compensation study after laying the necessary foundation by implementing a modern, competency-based performance management system. GAO hired a top compensation consulting firm on a competitive basis to conduct a market-based pay study using generally accepted approaches and based on independent and professional judgment. As a result of the study, the 2006 pay ranges for about 25 percent of GAO's employees were raised and about 10 percent of GAO's employees were determined to be paid above market levels based on their roles, responsibilities, and/or relative performance. No GAO employee has had his or her pay cut as a result of GAO's classification and compensation changes. Still, GAO's approach to market-based pay and related Band II restructuring efforts, which were very challenging and likely unprecedented in government, have been the source of considerable attention and some controversy.

GAO seeks to assist the Congress in improving the economy, efficiency, effectiveness, ethics, and equity within the federal government. The Comptroller General considers these important principles in connection with all of his decision making relating to GAO. Furthermore, because GAO audits, investigates, and evaluates others, it seeks to "lead by example" in every major management area, including the human capital area. GAO fully appreciates that it is not perfect and never will be, but it strives to do what is right and to continuously improve.

While GAO's transformational human capital changes have required some difficult adjustments, they, along with other key reforms, have helped GAO to achieve record results for the Congress. Furthermore, GAO has continued to achieve very positive results with its key people measures. For example, on the basis of the results of GAO's latest employee feedback survey, which was conducted after its classification and compensation changes and Band II restructuring effort, GAO was ranked number 2 among large federal employers in the most recent "Best Places to Work in the Federal Government" rankings.

GAO is possibly the first major agency to implement broad banding, market-based pay, and skills-, knowledge-, and performance-oriented pay systems on an agencywide basis. This is a major accomplishment, and GAO's reforms have been the subject of many positive case studies and articles by various external parties on how to achieve tough transformation changes within the federal government.

Nonetheless, the Comptroller General regrets that there were certain expectation and communication gaps that occurred in connection with GAO's initial implementation of market-based pay ranges and related across-the-board pay adjustments in 2006. GAO has, however, taken numerous steps to address this matter over the past year so that any such gaps should no longer exist. Furthermore, the Comptroller General believes that all of GAO's actions have been fully consistent with the law and principles of economy, efficiency, effectiveness, ethics, and equity.

GAO has taken steps in the past year to provide additional opportunities for pay increases to many employees. In addition, GAO will soon submit legislation that will seek to enhance the pay and pension provisions applicable to its employees.

www.gao.gov/cgi-bin/getrpt?GAO-07-872T.

To view the full product, click on the link above. For more information, contact David M. Walker at (202) 512-5500 or CGQuestions@gao.gov.

Chairman Akaka, Chairman Davis, and Members of the Subcommittees:

I appreciate the opportunity to appear before you today to discuss recent human capital reform efforts at the U.S. Government Accountability Office (GAO). As you know, GAO is in the performance and accountability business. We try to improve economy, efficiency, effectiveness, ethics, and equity within the federal government. I consider these important principles in connection with all of my decision making relating to GAO. Furthermore, because we are the ones who audit, investigate, and evaluate others, GAO seeks to "lead by example" in every major management area, including the human capital area. We are not perfect and we never will be, but we strive to do what is right and to continuously improve.

Before I address our recent human capital changes, I would like to put this issue in context. As you know, GAO put the issue of Human Capital Strategy on our High-Risk List in 2001 as a governmentwide challenge. This was due to a variety of factors including the following:

1. the downsizing of government in the 1990s,
2. hiring freezes in selected government agencies,
3. skills and knowledge gaps in many agencies,
4. governmentwide succession planning challenges, and
5. outdated human capital policies and practices within the federal government.

Clearly the government's greatest asset is its employees. Such is certainly the case at GAO. Therefore, all of our human capital reform efforts need to be designed to attract and retain top talent within current and expected resource levels.

Our recent transformation efforts at GAO, including our human capital reforms, have been acclaimed by many and criticized by some. Such criticism is not surprising, since transforming government is tough business and most people don't like to change, especially when the change may not be beneficial to them personally. This is especially true in connection with major human capital reforms. At the same time, as Comptroller General of the United States, I have a fiduciary and stewardship responsibility to focus not just on today but also to do what's right for tomorrow. This requires me, among other things, to focus on

what is in the collective best interest of all GAO's employees rather than what might be in the narrow interest of some of GAO's employees. It also requires me to consider which policies are appropriate to attract and retain a topflight workforce while ensuring that such policies are both affordable today and sustainable over the longer term.

With regard to our pay ranges, some of our employees have interpreted our market-based pay determination as undervaluing their abilities and contributions. Such is clearly not the case. GAO's workforce is highly skilled and dedicated to our mission. We have over 3,000 valuable and valued employees who work hard and make meaningful contributions to our agency each and every day. We appreciate what each GAO employee does for the Congress and the country. Our employees are working hard to make a meaningful and lasting difference, and so am I.

The fact is when you are making tough transformational changes you cannot make everybody happy. This is especially true when you are making changes to an agency's classification and compensation systems. Nonetheless, it is important for an agency's leadership to listen to the views of all clients, employees, and other key stakeholders, and to seriously consider all legitimate comments and concerns. At the same time, at the end of the day, it is critically important for leaders to make difficult decisions based on what they think is the right thing to do, even though it may not be popular. This is the approach that we employ at GAO.

One aspect of our recent human capital changes is our movement to a more market-based and performance-oriented pay system. Importantly, we are not the only federal agency seeking to do so. As a result, I believe it is important to compare what we have done and how we have done it to others in order to provide context to your oversight and deliberations.

While our transformational human capital changes have required some difficult adjustments, they, along with other key reforms, have helped us to achieve record organizational results (see appendix I). Furthermore, we have continued to achieve very positive results in connection with our key people measures, including in connection with our annual employee feedback survey (see appendices II and III). For example, based on the results of our latest employee feedback survey, which was conducted after our classification and compensation changes and Band II restructuring effort, GAO was ranked number 2 among large federal employers in the most recent "Best Places to Work in the Federal Government 2007" rankings.

Most employee concerns regarding our recent changes relate to the implications of our moving to a more market-based, skills-, knowledge-, and performance-oriented pay system. In 2004, we conducted our first ever market-based pay study after laying the necessary foundation by implementing a modern, competency-based performance management system. We hired a top compensation consulting firm, Watson Wyatt, with extensive public, private, and not-for-profit sector experience, through a competitive process. Our related internal consultation effort involved a variety of actions, including task teams, focus groups, "town hall meetings," and meetings with our Employee Advisory Council. Watson Wyatt conducted the market-based pay study using generally accepted approaches and based on its independent and professional judgment. Importantly, for a variety of reasons and at our request, the study did not consider employee benefits in establishing pay ranges for GAO's employees. This resulted in pay ranges that were somewhat higher than otherwise would have been the case.

As a result of the study, the pay ranges for about 25 percent of our employees were raised. In this regard, GAO's Executive Committee raised several of the pay ranges proposed by Watson Wyatt to ensure our competitiveness externally and to enhance equity internally. Importantly, we did not lower any of the proposed ranges. This was good news for the affected employees. However, the study also determined that while most employees were paid within market ranges, about 10 percent of our employees were paid above market levels based on their roles, responsibilities, and/or relative performance. This was not good news for the affected 10 percent, and some of them have been vocal in their related complaints. As a result, our related restructuring efforts, which were very challenging and possibly unprecedented in government, have been the source of considerable attention and some controversy.

Our reforms, while very significant, are by no means perfect. Perfection does not exist on this earth. We believe, however, that our actions have been consistent with both the law and the important principles that I outlined at the outset of my testimony. Our reforms also recognize the need to modernize the federal government's human capital practices, given 21st century realities.

We believe we are the first major agency to implement broad banding; market-based pay; and skills-, knowledge-, and performance-oriented pay systems on an agencywide basis. As noted previously, this is a major accomplishment, and our reforms have been the subject of many positive case studies and articles by various organizations, academics, and others

on how to achieve tough transformation changes within the federal government (see appendix IV). We are proud of what GAO has accomplished in the human capital area, including our recent classification and compensation system changes.

Nonetheless, as I have stated previously, in hindsight, I regret that there were certain expectation and communication gaps that occurred in connection with our initial implementation of market-based pay ranges and related across-the-board pay adjustments in 2006. We have, however, taken numerous steps to address this matter over the past year so that any such gaps should no longer exist. Candidly, there is no easy way to tell people that they are overpaid based on the market, their roles and responsibilities, and possibly their relative performance. It is also difficult to change from a system under which annual adjustments are largely on autopilot to one that is more market- and performance-based.

At the same time, given the express statutory criteria that apply to GAO's annual pay adjustments, our constrained budgets since 2003, and our dedication to the principles of economy, efficiency, effectiveness, ethics, and equity, we took steps that, as Comptroller General, I deemed to be both prudent and necessary for GAO. Unfortunately, despite our concerted and good faith efforts, there has been a lot of false or misleading information circulated and reported about our classification and compensation changes. In this regard, I'd like to set the record straight in connection with several matters.

First and foremost, I know that some are concerned that I did not follow through on certain assurances I made in 2003 during consideration of GAO's Human Capital Reform Act, namely, that we would provide across-the-board pay adjustments to GAO employees who received at least a "meets expectations" rating. In late 2004, after we received the market-based pay study, we were faced with the reality that some of our employees were paid above market levels. This fact was not known when I testified in 2003. In retrospect, we should have advised the Congress and others sooner that we did not view my prior statements as applying to employees who were paid above market levels. I am sorry that we did not do that; however, the fact remains that I did not believe then, nor do I believe now, that it would be appropriate or equitable to provide across-the-board pay increase to employees who are paid above market levels. The very notion that one would provide across-the-board pay adjustments to those paid above market is, in my opinion, fundamentally inconsistent with the very premise of a market-based pay system and the concept of equal pay for work of equal value. Again, while I regret that I did not

clarify this point in a more timely manner, I firmly believe that my exercise of judgment on this matter has been fully consistent with the principles and criteria that were under consideration in July 2003, when I testified, and that were enacted into law in July 2004.

With regard to our recent Band II restructuring effort, the plain and simple truth is that no GAO employee took a pay cut as a result of our classification and compensation changes. Furthermore, all GAO employees who were on board as of January 2006 were given the opportunity to earn what they could have under the prior Band II pay system at the time of the conversion

As you may know, GAO has a two-tiered annual pay adjustment system. The first tier relates to the annual across-the-board pay adjustment that is determined by the Comptroller General based on the statutory criteria that I am required to consider; general market conditions; and certain other factors (e.g., our budget). All employees who achieve a "meets expectation" or higher rating on all applicable competencies and who are paid within applicable market-based compensation limits, including consideration of the Band IIB speed bump, receive this increase.[1] The second tier is our supplemental performance-based compensation (PBC). While the amount of this increase is also contingent on our budget, PBC is based on how well an employee performs relative to his or her applicable peer group.

While 308 GAO employees who performed at the "meets expectation" level or better did not initially receive an across-the board-pay adjustment in 2006 because they were paid above market, this number decreased to 298 as a result of the recent Personnel Appeals Board (PAB) settlement. Of this number, only 47 employees did not receive any PBC for that year. Given GAO's constrained budgets, the plain truth is that any funds allocated to employees who are paid above market are funds that are not available for allocation to employees who are not paid above market, who may be better performers, and who may have more responsibility.

[1]With regard to the speed bump, employees at the Band IIB level must meet the criteria above, and they also must be in the top 50 percent of their peer group if their salary exceeds the market-based speed bump. The speed bump for staff at the Band IIB level is necessary, given the significant degree of overlap in the salary ranges for Band IIB and Band III level employees.

The number of employees who did not receive across-the-board pay adjustments declined from about 10 percent of our total workforce in 2006 to about 5 percent in 2007. Furthermore, of the 139 employees who did not receive across-the-board adjustments in 2007, only 2 did not receive any PBC. Importantly, our limits on across-the-board pay adjustments for certain Band IIA employees represent a temporary transition issue. As a result, by the time that I leave office, we expect there no longer will be any Band IIA employees performing at the "meets expectation level" or better who do not receive an across-the-board pay adjustment (see appendix V).

Some have asserted that morale at GAO is poor. This assertion is not supported by the facts. While the morale of certain Band II employees understandably went down in 2006 as a result of our Band II restructuring effort, overall morale at GAO has risen by 33 percent from the levels when I became Comptroller General. Furthermore, as noted previously, GAO was recently ranked number 2 among all large federal agencies across government in the "Best Places to Work in the Federal Government 2007" rankings published by the Partnership for Public Service in cooperation with American University. This ranking is based on the opinions of GAO employees obtained after our classification and compensation changes and Band II restructuring effort. Furthermore, GAO is also ranked highly by a broad cross section of demographic groups (see appendix VI).

Contrary to assertions by some, GAO's rankings are based on responses to the exact same questions as the ones used in the Office of Personnel Management's (OPM) survey of executive branch agencies. Moreover, despite what some have asserted, GAO employed an extensive outreach, employee participation, and communication effort in connection with our classification and compensation review and Band II restructuring effort. We made a number of important adjustments to our approach based on feedback we received from our employees. Our major agencywide efforts are summarized in appendix VII. Many of these efforts involved a broad range of GAO executives, including myself. The reality is that no matter how many outreach and listening sessions we might have conducted, some percentage of our employees would not have supported any proposed changes, especially those individuals who were deemed to be paid above market.

Importantly, we have taken steps in the past year to provide additional opportunities for pay increases to many employees. For example, all GAO employees, including those who are paid above market levels, were eligible for 100 percent of their PBC in 2007. In addition, all of their PBC was added to their base pay up to applicable market-based pay limits. We

have also eliminated all pay range speed bumps other than the one applicable to Band IIB employees. In addition, we will soon be submitting legislation that will seek to enhance the pay and pension provisions applicable to our employees. GAO's 2007 salary ranges, with comparisons to the most applicable 2007 General Schedule (GS) ranges, are included in appendix VIII.

Some have raised questions or criticized our market-based pay approaches in ways that reflect a basic misunderstanding of how market-based pay studies are conducted. These criticisms also reflect a lack of understanding as to how the GS pay ranges are determined and updated.

Just because the GS system is widespread in the federal government and persons have a better understanding of how they are likely to fare under the system does not mean that it is appropriate, reflects modern compensation practices, or that individuals are treated fairly based on their skills, knowledge, and performance. On the basis of recent briefings by officials from OPM and the Bureau of Labor Statistics (BLS), in my view, the current GS system is outdated and is designed primarily to reward length of service rather than performance. In addition, as we found at GAO even before our Band II restructuring effort, performance appraisals can be negatively correlated to pay for employees paid at the cap for their applicable level.

Given the apparent widespread lack of understanding of the methodology associated with establishing and updating the GS pay ranges, determining related annual across-the-board pay adjustments, and other annual pay adjustments, I believe there is a need to perform a review of the GS system. I would like to do such a study at the request of your subcommittees, but I am willing to do it under my statutory authority as Comptroller General of the United States, if necessary. I look forward to publishing the results of this work. In any event, we will keep you informed as we conduct this work, and I hope that your subcommittees will hold a hearing on the report after it is issued.

Some have questioned the degree of diversity in GAO's workforce. These assertions do not stand up based on a comparison of GAO's workforce to applicable civilian labor force data (see appendix IX), nor are they valid based on the change in GAO's diversity profile over time (see appendix X). As I have stated on many occasions, GAO is committed to maintaining a diverse and high performing workforce with equal opportunity for all and zero tolerance for discrimination of any type. We take a number of affirmative steps and incorporate a number of important safeguards in

relation to all major human capital decisions to help ensure that we achieve this important goal. Our recent decision to voluntarily contract for an independent assessment of African-American employees' performance ratings is unprecedented and serves to demonstrate our commitment in this area.

Finally, on May 8, 2007, the International Federation of Professional and Technical Engineers (IFPTE) filed a petition with the PAB to start the process to organize and represent certain GAO employees. As I have said on numerous occasions, I support the rights of our employees to organize and have taken steps to ensure that GAO's management complies with applicable labor laws. We are willing to support a timely election. However, GAO will challenge any attempts by the union to organize supervisory or confidential personnel. Ultimately, the PAB will be required to decide any issues that are in dispute. We hope that this matter can be resolved in a professional and expeditious manner.

In closing, GAO's leadership team is committed to continuous improvement while avoiding constant change. As I said before, GAO is not perfect and it never will be. We are, however, a leader in transforming many management areas within the federal government, including the human capital area. We are proud of this fact and plan to do everything that we can, in partnership with our clients and employees, to stay that way.

Thank you for your time and attention. I would be happy to answer any questions that you may have.

Appendix I

Organizational Results Measures

Measures	Fiscal 1998	Fiscal 2006
Financial benefits (billions of dollars)	$19.7	$51.0[a]
Nonfinancial benefits (number of actions)	537	1,342
Past recommendations implemented	69%	82%
New products with recommendations	33%	65%

Source: GAO.

[a]$51 billion dollars represents a $105 return on every dollar the Congress invests in GAO.

Note: Additional years of data are available for comparison. See GAO, *Performance and Accountability Report, Fiscal Year 2006*, GAO-07-2SP (Washington, D.C.: November 15, 2006).

Appendix II

People Measures: Attracting and Retaining Staff

Measures	Fiscal 2002[a]	Fiscal 2006
New hire rate	96%	94%
Acceptance rate	81%	70%[b]
Retention rate with retirements	91%	90%
Retention rate without retirements	97%	94%

Source: GAO.

[a]Fiscal year 2002 was the first year in which GAO publicly reported all four of these people measures for trend purposes. Prior to fiscal year 2002, data were not collected for either the new hire rate or the acceptance rate.

[b]The acceptance rate was lower in fiscal year 2006 due, in large part, to the uncertainty of our appropriation, which affected our ability to make hiring offers in a timely manner.

Note: Additional years of data are available for comparison. See GAO, *Performance and Accountability Report, Fiscal Year 2006*, GAO-07-2SP (Washington, D.C.: November 15, 2006).

Appendix III

People Measures: Developing, Using, Leading, and Supporting Staff

Measures	Fiscal 2002	Fiscal 2006
Staff development	71%	76%
Staff utilization	67%	75%
Leadership	75%	79%
Organizational climate	67%	73%

Source: GAO.

Note: These measures are based on responses to selected questions in GAO's annual employee feedback survey, which was revised in 2002 to reflect GAO's organizational realignment. While GAO conducted annual employee feedback surveys prior to 2002, these prior instruments are not comparable in their content or design.

Note: Additional years of data are available for comparison. See GAO, *Performance and Accountability Report, Fiscal Year 2006*, GAO-07-2SP (Washington, D.C.: November 15, 2006).

Appendix IV

Excerpts from Case Studies and Articles Highlighting GAO's Human Capital System

Published source	Excerpted text
The IBM Center for The Business of Government "Designing and Implementing Performance-Oriented Payband Systems" James R. Thompson Associate Professor Graduate Program in Public Administration University of Illinois at Chicago May 2007	• "The interest in pay banding derives in substantial part from the flexibility paybanding affords managers in matters of pay and classification. There is widespread agreement among those who have examined compensation practices in the federal government that the approach embodied by the traditional General Schedule (GS) is obsolete. A common complaint is that the system is too rigid and that the 15-grade structure induces excessive attention to minor distinctions in duties and responsibilities that can affect how a position is classified." • "Another concern is that pay increases are granted largely on the basis of longevity rather then performance." • "The GAO and DoD systems link the pay of their employees more explicitly to the market then do the systems in the other agencies. The intent is both to insure that they can compete for talent and to avoid paying more than is necessary to get the talent." • "GAO has the most sophisticated of the eight systems reviewed here." • "GAO's system is one of only two that are explicitly market-based. GAO determines a 'competitive pay rate,' which represents the market median for positions within each band. The amount of performance-based compensation is calculated as a percentage of the competitive pay rate." • "The standardization of rating averages by pay groups, which makes rating consistency across groups less important and which de facto identifies relative levels of performance within each group." • "Similar to GAO, at the Navy Demonstration Project, the link between the overall rating and the pay increase is direct; no additional intervention by the supervisor is required at the pay setting stage." • "GAO follows a private sector practice by conducting surveys to determine the market rate for each occupational group." • "Of the eight systems reviewed here, only GAO's is market-based: Salaries are periodically adjusted according to compensation levels for similar positions in the private sector." • "Several of the agencies included in this study use boards of senior managers to review ratings across units. GAO's system, on the other hand, does not assume or require rating consistency. The standardized rating score on which each employee's pay increase is based is a function of relative performance within each employee's work group." • "GAO does not use pay pools. Adjustments to ensure that salary costs stay within budgeted amounts occur only at the top. The comptroller general determines both the 'annual adjustment' analogous to the general pay increase received by GS employees and the 'budget factor,' which figures prominently in the calculation of individual performance-based compensation increases."

Published source	Excerpted text
Harvard Business Review **"Change Management in Government"** Frank Ostroff May 2006	• "The Government Accountability Office, or GAO, which investigates other federal agencies and issues reports on their performance, adopted many of the talent-management practices found in the private sector." • "To encourage GAO staffers to embrace new procedures, Walker focused on incentives. GAO had been a place where almost all employees received pay increases largely on the basis of time on the job and job classification or grade, regardless of performance. Now, compensation is structured on market-based salary ranges, and employees are rewarded for expertise, leadership, increased responsibility, and other contributions to performance." • "At GAO, for example, David Walker began by talking with Congress and the agency's two key internal groups- the agency's managing directors and the 25 employee representatives who sit on the Employees' Advisory Council. 'We talk about what we need to do. I discuss it with them live so that they can provide input and ask questions.'" • "As Walker puts it, 'I find that often you have more flexibility than people believe. Many rules, as well as civil service limitations on what you can and can't do, are good, and they need to be followed. But there is a difference between what you can and can't do and what has been done and not done in the past.' As reported by GAO, during Walker's tenure, that agency has roughly doubled savings achieved and resources freed up from $19 billion per year to $40 billion at other agencies as a result of its recommendations."
IBM Center for the Business of Government The Transformation of the Government Accountability Office: Using Human Capital to Drive Change Jonathan Walters *Governing* Magazine Charles Thompson IBM Business Consulting Services July 2005	• "Many close observers of federal personnel systems believe GAO has a significant amount to offer in answering questions around public sector human capital reform. 'GAO is worth paying attention to,' says Steve Nelson, director of the Office of Policy and Evaluation at the Merit Systems Protection Board. 'They've been well ahead of other federal agencies in implementing changes, including large ones like pay for performance and going to market based pay.'" • "Nobody interviewed for this report complained about being underpaid; indeed many staff said that the combination of interesting work and decent pay and benefits made GAO a very attractive place to be." • Remarks attributed to Colleen Kelly, President of the National Treasury Employees Union regarding GAO's human capital transformation: 'If the administration were really sincere about improving human capital management, they would pay closer attention to what's gone on at GAO.'"
Partnership for Public Service Case Study "GAO: Leading by Example" November 5, 2003	• "GAO has some of the best analytical talent in the country. More then 60 percent of its 3,000-plus employees have master's degrees and PhDs, and their expertise covers the entire range of federal government programs." • "GAO's strategic objectives and annual operating objectives are now strongly linked to its performance appraisal system through the use of a competency approach as the centerpiece of its performance management and all other human capital systems." • "In GAO's performance management process, the employee is front and center. They are expected to play an active role in defining their annual goals and performance expectations. Moreover, employees' self-assessments of their own performance serve as the starting point for formal evaluations." • "After the close of the first year under the new system, GAO gathered feedback from its Employee Advisory Council and Managing Directors about the results of the first performance appraisal and management cycle. Based on that feedback, several important improvements to the system were made to continue the change process."

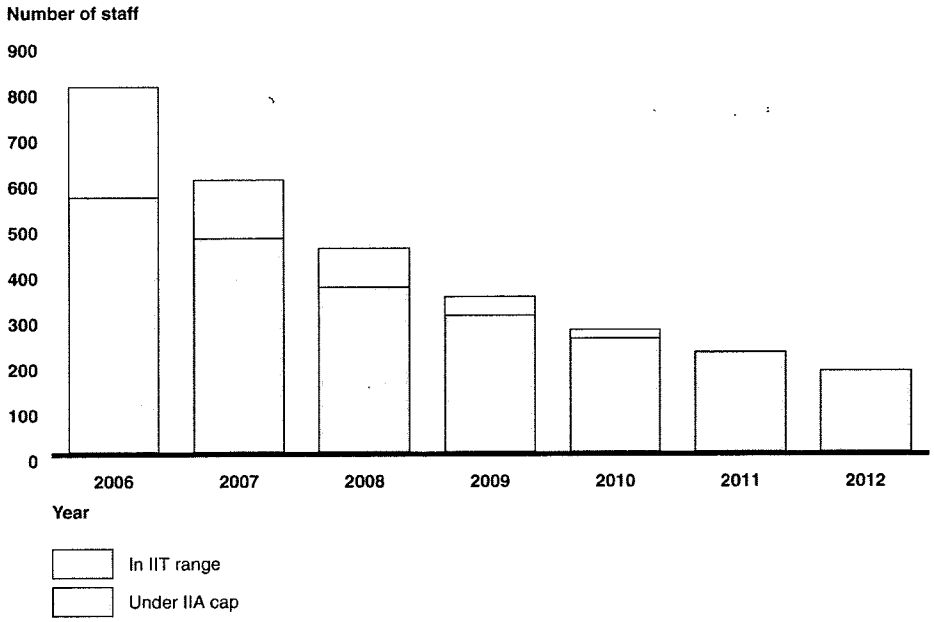
Published source	Excerpted text
Government Leader "Walker takes GAO from accounting to accountability" John Pulley May 14, 2007	• "Walker's overhaul of GAO's job classification and employee appraisal systems links pay to market forces and raises to job performance. Broad pay bands have replaced the regimented General Schedule, which was created in 1949 to manage a largely clerical federal workforce. The results is the most far-reaching overhaul of pay and job classification that any agency of the federal government has undertaken." • Remarks attributed to John Palguta, Vice President of Policy at the Partnership for Public Service: 'At a time when 70 percent of federal jobs are professional or administrative, linking pay to performance and rewarding high achievers is overdue. Kudos to GAO for trying to demonstrate—very personally and very aggressively—that this should be the compensation system of the future. It's a bold move on the part of GAO, and it has caused some consternation within the agency.'" • Remarks attributed to Elizabeth Singer, a member of GAO's Employee Advisory Council: "The critics are very intense, very vocal, very angry, very bitter, but they do not represent the majority opinion.'" • Remarks attributed to Robert Tobias, Director of American University's Institute for the Study of Public Policy Implementation: 'If I'm in the executive branch and I'm an appointee, my focus is on creating public policy, not implementing it. The Washington Post focuses on fights in Congress, not on agencies that do good work. A sustained, focused attention on public policy implementation was not present until Walker came on the scene.'"
FCW.COM "A question of ranking" Richard W. Walker May 2007	• "In response [to allegations that GAO's survey did not include the same questions posed to other executive branch employees], Robert Tobias, director of the Institute for the Study of Public Policy Implementation, said, 'That is not accurate. The three questions in the GAO survey that we used to provide an overall ranking [for the Best Places to Work in the Federal Government ranking] were the exact same questions that were used in the federal human capital survey.'"
Mike Causey's Federal Report May 9, 2007	• "GAO has ruffled lots of feathers in its day doing its duty. But most people conceded it is one of, if not, *the* best run operations in government. But even in the best places, not all the troops are always happy." • "Washington attorney Bill Bransford says the small number of complaints may be an indication that GAO has a winner. Comptroller General David Walker said the PFP [pay for performance] system must have reviews and a safety valve, and Bransford, whose firm specializes in helping feds in trouble, says 'it appears to be a good program.'" • "Anyhow after the dust settles, it is likely that GAO will turn out to have the best PFP system in government. It's a highly-trained, motivated place with lots of talented people and a boss, Comptroller General David Walker, who has a number of strengths."

Published source	Excerpted text
Partnership for Public Service Written Testimony of Max Stier President and CEO, Partnership for Public Service Prepared for the House Committee on Armed Services Subcommittee on Readiness hearing: "The National Security Personnel System: Is it Really Working?" March 6, 2007	• "We know that the GS [General Schedule] pay system and the traditional performance management system is in need of reform by listening to federal employees themselves. In OPM's 2006 Federal Human Capital Survey, to which over 50,000 DOD civilian employees responded, less than one-third (31 percent) agreed that 'In my work unit, differences in performance are recognized in a meaningful way.'"
Government Leader "Pay for the Right Results" Wyatt Kash January 13, 2006	• "There have been pockets of success: at the Federal Aviation Administration, the IRS, the National Institute of Standards and Technology and the Government Accountability Office. Each demonstrated that progressive leadership could break the chains of the General Schedule system and attract and retain the talent government needs. Indeed, more then 90,000 federal workers are now in some form of performance-based pay system." • "GAO and its chief, David Walker, are widely credited these days with doing the job right. Critics quickly dismiss GAO for having some distinct advantages: its workforce is small, relatively homogenous and highly educated. But the lessons of GAO—and the principled approach of comptroller general Walker... offer important leadership examples worth emulating."
Federal Times "GAO's Worthy Example" November 28, 2005	• "GAO's first, and possibly most important, step was to institute a credible performance appraisal system—three to four years before it attempted to tie performance to pay. Having established that system during the three years that followed, the agency is now ready to tie that system to pay raises." • "GAO leaders also avoided making decisions by fiat. Walker invited employee input at open meetings, through advisory councils and by circulating draft plans that invited comments. Employee suggestions were then incorporated into the final plan."

Source: GAO synthesis of published sources, as noted.

Appendix V

Disposition of Band II Staff Initially Placed in Band IIA on January 8, 2006 Projected Through 2012



Source: GAO.

Note: Figures represent staff counts going into the annual adjustment and PBC process each January after the salary ranges have been adjusted upward. Thus, staff in the IIT range are those who would receive no annual adjustment that cycle.

Calculations assume 3.19 percent annual adjustments; 3.19 percent salary range growth; 2.15 percent PBC (with 75/25 allocation); and current IIT rules.

The actual transition period could be shorter if persons are placed in Band IIB before the adjusted pay cap for Band IIA catches up to the Band IIT cap.

Appendix VI

GAO's Ranking among Large Federal Agencies, by Demographic Group

Demographic category	Ranking
Overall	2
African-American	2
Hispanic	2
Asian	6
Female	2

Source: GAO.

Appendix VII

Examples of Employee Outreach Related to the Classification and Compensation Review and Band II Restructuring Efforts

2002	
August	• Employee Advisory Council and Executive Committee conduct regular quarterly meeting: begin to discuss the feasibility of splitting the Band II level.
December	• Employee Advisory Council and Executive Committee conduct regular quarterly meeting: discuss the role of the EAC in future discussions of splitting the Band II level. Also discuss that the project will not get under way until calendar year 2003 and that no changes are expected until 2004.
2003	
April	• Executive Committee conducts three town hall forums with Band II staff to discuss human capital reforms. • Explanation for Human Capital II legislation posted to GAO Intranet for all employees.
May	• Questions and Answers document for Human Capital II legislation posted to the GAO Intranet for all employees.
June	• Memo on proposed reforms to the performance management system, based on Employee Advisory Council and Managing Directors' feedback, posted to the GAO Intranet for all employees.
September	• Employee Advisory Council and Executive Committee conduct quarterly meeting: discuss the distinction between jobs performed at the Band II level.
December	• Employee Advisory Council and Executive Committee conduct quarterly meeting: discuss status of congressional action related to Human Capital II legislation; note that a project team (Band II Advisory Group) had been formed to study the Band II split, with EAC representation, and that the earliest the split will happen will be October 1, 2004.
2004	
January	• Comptroller General conducts "CG Chat:" discusses the planned split of the Band II level into two bands—one for those who act as Analysts-in-Charge on a recurring basis and one for those who function primarily as Senior Auditors, Analysts, and Investigators, and occasionally serve as Analysts-in-Charge. • Detailed work plan on Band II restructuring posted to the GAO Intranet for all employees.
February	• Employee Advisory Council and Executive Committee conduct quarterly meeting: discuss the reasons for the proposed Band II split and note that the split likely will occur between October 2004 and January 2005. • Executive Committee conducts special town hall forum with Band II staff. • Executive Committee conducts meeting with Advisory Group on Band II restructuring.
March	• Executive Committee conducts special town hall forum with Band I population on Band II restructuring. • Executive Committee conducts special town hall forum with Band IIs to discuss the compensation and classification review.
April	• Comptroller General conducts "CG Chat:" discusses the upcoming classification and compensation review; how it evolved from the "Band II split;" and its underlying objectives, principles, processes, and time frames.
May	• Employee Advisory Council and Executive Committee conduct quarterly meeting: discuss the status of the Band II Advisory Committee's efforts and the fact that the group will not meet again until the Classification and Compensation Review (CCR) is complete (planned for summer 2004), note that January 2005 will be the earliest date for implementing any CCR results, and add that no employee's pay would be cut, including locality pay. Employee Advisory Council members asked to provide input by June 2004 on the kinds of organizations that GAO should consider for pay comparison.
July	• Comptroller General conducts "CG Chat:" provides a status report on the CCR. • Contract awarded to Watson Wyatt for compensation study.
August	• Watson Wyatt briefs the Managing Directors. • Watson Wyatt briefs the Employee Advisory Council. • Watson Wyatt conducts approximately 35 hours' worth of meetings with Career Stream Focal Points.

September	• Comptroller General conducts "CG Chat:" discusses CCR and notes that starting with the next pay adjustment for Analysts, Attorneys, and Specialists, all pay categories will be eliminated and all performance-based pay increases will be made on an individual-by-individual basis.
October	• Employee Advisory Council and Executive Committee conduct quarterly meeting: discuss the hiring of Watson Wyatt to start the CCR and note that the study is expected to be completed by the end of the month. • Comptroller General conducts "CG Chat:" discusses performance appraisal and pay issues. • Watson Wyatt briefs employees on compensation design elements.
November	• Watson Wyatt conducts meeting with the Executive Committee and Managing Directors on GAO's adaptation of their findings.
December	• Comptroller General conducts "CG Chat:" shows briefing slides to explain how GAO will use Watson Wyatt's findings to determine salaries for Analysts, Attorneys, and Specialists.
2005	
January	• Comptroller General conducts "CG Chat:" explains how pay adjustments will be made; explains methods used to calculate 2005 performance based compensation increases for Analysts, Attorneys, and Specialists; explains the concept of standardized rating scores.
April	• Employee Advisory Council and Executive Committee conduct quarterly meeting: discuss a future briefing for the Employee Advisory Council by the end of April on the proposed plan for updating the roles of Band IIA/IIB; the selection criteria; and the process for initial placement. Also request that the Employee Advisory Council nominate three of its members to serve on a GAO-task team related to Band II restructuring that will convene in May.
May	• Comptroller General conducts "CG Chat:" reviews plans for next year's pay adjustments for Analysts, Attorneys, and Specialists; announces plans for placing Band II staff members in IIA and IIB salary ranges, establishing a career path for Written Communications Specialists, and developing a process for Communications Analysts to transfer to Band IIA analyst positions. CG also released a project plan to (1) make the initial placements to implement the Band IIA and Band IIB market-based compensation ranges, (2) establish a career path for Written Communications Professionals, and (3) provide a process through which Communications Analysts may apply for a transfer to generalist analyst positions at the Band IIA level. • Project plan for Band II restructuring posted to the GAO Intranet for all employees.
June	• Project plan and announcement of employee task teams' creation to study and develop proposals to implement Band IIA and IIB market-based compensation ranges for Analysts and Specialists posted to the GAO Intranet for all employees.
July	• Executive Committee and Employee Advisory Council conduct quarterly meeting: discuss topics for July 15, 2005, "CG Chat" and provide an update on the Band II restructuring effort. • Comptroller General conducts "CG Chat:" notes that the Executive Committee will review reports from the task teams established to develop recommendations for the roles and responsibilities of Band II Analysts, Specialists, and Communications Professionals. • "Phase I" draft proposals for identifying the IIA and IIB roles and responsibilities for Analysts and Specialists and a career track for Written Communications Professionals posted to the GAO Intranet for all employees for comment.
August	• Executive Committee conducts special town hall meetings with all staff on Analyst proposals. • Executive Committee conducts special town hall meetings with all staff on Attorney proposals. • Executive Committee conducts special town hall meetings with all staff on Specialist proposals. • Notice announcing that focus groups are forming to discuss "Phase II" proposals for implementing Band IIA and IIB market-based compensation ranges for Band II Analysts and Specialists (to be effective January 2006) posted to the GAO Intranet for all employees.

September	• Draft Band II restructuring "Phase II" proposals for identifying the criteria and process for placing Analyst and Specialist staff in the IIB pay range posted on the GAO Intranet for all employees for comment. • Notice posted to the GAO Intranet for all employees announcing the availability on the Intranet of the Band II Restructuring roles and responsibilities for Senior Analysts in the IIA and IIB pay ranges, Specialists in the IIA and IIB pay ranges, and Communication Analysts in the Band I and II pay ranges.
October	• Questions and Answers document on the Band II restructuring posted to the GAO Intranet for all employees. • Draft GAO Order on the Band II Restructuring, containing the latest "Phase I" roles and responsibilities and additional information about the "Phase II" straw proposal regarding the criteria and process for initial IIB pay range placement, posted to the GAO Intranet for all employees to comment. • Executive Committee and Employee Advisory Council conduct quarterly meeting: CG notes that not many comments were received on "Phase I" (roles and responsibilities) of the Band II restructuring effort and reminds EAC members that the GAO order on "Phase II" (criteria and process) is currently out for comment. • Notice posted to the GAO Intranet for all employees announcing the extension of the comment period for the draft GAO order on the Band II restructuring.
November	• Executive Committee conducts special meeting with Managing Directors on Band II restructuring. • Comptroller General conducts "CG Chat:" announces the kick off of an accelerated process for placing current Band II staff members in the IIA and IIB pay ranges by announcing final decisions on the criteria and process to be used and announces decisions about 2006 pay rates for Analysts, Attorneys, and Specialists, with a warning that they were contingent on GAO's final budget. • Notice posted to the GAO Intranet for all employees announcing the availability on the GAO Intranet of the slides used in the previous day's "CG Chat." • Draft GAO order related to GAO's administrative grievance procedure, updated to include information related to the restructuring of Band II, posted to the GAO Intranet for all employees to comment. • Notice posted to the GAO Intranet for all employees announcing changes in eligibility requirements found in the restructuring order and changes in the dates that Band IIB selection panels would convene. • Questions and Answers document on the Band II restructuring for "Phase II" posted on the GAO Intranet for all employees.
December	• Band IIB selection panels convene. • Staff noncompetitively placed in Band IIB are notified of their selection. • Information describing the Band IIB reconsideration process posted to the GAO Intranet for all employees.

2006	
January	• Effective date of reassignment for staff placed in IIB. • Notice posted to the GAO Intranet for all employees to comment announcing the procedures for Band IIB Placement Reconsideration Requests. • Notice posted to the GAO Intranet for all employees to comment clarifying the status of Criminal Investigators (series 1811) as a result of the recent Band II restructuring. • Comptroller General conducts "CG Chat:" reviews results of Band IIB placements and notes that there will be other opportunities for competitive placement in Band IIB—the next one by the end of June and conducted at the same time as the Band IIA promotion process; announces that a proposed procedure for current Communication Analysts and PT-II staff members to apply for certification as Band IIA Analysts, as recommended by a special employee task force, will soon be posted for comments. Notes that—based on the employee task team's work—the Executive Committee decided not to employ a certification process for moving staff from Band I to Band IIA, meaning that for the time being, the process will remain competitive and there will be no speed bump in the IIA pay range. • Executive Committee and Employee Advisory Council conduct quarterly meeting: Employee Advisory Council members raise concerns about how the selection criteria for the Band IIB position were applied, inquires about how future rounds of placements will be conducted, and notes the perceived decrease in staff morale as a result of the restructuring. Discusses the employee task forces' work related to a certification process for Communication Analysts and APSS staff interested in converting to Analyst positions. • In response to issues raised by the Employee Advisory Council, a memo providing additional information on the Band II restructuring process; Personnel Appeals Board and GAO's Office of Opportunity and Inclusiveness appeals processes and filing deadlines; Managing Director feedback on central panel results; and other related issues is posted to the GAO Intranet for all employees. • Staff who applied for reconsideration to be placed in IIB are notified of decisions.
February	• Comptroller General conducts "CG Chat:" reviews the results of Band IIB reconsideration and discusses the rationale for recalculating standardized rating scores to determine the amount of performance-based pay for Band IIA and IIB staff members. • Employees file petitions with the Personnel Appeals Board on Band II restructuring.
April	• Executive Committee and Employee Advisory Council conduct quarterly meeting: Employee Advisory Council members summarize the results of their Band II outreach effort and all parties discuss possibilities for how and when to post the list of staff placed in IIB; discuss the process for future rounds of IIB placement. • Question and Answer document on the Band II restructuring posted to the GAO Intranet for all employees.
May	• Notice of the implementation of a uniform appraisal cycle for Analysts and Specialists, based on feedback from the Employee Advisory Council and the Managing Directors, posted to the GAO Intranet for all employees. • Revisions to Band IIB Performance Appraisal Standards posted to the GAO Intranet for all employees to comment.
July	• Comptroller General conducts "CG Chat:" announces that subject to budget constraints, the Executive Committee is considering various proposals: all GAO staff, regardless of their salary level and their position within their pay band, will be eligible to receive their full performance-based compensation (currently, staff who are at or above their applicable pay cap are not eligible for PBC). Notes that the minimum merit percentage could be set at greater than 50 percent (current guidelines call for 50 percent of PBC to be paid in merit or base pay). Also announces that speed bumps will be eliminated in all pay ranges for both mission and APSS staff, except for Band IIB. Notes that GAO staff will be provided an opportunity to review and comment on these proposals before they are implemented. Reviews results from the first round of IIA and IIB placements following the initial restructuring effort. • Executive Committee and Employee Advisory Council conduct quarterly meeting: review the proposed enhancements to the compensation system that were discussed in the prior day's chat.
October	• Executive Committee and Employee Advisory Council conduct quarterly meeting: discuss rating periods for staff recently placed in IIB.

2007	
April	• The PAB cases, filed in February 2006 regarding the Band II restructuring and involving 12 employees, are resolved via settlement.
May	• Watson Wyatt briefs the Employee Advisory Council.

Source: GAO.

Appendix VIII

Comparison of GAO's 2007 Banded Salary Ranges with 2007 GS Levels (All Steps) for the Washington/Baltimore/ Northern Virginia Locality Area

GAO band	GAO minimum	GAO competitive rate	GAO speed bump	GAO maximum	GS ranges (all steps within grade)
I[a]	$42,900	$60,600	N/A	$78,200	$37,640—$86,801 (GS 7-12)
IIA / IIT[b]	$71,900 / $77,400	$88,300	N/A	$104,700/$118,700	$79,397—$103,220 (GS-13)
IIB	$84,600	$108,400	$121,600	$132,200	$93,822—$121,967 (GS-14)
III	$107,200	$117,500	N/A	$143,471	$110,363—$143,471 (GS-15)

Source: GAO and OMB.

[a]Analyst ranges only. Does not include ranges for IT Analyst, Financial Auditor, or Communication Analyst positions.

[b]IIT is not a separate band, but rather a separate classification of staff with unique salary circumstances.

Appendix IX

GAO Analyst and Related Staff Compared with the 2000 Civilian Labor Force (CLF) Data (Note: GAO data as of October 1, 2006)

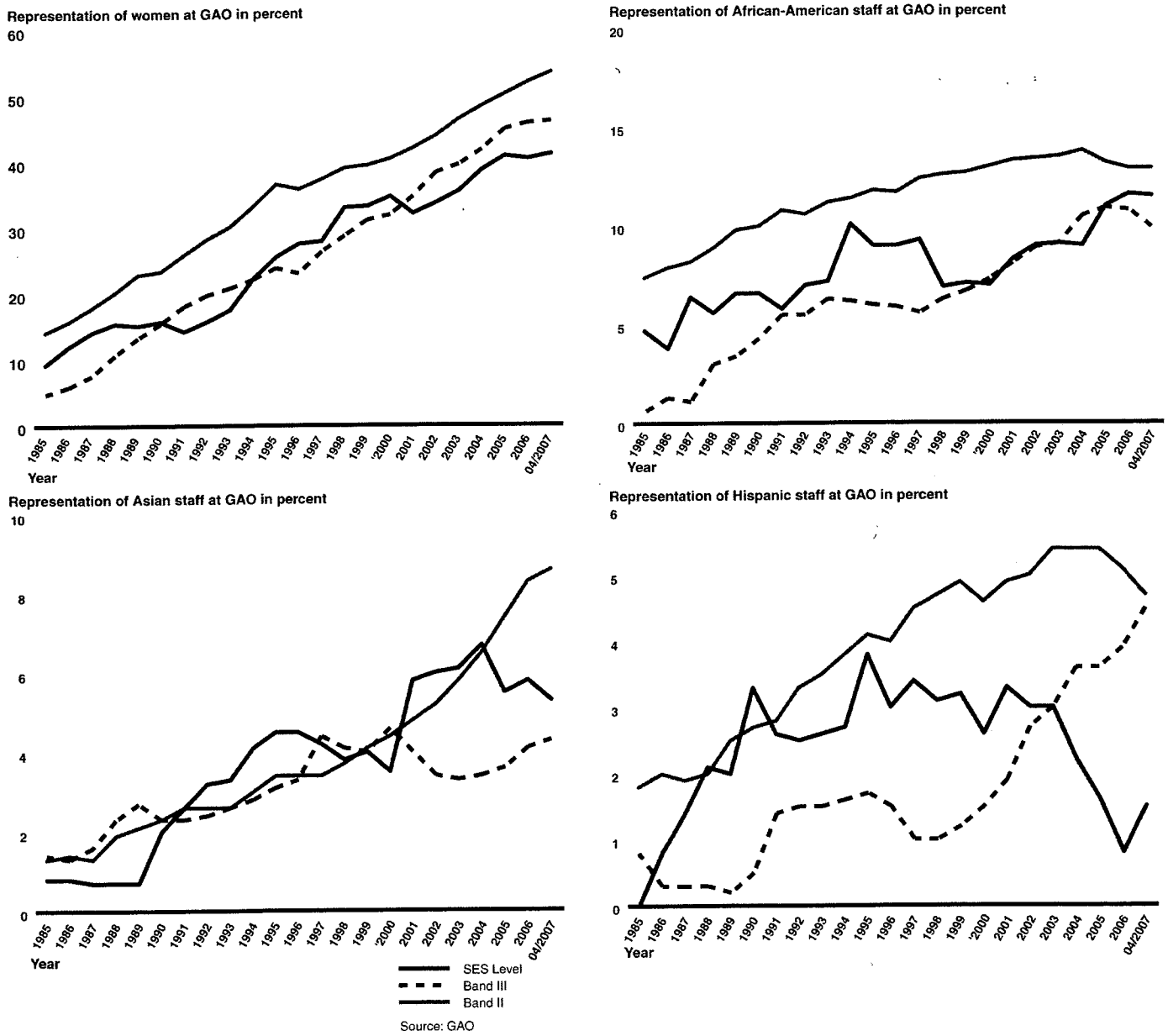
		African American		Asian		Hispanic		Women	
GAO occupations	**Total GAO staff**	% in CLF	% in GAO	% in CLF	% in GAO	% in CLF	% in GAO	% in CLF	% in GAO
Analyst	**1,816**	5.87%	11.78%	5.71%	7.38%	3.58%	5.23%	38.61%	54.24%
Auditor	**239**	7.89%	13.81%	8.06%	11.72%	5.13%	7.11%	57.02%	53.56%
Computer sci/telecomm	**115**	7.83%	13.91%	10.79%	19.13%	4.70%	6.09%	33.23%	50.43%
All other analyst related[a]	**256**	7.98%	14.84%	9.63%	6.25%	5.05%	1.95%	39.62%	39.84%
Total	**2,426**	**6.62%**	**12.41%**	**6.81%**	**8.24%**	**4.13%**	**5.11%**	**43.24%**	**52.47%**

Source: GAO.

[a]Includes occupations like Economists, Financial Analysts, Criminal Investigators, Statisticians, and other specialists with as few as 1 GAO employee.

Appendix X

GAO's Diversity Profile among Senior Analysts, Assistant Directors, and SES Level (Note: scales on vertical axes differ, reflecting the differences in representation for each group)



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